

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

**INTERIM FINANCIAL STATEMENTS**  
**FOR THE QUARTER ENDED 30 SEPTEMBER 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 SEPT 2010**

	← Unaudited →		← Unaudited →	
	← Individual Quarter →	← Individual Quarter →	← Cumulative Quarters →	← Cumulative Quarters →
	Current Quarter Ended 30 Sept 10 RM'000	Preceding Year Corresponding Quarter 30 Sept 09 RM'000	Current Year To Date 30 Sept 10 RM'000	Preceding Year Corresponding Period 30 Sept 09 RM'000
Revenue	64,691	50,462	176,479	159,219
Cost of Sales	<u>(23,157)</u>	<u>(16,932)</u>	<u>(71,625)</u>	<u>(43,615)</u>
Gross Profit	41,534	33,530	104,854	115,604
Other Income	903	3,008	2,750	8,408
Selling and Marketing Expenses	(339)	(127)	(1,044)	(470)
Administrative Expenses	(6,147)	(3,764)	(15,205)	(9,308)
Other Expenses	(1,833)	(1,793)	(5,311)	(6,321)
Finance Costs	<u>(25,109)</u>	<u>(25,475)</u>	<u>(74,989)</u>	<u>(76,425)</u>
Profit Before Tax	9,009	5,379	11,055	31,488
Income Tax Expense	<u>(2,138)</u>	<u>(863)</u>	<u>(2,409)</u>	<u>(7,675)</u>
Profit After Tax	<u>6,871</u>	<u>4,516</u>	<u>8,646</u>	<u>23,813</u>
Other comprehensive income:				
Foreign currency translation	885	-	885	-
Total comprehensive income for the period	<u>7,756</u>	<u>4,516</u>	<u>9,531</u>	<u>23,813</u>
Profit After tax attributable to:				
Equity Holders of The Parent	4,653	4,098	5,878	18,158
Minority Interest	<u>2,218</u>	<u>418</u>	<u>2,768</u>	<u>5,655</u>
	<u>6,871</u>	<u>4,516</u>	<u>8,646</u>	<u>23,813</u>
Total comprehensive income attributable to:				
Equity Holders of The Parent	5,538	4,098	6,763	18,158
Minority Interest	<u>2,218</u>	<u>418</u>	<u>2,768</u>	<u>5,655</u>
	<u>7,756</u>	<u>4,516</u>	<u>9,531</u>	<u>23,813</u>
Earnings Per Share Attributable To Equity Holders of The Parent (Sen):				
Basic, For Profit For The Period	<u>2.16</u>	<u>1.91</u>	<u>2.72</u>	<u>8.47</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 SEPT 2010**

	<b>Unaudited As At 30 Sept 10 RM'000</b>	<b>Audited As At 31 Dec 09 RM'000</b>
ASSETS		
<u>NON-CURRENT ASSETS</u>		
PROPERTY, PLANT AND EQUIPMENT	7,930	6,953
LAND HELD FOR PROPERTY DEVELOPMENT	47,734	32,062
GOODWILL ON CONSOLIDATION	118,706	123,156
CONCESSION INCOME RECEIVABLES	987,499	1,005,019
DEFERRED TAX ASSETS	751	2,735
<u>CURRENT ASSETS</u>		
Property Development Costs	193,524	175,135
Inventory	-	416
Trade and Other Receivables	176,971	241,827
Tax Recoverable	2,531	1,333
Available-for-sale financial assets	121,315	86,371
Cash and Bank Balances	18,764	36,063
	<b>513,105</b>	<b>541,145</b>
TOTAL ASSETS	<b><u>1,675,725</u></b>	<b><u>1,711,070</u></b>

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 SEPT 2010**

	<b>Unaudited As At 30 Sept 10 RM'000</b>	<b>Audited As At 31 Dec 09 RM'000</b>
<b>EQUITY AND LIABILITIES</b>		
SHARE CAPITAL	223,509	223,509
TREASURY SHARES	(4,559)	(8,664)
SHARE PREMIUM	104,572	103,563
RESERVES	<u>(9,122)</u>	<u>(4,979)</u>
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	314,400	313,429
MINORITY INTEREST	<u>25,924</u>	<u>27,881</u>
TOTAL EQUITY	340,324	341,310
<b><u>NON-CURRENT LIABILITIES</u></b>		
Trade Payables	61,046	61,046
Long Term Borrowings	998,409	1,030,241
Deferred Taxation	31,058	31,058
	<u>1,090,513</u>	<u>1,122,345</u>
<b><u>CURRENT LIABILITIES</u></b>		
Trade and Other Payables	104,915	108,433
Short Term Borrowings	139,450	136,274
Provision for Taxation	523	2,708
	<u>244,888</u>	<u>247,415</u>
TOTAL LIABILITIES	<u>1,335,401</u>	<u>1,369,760</u>
TOTAL EQUITY AND LIABILITIES	<u>1,675,725</u>	<u>1,711,070</u>
NET ASSETS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (RM)	<u>1.46</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.

**ENCORP BERHAD**

(Company No: 506836-X)

(Incorporated in Malaysia)

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

	←----- Unaudited -----→						Minority Interest	Total Equity
	←----- 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	Accumulat Losses RM'000	Total RM'000		
<b>Financial period ended 30 June 2010</b>								
At 1 January 2010	223,509	(8,664)	103,563	-	(4,979)	313,429	27,881	341,310
Total comprehensive income for the period	-	-	-	885	5,878	6,763	2,768	9,531
Dividend paid	-	-	-	-	(10,906)	(10,906)	(4,725)	(15,631)
Purchase of treasury shares	-	(163)	-	-	-	(163)	-	(163)
Own shares sold		4,268	1,009	-	-	5,277	-	5,277
At 30 Sept 2010	<u>223,509</u>	<u>(4,559)</u>	<u>104,572</u>	<u>885</u>	<u>(10,007)</u>	<u>314,400</u>	<u>25,924</u>	<u>340,324</u>
<b>Financial period ended 30 June 2009</b>								
At 1 January 2009	223,509	(6,673)	103,563	-	(25,465)	294,934	23,138	318,072
Total comprehensive income for the period	-	-	-	-	18,158	18,158	5,655	23,813
Dividends	-	-	-	-	-	-	(1,665)	(1,665)
Purchase of treasury shares	-	(1,748)	-	-	-	(1,748)	-	(1,748)
At 30 Sept 2009	<u>223,509</u>	<u>(8,421)</u>	<u>103,563</u>	<u>-</u>	<u>(7,307)</u>	<u>311,344</u>	<u>27,128</u>	<u>338,472</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 SEPT 2010**

	← Unaudited → ← Quarter Ended →	
	30 Sept 10	30 Sept 09
	RM'000	RM'000
<b>Cash Flows From Operating Activities</b>		
Profit before taxation	11,055	31,488
Adjustments for:		
Depreciation	861	661
Impairment of goodwill on consolidation	4,450	5,663
Interest expenses	74,989	76,425
Interest income	(2,227)	(2,038)
	<hr/>	<hr/>
Operating profit before working capital changes	89,128	112,199
Changes in working capital:		
Net changes in current assets	83,646	12,065
Net changes in current liabilities	(3,520)	(25,097)
	<hr/>	<hr/>
Cash generated from operations	169,254	99,167
Income taxes paid	(3,808)	(15,015)
Interest paid	(223)	(24)
	<hr/>	<hr/>
Net cash generated from operating activities	165,223	84,128
<b>Cash Flows From Investing Activities</b>		
Development costs	(18,389)	(12,244)
Interest received	2,227	2,038
Purchase of land held for development	(15,672)	-
Purchase of property, plant and equipment	(638)	(429)
	<hr/>	<hr/>
Net cash used in investing activities	(32,472)	(10,635)

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 SEPT 2010**

	← Unaudited → ← Quarter Ended → 30 Sept 10 RM'000	30 Sept 09 RM'000
<b>Cash Flows From Financing Activities</b>		
Redemption of ABBA Notes	(120,279)	(120,279)
Proceeds from term loan	13,405	-
Proceeds from short term borrowings	2,875	-
Dividends paid	(15,631)	(1,665)
Purchase of treasury shares	(163)	(1,748)
Proceeds from sale of treasury shares	5,277	-
(Placement)/Release of deposits pledged	(17,406)	26,799
Repayment of hire purchase and finance lease	(449)	(149)
Net cash used in financing activities	<u>(132,371)</u>	<u>(97,042)</u>
<b>Net Decrease in Cash and Cash Equivalents</b>	380	(23,549)
<b>Cash and Cash Equivalents At Beginning of Period</b>	<u>7,945</u>	<u>40,297</u>
<b>Cash and Cash Equivalents At End of Period</b>	<u><b>8,325</b></u>	<u><b>16,748</b></u>
Cash and cash equivalents comprise the following: -		
Cash deposits placed with:		
- Licensed banks	5,038	15,587
- Licensed corporation	6,717	4,543
Cash and bank balances	7,184	7,051
Bank overdrafts	(175)	-
	<u>18,764</u>	<u>27,181</u>
Add: Available-for-sale financial assets	121,315	108,087
Less: Bank balance and deposits pledged / designated	(131,754)	(118,520)
<b>Cash and Cash Equivalents At End of Period</b>	<u><b>8,325</b></u>	<u><b>16,748</b></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 SEPT 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 SEPT 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 SEPT 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 Sept 2010 except for the following: -

a) Repayment of debt	<b>RM'000</b>
Tranches 1, 2 and 3 of Encorp Systembilt Sdn Bhd's ("ESSB") Al-Bai Bithaman Ajil Notes ("Baidis")	<u>120,279</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 September 2010 is RM1.11 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

As at the date of this report, the total number of treasury shares held is 5.39 million.

**A7. Dividends Paid**

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

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

**A8. Segmental Reporting**

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

	<b>Investment Holding RM'000</b>	<b>Property Development RM'000</b>	<b>Construction RM'000</b>	<b>Trading RM'000</b>	<b>Concession Income RM'000</b>	<b>Elimination RM'000</b>	<b>Consolidated RM'000</b>
<b>Segment Revenue</b>							
- External sales	-	22,745	63,286	5,400	85,048	-	176,479
- Inter-segment sales	34,237	-	13,876	-	-	(48,113)	-
<b>Total revenue</b>	<b>34,237</b>	<b>22,745</b>	<b>77,162</b>	<b>5,400</b>	<b>85,048</b>	<b>(48,113)</b>	<b>176,479</b>
<b>Results</b>							
- Segment results	22,419	11,200	(395)	(385)	83,047	(32,118)	83,768
- Interest expenses	(219)	-	(4)	-	(74,766)	-	(74,989)
- Interest income	127	238	6	1	1,904	-	2,276
<b>Profit before tax</b>	<b>22,327</b>	<b>11,438</b>	<b>(393)</b>	<b>(384)</b>	<b>10,185</b>	<b>(32,118)</b>	<b>11,055</b>
- Income tax expense	(3,698)	(2,731)	344	-	-	3,676	(2,409)
<b>Profit after tax</b>	<b>18,629</b>	<b>8,707</b>	<b>(49)</b>	<b>(384)</b>	<b>10,185</b>	<b>(28,442)</b>	<b>8,646</b>
 Profit attributable to:							
Equity holders of the parent							5,878
Minority interest							2,768
							<b>8,646</b>

**ENCORP BERHAD (506836-X)**  
**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
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**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 September 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**

	<b>As at 30 Sept 10 RM'000</b>	<b>As at 31 Dec 09 RM'000</b>
<b>Contingent liabilities:</b>		
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	241	519
	<u>13,840</u>	<u>14,118</u>

**A13. Capital Commitments**

	<b>As at 30 Sept 10 RM'000</b>	<b>As at 31 Dec 09 RM'000</b>
<b>Commitment to purchase development land</b>		
Approved and contracted for	23,301	-
	<u>23,301</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 RM64.69 million for the current quarter ended 30 September 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.

For the same financial period, the Group's profit before tax is approximately RM9.01million. 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 SEPT 2010**

**B2. Comparison with Immediate Preceding Quarter**

For the current quarter under review, the Group recorded a profit before tax of approximately RM9.01 million as compared to profit before tax of RM1.28 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 provided the group with a constant stream of income up to the 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.

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**

	<b>Current Quarter Ended 30 Sept 10 RM'000</b>	<b>Current year ended 30 Sept 10 RM'000</b>
Income tax	226	(425)
Deferred tax	<u>(2,364)</u>	<u>(1,984)</u>
	<u><u>(2,138)</u></u>	<u><u>(2,409)</u></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.

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

**B8. Status of Corporate Proposals**

Subsequent to 12 March, 11 May and 9 July 2010, Encorp Berhad ("EB") on 8 August 2010 announced the following revised proposals:

- (i) a proposed renounceable rights issue of up to RM55,877,134 nominal value of 5-year 6% redeemable convertible secured loan stocks ("RCSLS") at 100% of its nominal value together with up to 27,938,567 free detachable warrants ("Warrants") on the basis of two (2) RM1.00 nominal value of RCSLS together with one (1) Warrant for every four (8) 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 RM11,175,426 nominal value of RCSLS at 100% of its nominal value together with up to 5,587,713 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 of Association of the Company to facilitate the Proposed Increase in authorised Share Capital ("Proposed Amendment to the Memorandum of Association").

(Collectively referred to as the "Proposals")

On 26 August 2010, EB announced on the submission of the applications to Bursa Malaysia Securities Berhad, Securities Commission ("SC") and Bank Negara Malaysia ("BNM") in respect of the Proposals.

On 22 September 2010, EB announced that BNM has vide its letter dated 9 September 2010, which was received on 22 September 2010, approved the issuance of Warrants to non-resident shareholders of Encorp pursuant to the Proposed Rights Issue and Proposed Placement, without imposing any conditions.

On 1 October 2010, EB announced that the SC has vide its letter dated 30 September 2010, approved the issuance of RCSLS to shareholders of Encorp under the Proposed Rights Issue and investor(s) to be identified under the Proposed Placement. The approval is subject to conditions imposed by SC.

The revised Proposals is pending approval of Bursa and shareholders.

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

**B9. Group Borrowings**

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

	<b>RM'000</b>
<b><u>Short Term Borrowings - Payable Within 12 Months</u></b>	
Bank overdraft	175
Hire purchase payables	353
Finance lease	397
Revolving credit - secured	2,700
Advance	8,000
Al-Bai Bithaman Ajil Notes - secured	128,000
	<u>139,625</u>
<b><u>Long Term Borrowings - Payable After 12 Months</u></b>	
Hire purchase payables	440
Term loan	13,405
Al-Bai Bithaman Ajil Notes - secured	984,564
	<u>998,409</u>
<b>Total group borrowings</b>	<b><u>1,138,034</u></b>

**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 hearing for the arbitration proceeding is completed. The Arbitrator has directed as follows :

- i) The Contractor to submit its final written submission by 5 January 2011;
- ii) The Subsidiary to submit its final written submission by 13 April 2011; and
- iii) The Contractor to submit its final written reply (if any) by 11 May 2011

**B12. Proposed Dividends**

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

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

**B13. Basic Earnings Per Share**

	<b>Current quarter ended 30 Sept 10</b>	<b>Current year ended 30 Sept 10</b>
	RM'000	RM'000
Attributable to ordinary equity holders of the parent		
Profit attributable to equity holders of the parent	<u><b>4,653</b></u>	<u><b>5,878</b></u>
Weighted average number of ordinary shares in issue ('000)	<u><b>215,851</b></u>	<u><b>215,851</b></u>
<b>Basic earnings per ordinary share (Sen)</b>	<u><b>2.16</b></u>	<u><b>2.72</b></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 19 November 2010.

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

**Lee Lay Hong**  
 Company Secretary

19 November 2010