

ENCORP BERHAD
(506836-X)
(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2010
(Unaudited)

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ENCORP BERHAD

(Company No: 506836-X)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 30 JUNE 2010**

	← Unaudited →		← Unaudited →	
	← Individual Quarter →	← Individual Quarter →	← Cumulative Quarters →	← Cumulative Quarters →
	Current Quarter Ended 30 June 10 RM'000	Preceding Year Corresponding Quarter 30 June 09 RM'000	Current Year To Date 30 June 10 RM'000	Preceding Year Corresponding Period 30 June 09 RM'000
Revenue	64,216	38,587	111,788	108,756
Cost of Sales	<u>(32,174)</u>	<u>(5,318)</u>	<u>(48,468)</u>	<u>(26,683)</u>
Gross Profit	32,042	33,269	63,320	82,073
Other Income	775	4,537	1,847	5,401
Selling and Marketing Expenses	(406)	(198)	(705)	(343)
Administrative Expenses	(4,426)	(2,724)	(9,058)	(5,542)
Other Expenses	(1,753)	(1,745)	(3,478)	(4,531)
Finance Costs	<u>(24,951)</u>	<u>(25,474)</u>	<u>(49,880)</u>	<u>(50,950)</u>
Profit Before Tax	1,281	7,665	2,046	26,108
Income Tax Expense	<u>(229)</u>	<u>(1,926)</u>	<u>(271)</u>	<u>(6,812)</u>
Profit After Tax / Total comprehensive income for the period	<u>1,052</u>	<u>5,739</u>	<u>1,775</u>	<u>19,296</u>
Profit After tax / Total comprehensive income attributable to:				
Equity Holders of The Parent	982	4,887	1,225	14,060
Minority Interest	<u>70</u>	<u>852</u>	<u>550</u>	<u>5,236</u>
	<u>1,052</u>	<u>5,739</u>	<u>1,775</u>	<u>19,296</u>
Earnings Per Share Attributable To Equity Holders of The Parent (Sen):				
Basic, For Profit For The Period	<u>0.46</u>	<u>2.28</u>	<u>0.57</u>	<u>6.55</u>

The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.

ENCORP BERHAD

(Company No: 506836-X)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2010**

	Unaudited As At 30 June 10 RM'000	Audited As At 31 Dec 09 RM'000
ASSETS		
<u>NON-CURRENT ASSETS</u>		
PROPERTY, PLANT AND EQUIPMENT	7,507	6,953
LAND HELD FOR PROPERTY DEVELOPMENT	32,062	32,062
GOODWILL ON CONSOLIDATION	120,245	123,156
CONCESSION INCOME RECEIVABLES	993,484	1,005,019
DEFERRED TAX ASSETS	3,115	2,735
<u>CURRENT ASSETS</u>		
Property Development Costs	182,056	175,135
Inventory	-	416
Trade and Other Receivables	189,803	241,827
Tax Recoverable	3,383	1,333
Available-for-sale financial assets	91,122	86,371
Cash and Bank Balances	60,621	36,063
	526,985	541,145
TOTAL ASSETS	1,683,398	1,711,070

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.

ENCORP BERHAD

(Company No: 506836-X)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2010**

	Unaudited As At 30 June 10 RM'000	Audited As At 31 Dec 09 RM'000
EQUITY AND LIABILITIES		
SHARE CAPITAL	223,509	223,509
TREASURY SHARES	(4,559)	(8,664)
SHARE PREMIUM	104,572	103,563
RESERVES	<u>(3,778)</u>	<u>(4,979)</u>
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	319,744	313,429
MINORITY INTEREST	<u>28,432</u>	<u>27,881</u>
TOTAL EQUITY	348,176	341,310
<u>NON-CURRENT LIABILITIES</u>		
Trade Payables	61,046	61,046
Long Term Borrowings	1,017,941	1,030,076
Hire Purchase Payables	397	165
Deferred Taxation	31,058	31,058
	<u>1,110,442</u>	<u>1,122,345</u>
<u>CURRENT LIABILITIES</u>		
Trade and Other Payables	85,415	108,433
Short Term Borrowings	136,500	136,000
Hire Purchase Payables	157	274
Provision for Taxation	2,708	2,708
	<u>224,780</u>	<u>247,415</u>
TOTAL LIABILITIES	<u>1,335,222</u>	<u>1,369,760</u>
TOTAL EQUITY AND LIABILITIES	<u>1,683,398</u>	<u>1,711,070</u>
NET ASSETS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (RM)	<u>1.49</u>	<u>1.43</u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 30 JUNE 2010**

	← Unaudited →					
	← Attributable to Equity Holders of the Parent →					
	← Non - Distributable →				Distributable	
	Share Capital RM'000	Treasury Shares RM'000	Share Premium RM'000	Translation Reserve RM'000	Accumulated Losses RM'000	Total RM'000
Financial period ended 30 June 2010						
At 1 January 2010	223,509	(8,664)	103,563	-	(4,979)	313,429
Total comprehensive income for the period	-	-	-	(24)	1,225	1,201
Dividend paid	-	-	-	-	-	-
Purchase of treasury shares	-	(163)	-	-	-	(163)
Own shares sold	-	4,268	1,009	-	-	5,277
At 30 June 2010	<u>223,509</u>	<u>(4,559)</u>	<u>104,572</u>	<u>(24)</u>	<u>(3,754)</u>	<u>319,744</u>
Financial period ended 30 June 2009						
At 1 January 2009	223,509	(6,673)	103,563	-	(25,465)	294,934
Total comprehensive income for the period	-	-	-	-	14,060	14,060
Dividends	-	-	-	-	-	-
Purchase of treasury shares	-	(1,460)	-	-	-	(1,460)
At 30 June 2009	<u>223,509</u>	<u>(8,133)</u>	<u>103,563</u>	<u>-</u>	<u>(11,405)</u>	<u>307,534</u>

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
 FOR THE QUARTER ENDED 30 JUNE 2010**

	← Unaudited → ← Quarter Ended →	
	30 June 10	30 June 09
	RM'000	RM'000
Cash Flows From Operating Activities		
Profit before taxation	2,046	26,108
Adjustments for:		
Depreciation	568	437
Impairment of goodwill on consolidation	2,911	4,094
Interest expenses	49,880	50,950
Interest income	(1,427)	(1,392)
	53,978	80,197
Operating profit before working capital changes		
Changes in working capital:		
Net changes in current assets	63,975	17,789
Net changes in current liabilities	(23,041)	(25,553)
	94,912	72,433
Cash generated from operations		
Income taxes paid	(2,701)	(5,133)
Interest paid	(36)	(16)
	92,175	67,284
Net cash generated from operating activities		
Cash Flows From Investing Activities		
Development costs	(6,921)	(3,079)
Interest received	1,427	1,392
Purchase of property, plant and equipment	(798)	(215)
	(6,292)	(1,902)
Net cash used in investing activities		

The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
 FOR THE QUARTER ENDED 30 JUNE 2010**

	← Unaudited → ← Quarter Ended → 30 June 10 RM'000	30 June 09 RM'000
Cash Flows From Financing Activities		
Redemption of ABBA Notes	(63,979)	(63,984)
Proceeds from term loan	2,000	-
Proceeds from short term borrowings	500	-
Dividends paid	-	(1,665)
Purchase of treasury shares	(163)	(1,460)
Proceeds from sale of treasury shares	5,277	-
Release/(Placement) of deposits pledged	(34,938)	(9,847)
Repayment of hire purchase	(209)	(59)
Net cash used in financing activities	<u>(91,512)</u>	<u>(77,015)</u>
Net Decrease in Cash and Cash Equivalents	(5,629)	(11,633)
Cash and Cash Equivalents At Beginning of Period	<u>7,945</u>	<u>40,297</u>
Cash and Cash Equivalents At End of Period	<u>2,316</u>	<u>28,664</u>
Cash and cash equivalents comprise the following: -		
Cash deposits placed with:		
- Licensed banks	10,675	15,479
- Licensed corporation	1,594	50,583
Cash and bank balances	<u>48,352</u>	<u>5,675</u>
	60,621	71,737
Add: Available-for-sale financial assets	91,122	112,093
Less: Bank balance and deposits pledged / designated	<u>(149,427)</u>	<u>(155,166)</u>
Cash and Cash Equivalents At End of Period	<u>2,316</u>	<u>28,664</u>

The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.

ENCORP BERHAD (506836-X)
EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2010

A. Explanatory Notes Pursuant to FRS 134: Interim Financial Reporting

A1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with the reporting requirements outlined in the Financial Reporting Standards (FRS) 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (MASB) and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2009. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of Encorp Berhad Group ("the Group") since the financial year ended 31 December 2009.

The accounting policies adopted by the Group in these condensed consolidated interim financial statements are consistent with those of the latest annual audited financial statements for the year ended 31 December 2009, except for the adoption of the following new/revised FRS.

A1(a). Changes in accounting policy

The Group adopted the following Financial Reporting Standards ("FRSs"), Amendments to FRSs and IC Interpretations for its financial period beginning on 1 January 2010:

FRS 7	: Financial Instruments: Disclosures
FRS 8	: Operating Segments
FRS 101	: Presentation of Financial Statements (Revised)
FRS 123	: Borrowing Costs
FRS 139	: Financial Instruments: Recognition and Measurement
IC Interpretation 9	: Reassessment of Embedded Derivatives
IC Interpretation 10	: Interim Financial Reporting and Impairment
IC Interpretation 11	: FRS 2 - Group and Treasury Transactions
IC Interpretation 13	: Customer Loyalty Programmes
IC Interpretation 14	: FRS 119 - The Limit on a Defined Benefit Assets, Minimum Funding and their Interaction

Other than the above mentioned new standards & interpretations, the Group has also adopted the various amendments /improvements to those existing standards already adopted by the Group previously.

Amendments to FRS 1 and FRS 127	: First-time adoption of Financial Reporting Standards and Consolidated and Separate Financial Statements, Cost of an Investment in Subsidiary, Controlled Entity or Associate
Amendments to FRS 132	: Financial Instruments: Presentation
Amendments to FRS 139, FRS 7 and IC Interpretation 9	: Financial Instruments: Recognition and Measurement, Disclosure and Reassessment of Embedded Derivatives
Improvement to FRSs	: Improvement to FRSs (2009)

ENCORP BERHAD (506836-X)
EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2010

A1(a). Changes in accounting policy (Contd.)

The adoption of the above do not have any significant impact to the Group, other than those as explained below:

(i) FRS 101: Presentation of Financial Statements (Revised)

The revised FRS 101 separates owner and non-owner changes in equity. Therefore, the consolidated statement of changes in equity only includes details of transactions with owners. All non-owner changes in equity are presented as a single line labeled as total comprehensive income. In addition, the consolidated balance sheet was renamed as the consolidated statement of financial position in the interim financial report. This standard did not have any impact on the financial position and results of the Group.

(ii) FRS 139, Financial Instruments : Recognition and Measurement

The adoption of FRS 139 has resulted in changes to accounting policies relating to recognition and measurement of financial instruments.

FRS 139 establishes principles for recognising and measuring of financial assets, financial liabilities and other instruments. The changes to the Group's policies resulting from the adoption of this new standard are:

Financial assets

- Loan and receivables

Prior to adoption of FRS 139, loans and receivables were stated at cost less allowance for doubtful debts. Under FRS 139, financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest methods. Gain and losses are recognised in the consolidated income statement when the loans and receivables are derecognised, impaired or through the amortisation process.

- Short term investment

With the adoption of FRS 139, short term investments are designated as available-for-sale financial asset. Under FRS 139, available-for-sale financial assets is measured (a) at fair value initially and subsequently with unrealised gains or losses recognised directly in equity until the investment is derecognised or impaired or (b) at cost if the unquoted equity instrument is not carried at fair value because its fair value cannot be reliably measured.

Financial liabilities

- Borrowings

With the adoption of FRS 139, borrowings are now recognised initially at fair value, plus directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest rate method.

This standard did not have any significant impact on the financial position and results of the Group.

ENCORP BERHAD (506836-X)
EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2010

A2. Auditors' Report on Preceding Annual Financial Statements

The Group's latest audited financial statements for the financial year ended 31 December 2009 were not subject to any qualification.

A3. Seasonal or Cyclical Factors of Operations

The Group's operations are not materially affected by any seasonal or cyclical factors.

A4. Unusual Items Due to Their Nature, Size or Incidences

There were no unusual items affecting the nature and amount of assets, liabilities, equity, net income and cash flows of the Group during the current quarter under review.

A5. Changes in Estimates

There were no changes in estimates of amounts reported in the current quarter or changes in estimates of amounts reported in prior financial years that have had a material effect in the current quarter.

A6. Debt and Equity Securities

There were no issuances, cancellations, repurchases, resales and repayments of debt and equity securities for the current quarter ended 30 June 2010 except for the following: -

a) Repayment of debt	RM'000
Tranches 1, 2 and 3 of Encorp Systembilt Sdn Bhd's ("ESSB") Al-Bai Bithaman Ajil Notes ("Baidis")	<u>63,979</u>

Encorp Systembilt Sdn Bhd, a wholly owned subsidiary of Encorp Berhad, has issued four tranches of bonds with a total nominal value of RM2.75 billion. The net present value of the outstanding bonds as at 30 June 2010 is RM1.13 billion. The bonds are collateralised by the cash flows generated from the concession and do not have any recourse to other companies within the Group.

b) Treasury shares

For the current quarter ended 30 June 2010, the Company has disposed 5.042 million treasury shares in the open market resulting to a surplus of RM1 million which has been credited to the Share Premium account. As at the date of this report, the total number of treasury shares held is 5.386 million.

A7. Dividends Paid

No dividends were paid during the current quarter ended 30 June 2010.

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2010

A8. Segmental Reporting

The Group's segment revenue and results are presented by industry segments for the current period ended 30 June 2010 as follows: -

	Investment Holding RM'000	Property Development RM'000	Construction RM'000	Trading RM'000	Concession Income RM'000	Elimination RM'000	Consolidated RM'000
Segment Revenue							
- External sales	-	13,605	38,782	2,556	56,845	-	111,788
- Inter-segment sales	31,673	-	11,082	-	-	(42,755)	-
Total revenue	31,673	13,605	49,864	2,556	56,845	(42,755)	111,788
Results							
- Segment results	23,866	1,911	(765)	(258)	55,769	(30,024)	50,499
- Interest expenses	(36)	-	-	-	(49,844)	-	(49,880)
- Interest income	76	178	2	1	1,170	-	1,427
Profit before tax	23,906	2,089	(763)	(257)	7,095	(30,024)	2,046
- Income tax expense	(3,690)	(628)	372	-	-	3,675	(271)
Profit after tax							1,775
 Profit attributable to:							
Equity holders of the parent							1,225
Minority interest							550
							1,775

ENCORP BERHAD (506836-X)
EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2010

A9. Valuation of Property, Plant and Equipment

There were no valuation for property, plant and equipment of the Group during the current quarter.

A10. Material Events Subsequent to the Balance Sheet Date

There were no material events subsequent to the current quarter ended 30 June 2010 up to the date of this report.

A11. Changes in the Composition of the Group

There were no changes in the composition of the Group during the current quarter under review, including business combination, acquisition or disposal of subsidiary and long-term investment, restructuring and discontinuing operation.

A12. Changes in Contingent Liabilities

	As at 30 June 10 RM'000	As at 31 Dec 09 RM'000
Contingent liabilities:		
Corporate guarantee given to banks for credit facilities granted to subsidiaries	13,599	13,599
Corporate guarantee given to suppliers in favour of credit facility granted to subsidiaries	186	519
	<u>13,785</u>	<u>14,118</u>

A13. Capital Commitments

	As at 30 June 10 RM'000	As at 31 Dec 09 RM'000
Commitment to purchase development land		
Approved and contracted for	<u>37,124</u>	<u>-</u>

B. Additional Information Required Pursuant to Bursa Securities Listing Requirements.

B1. Review of Performance of the Company and its Principal Subsidiaries

The Group achieved a revenue of RM64.22 million for the current quarter ended 30 June 2010. The revenue is attributed to the sales from the property development, contract revenue and the annuity interest income arising from the completion and handover of the teachers' quarters.

The Group's profit before tax for the same financial period is approximately RM1.28 million . It is mainly derived from the development projects in the subsidiaries and the concession income from the teachers' quarters.

ENCORP BERHAD (506836-X)
EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2010

B2. Comparison with Immediate Preceding Quarter

For the current quarter under review, the Group recorded a profit before tax of approximately RM1.28 million as compared to RM0.77 million in the immediate preceding quarter. The increase in the profit before tax is due to the recognition of revenue from work progress of on-going construction contracts as well as sales from newly launched development during the quarter.

B3. Commentary on Prospects

The completion of the teachers' quarters project has resulted in a constant stream of income to the Group which will expire in year 2028. Revenue will be further derived from the development and the sale of the properties and construction contracts in subsidiary companies.

The Group expects its up-coming launches of residential and commercial property development projects will continue to contribute positively to the Group's earnings.

During the period under review, the Group has recorded cumulative sales of more than 60% for its Garden Office and 98% for its Camellia, Cahaya Alam projects. The estimated Gross Development Value for the two projects are RM370 million and RM65 million respectively. The recognition of profit from the projects are expected to commence from 3rd quarter of 2010 onwards.

Barring any unforeseen circumstances, the Group expects to achieve a satisfactory performance for the current financial year.

B4. Variance from Forecast Profit and Profit Guarantee

Not applicable for the current quarter.

B5. Income Tax Expense

	Current Quarter Ended 30 June 10 RM'000	Current year ended 30 June 10 RM'000
Income tax	(234)	(651)
Deferred tax	5	380
	<u>(229)</u>	<u>(271)</u>

The effective tax rate is lower than the statutory rate mainly due to recognition of deferred tax assets arising from unused tax losses of a subsidiary company to the extent that it is probable to be utilised.

B6. Disposal of Unquoted Investments and/or Properties

Except for the disposal of short term investments in Fixed Maturity Plan Funds, there were no other disposal of unquoted investments and/or properties for the current quarter under review.

B7. Purchase or Disposal of Quoted Securities

There were no purchase and disposal of quoted securities for the current quarter under review.

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2010

B8. Status of Corporate Proposals

On 12 March 2010, Encorp Berhad ("EB" or "the Company") announced the following proposals:

- (i) a proposed renounceable rights issue of up to RM111,754,268 nominal value of 5-year 6% redeemable convertible secured loan stocks ("RCSLS") at 100% of its nominal value together with up to 55,877,134 free detachable warrants ("Warrants") on the basis of two (2) RM1.00 nominal value of RCSLS together with one (1) Warrant for every four (4) existing ordinary shares of RM1.00 each ("Encorp Share(s)") held in the Company on an entitlement date to be determined ("Proposed Right Issue")
- (ii) a proposed placement of up to RM22,350,854 nominal value of RCSLS at 100% of its nominal value together with up to 11,175,427 free detachable Warrants to investor(s) to be identified ("Proposed Placement")
- (iii) proposed increase in the authorised share capital of the Company from RM300,000,000 comprising 300,000,000 Encorp Shares to RM500,000,000 comprising 500,000,000 Encorp Shares ("Proposed Increase in Authorised Share Capital"); and
- (iv) Proposed amendment to the Memorandum and Articles of Association of the Company to facilitate the Proposed Increase in authorised Share Capital ("Proposed Amendment to the Memorandum and Articles of Association").

(Collectively referred to as the "Proposals")

The Company has on 11 May & 9 July 2010 announced the submission of the Proposals to the relevant authorities.

On 5 August 2010, the Board of Directors, having further deliberated on the Proposals, announced the following revisions:

- (i) To revise the basis for the Proposed Rights Issue basis to two (2) RCSLS with one (1) Warrants for every eight (8) existing Encorp Shares. Consequently, the Proposed Rights Issue will involve the allotment and issue of up to RM55,877,134 nominal value of the RCSLS together with up to 27,938,567 Warrants.
- (ii) To revise the Proposed Placement to allotment and issuance of up to RM11,175,426 nominal value of RCSLS together with up to 5,587,713 Warrants to investor(s) to be identified who is/(are) not a director(s), major shareholders(s) or chief executive of the Encorp or person(s) connected to them.
- (iii) To include an additional Call Option clause whereby the holders of RCSLS shall grant to the Company an option to redeem the outstanding RCSLS in whole or in part at a price to be determined based on a yield-to-call of 7% exercisable on the day immediately preceding the 2nd anniversary of the issuance of the RCSLS until and including the end of the 3rd anniversary of the issuance of the RCSLS as provided for in the indicative principal terms of the RCSLS; and
- (iv) To revise the utilisation of proceeds arising from the revised Proposed Rights Issue and revised Proposed Placement.

All other components of the Proposals remain unchanged.

The revised proposals which is pending submission will be subject to the approval of the relevant authorities and shareholders.

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B9. Group Borrowings

The Group borrowings as at 30 June 2010 comprise of: -

	RM'000
<u>Short Term Borrowings - Payable Within 12 Months</u>	
Hire purchase payables	157
Revolving credit - secured	500
Advance	8,000
Al-Bai Bithaman Ajil Notes - secured	128,000
	<u>136,657</u>
<u>Long Term Borrowings - Payable After 12 Months</u>	
Hire purchase payables	397
Term loan	2,000
Al-Bai Bithaman Ajil Notes - secured	1,015,941
	<u>1,018,338</u>
Total group borrowings	<u>1,154,995</u>

B10. Off Balance Sheet Financial Instruments

There were no financial instruments with off balance sheet risk at the date of this report.

B11. Changes in Material Litigation

There is an arbitration proceeding between a subsidiary ("Subsidiary") and one of the Subsidiary's contractors ("Contractor") in respect of claims arising from the Teachers' Quarters Project undertaken by the Contractor. From the total claims submitted by the Contractor, a portion thereof has been certified and paid by the Subsidiary. The balance of the claims amounting to approximately RM5 million comprises claims due to the late delivery of the site to the Contractor, claims for extension of time and head office costs which the Subsidiary is disputing. At the same time, the Subsidiary is pursuing its counter claim against the Contractor. The arbitration proceeding has been fixed for continued hearing from 23 to 27 August 2010.

B12. Proposed Dividends

The Board of Directors do not recommend any dividend for the quarter under review.

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
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B13. Basic Earnings Per Share

	Current quarter ended 30 June 10	Current year ended 30 June 10
	RM'000	RM'000
Attributable to ordinary equity holders of the parent Profit attributable to equity holders of the parent	<u>982</u>	<u>1,225</u>
Weighted average number of ordinary shares in issue ('000)	<u>214,696</u>	<u>214,696</u>
Basic earnings per ordinary share (Sen)	<u>0.46</u>	<u>0.57</u>

There is no diluted earnings per share as there were no dilutive potential ordinary shares.

B14. Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 18 August 2010.

By Order of the Board
ENCORP BERHAD (506836-X)

Lee Lay Hong
Company Secretary

18 August 2010