

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

INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 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 31 DECEMBER 2010**

	← Unaudited →		Unaudited	Audited
	← Individual Quarter →		← Cumulative Quarters →	
	Current Quarter Ended	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Period
	31 Dec 10	31 Dec 09	31 Dec 10	31 Dec 09
	RM'000	RM'000	RM'000	RM'000
Revenue	95,479	75,685	271,958	234,905
Cost of Sales	<u>(57,064)</u>	<u>(41,588)</u>	<u>(128,689)</u>	<u>(85,274)</u>
Gross Profit	38,415	34,097	143,269	149,631
Other Income	1,232	1,184	3,982	11,217
Selling and Marketing Expenses	(1,246)	(346)	(2,290)	(754)
Administrative Expenses	(6,959)	(3,589)	(22,164)	(14,583)
Other Expenses	(2,256)	(1,980)	(7,566)	(8,307)
Finance Costs	<u>(25,307)</u>	<u>(25,475)</u>	<u>(100,296)</u>	<u>(101,898)</u>
Profit Before Tax	3,879	3,891	14,935	35,306
Income Tax Expense	<u>(703)</u>	<u>(921)</u>	<u>(3,112)</u>	<u>(8,412)</u>
Profit After Tax	<u>3,176</u>	<u>2,970</u>	<u>11,823</u>	<u>26,894</u>
Other comprehensive income:				
Foreign currency translation	1,714	-	1,714	-
Total comprehensive income for the period	<u>4,890</u>	<u>2,970</u>	<u>13,537</u>	<u>26,894</u>
Profit After tax attributable to:				
Equity Holders of The Parent	2,059	2,256	7,938	20,486
Minority Interest	<u>1,117</u>	<u>714</u>	<u>3,885</u>	<u>6,408</u>
	<u>3,176</u>	<u>2,970</u>	<u>11,823</u>	<u>26,894</u>
Total comprehensive income attributable to:				
Equity Holders of The Parent	3,773	2,256	9,652	20,486
Minority Interest	<u>1,117</u>	<u>714</u>	<u>3,885</u>	<u>6,408</u>
	<u>4,890</u>	<u>2,970</u>	<u>13,537</u>	<u>26,894</u>
Earnings Per Share Attributable To Equity Holders of The Parent (Sen):				
Basic, For Profit For The Period	<u>0.95</u>	<u>1.05</u>	<u>3.67</u>	<u>9.54</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 31 DECEMBER 2010**

	Unaudited As At 31 Dec 10 RM'000	Audited As At 31 Dec 09 RM'000
ASSETS		
<u>NON-CURRENT ASSETS</u>		
PROPERTY, PLANT AND EQUIPMENT	9,538	6,953
LAND HELD FOR PROPERTY DEVELOPMENT	49,424	32,062
GOODWILL ON CONSOLIDATION	116,847	123,156
CONCESSION INCOME RECEIVABLES	981,362	1,005,019
DEFERRED TAX ASSETS	387	2,735
<u>CURRENT ASSETS</u>		
Property Development Costs	198,840	175,135
Inventory	-	416
Trade and Other Receivables	245,549	241,827
Tax Recoverable	2,534	1,333
Available-for-sale financial assets	95,815	86,371
Cash and Bank Balances	35,387	36,063
	578,125	541,145
TOTAL ASSETS	1,735,683	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 31 DECEMBER 2010**

	Unaudited As At 31 Dec 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	104,281	103,563
RESERVES	<u>(6,233)</u>	<u>(4,979)</u>
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	316,998	313,429
MINORITY INTEREST	<u>27,041</u>	<u>27,881</u>
TOTAL EQUITY	344,039	341,310
<u>NON-CURRENT LIABILITIES</u>		
Trade Payables	61,046	61,046
Long Term Borrowings	1,017,929	1,030,241
Deferred Taxation	870	-
	<u>1,079,845</u>	<u>1,091,287</u>
<u>CURRENT LIABILITIES</u>		
Trade and Other Payables	152,327	139,491
Short Term Borrowings	157,930	136,274
Provision for Taxation	1,542	2,708
	<u>311,799</u>	<u>278,473</u>
TOTAL LIABILITIES	<u>1,391,644</u>	<u>1,369,760</u>
TOTAL EQUITY AND LIABILITIES	<u>1,735,683</u>	<u>1,711,070</u>
NET ASSETS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (RM)	<u>1.46</u>	<u>1.46</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 31 DECEMBER 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	Accumulated Losses RM'000	Total RM'000		
Financial period ended 31 December 2010								
At 1 January 2010	223,509	(8,664)	103,563	-	(4,979)	313,429	27,881	341,310
Total comprehensive income for the period	-	-	-	1,714	7,938	9,652	3,885	13,537
Dividend paid	-	-	-	-	(10,906)	(10,906)	(4,725)	(15,631)
Rights issue expenses	-	-	718	-	-	718	-	718
Purchase of treasury shares	-	(163)	-	-	-	(163)	-	(163)
Own shares sold	-	4,268	-	-	-	4,268	-	4,268
At 31 December 2010	<u>223,509</u>	<u>(4,559)</u>	<u>104,281</u>	<u>1,714</u>	<u>(7,947)</u>	<u>316,998</u>	<u>27,041</u>	<u>344,039</u>
Financial period ended 31 December 2009								
At 1 January 2009	223,509	(6,673)	103,563	-	(25,465)	294,934	23,138	318,072
Total comprehensive income for the period	-	-	-	-	20,486	20,486	6,408	26,894
Dividends	-	-	-	-	-	-	(1,665)	(1,665)
Purchase of treasury shares	-	(1,991)	-	-	-	(1,991)	-	(1,991)
At 31 December 2009	<u>223,509</u>	<u>(8,664)</u>	<u>103,563</u>	<u>-</u>	<u>(4,979)</u>	<u>313,429</u>	<u>27,881</u>	<u>341,310</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 31 DECEMBER 2010**

	← Year Ended →	
	31 Dec 10	31 Dec 09
	RM'000	RM'000
Cash Flows From Operating Activities		
Profit before taxation	14,935	35,306
Adjustments for:		
Depreciation	1,257	983
Impairment of goodwill on consolidation	6,309	7,323
Loss / (Gain) on disposal of property, plant and equipment	14	(144)
Property, plant and equipment written off	-	151
Reversal of consultant claim over provided in prior year	-	(3,858)
Reversal of provision of unbilled construction works	-	(2,358)
Writeback of provision of short term accumulating compensated absences	-	(20)
Provision of liquidated ascertained damages	-	539
Interest expenses	100,296	101,899
Interest income	(3,387)	(2,790)
	<u>119,424</u>	<u>137,031</u>
Operating profit before working capital changes	119,424	137,031
Changes in working capital:		
Net changes in current assets	22,065	(46,652)
Net changes in current liabilities	12,836	18,956
	<u>154,325</u>	<u>109,335</u>
Cash generated from operations	154,325	109,335
Income taxes paid	(2,261)	(17,562)
Interest paid	(608)	(31)
	<u>151,456</u>	<u>91,742</u>
Net cash generated from operating activities	151,456	91,742
Cash Flows From Investing Activities		
Development costs	(23,705)	(23,454)
Interest received	3,387	4,427
Purchase of land held for development	(15,948)	-
Purchase of land held for development	136	384
Purchase of property, plant and equipment	(2,166)	(2,652)
	<u>(38,296)</u>	<u>(21,295)</u>
Net cash used in investing activities	(38,296)	(21,295)

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 31 DECEMBER 2010**

	← Unaudited Year Ended 31 Dec 10 RM'000	Audited Year Ended 31 Dec 09 RM'000 →
Cash Flows From Financing Activities		
Redemption of ABBA Notes	(127,958)	(128,084)
Proceeds from term loan	15,851	-
Proceeds from short term borrowings	20,500	-
Dividends paid	(15,631)	(1,665)
Rights issue expenses	(718)	-
Purchase of treasury shares	(163)	(1,991)
Proceeds from sale of treasury shares	4,268	-
(Placement)/Release of deposits pledged	(8,719)	56,271
Repayment of hire purchase and finance lease	(400)	(321)
Net cash used in financing activities	<u>(112,970)</u>	<u>(75,790)</u>
Net Decrease in Cash and Cash Equivalents	190	(5,343)
Cash and Cash Equivalents At Beginning of Period	<u>7,945</u>	<u>13,288</u>
Cash and Cash Equivalents At End of Period	<u>8,135</u>	<u>7,945</u>
Cash and cash equivalents comprise the following: -		
Cash deposits placed with:		
- Licensed banks	18,194	17,181
- Licensed corporation	12,333	12,115
Cash and bank balances	<u>4,860</u>	<u>6,767</u>
	35,387	36,063
Add: Available-for-sale financial assets	95,815	86,371
Less: Bank balance and deposits pledged / designated	<u>(123,067)</u>	<u>(114,489)</u>
Cash and Cash Equivalents At End of Period	<u>8,135</u>	<u>7,945</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 31 DECEMBER 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 31 DECEMBER 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 are measured (a) at fair value initially and subsequently with unrealised gains or losses recognised directly in equity until the investments are 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 does 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 31 DECEMBER 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 31 December 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>127,958</u>

Repayment for Tranche 4 will commence in year 2019.

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 31 December 2010 is RM1.11 billion. The bonds are collateralised by the cash flows generated from the concession and do not have any recourse against other companies within the Group.

- b) Treasury shares
As at the date of this report, the total number of treasury shares held was 5.39 million.

A7. Dividends Paid

No dividends were paid during the current quarter ended 31 December 2010.

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2010

A8. Segmental Reporting

The Group's segment revenue and results are presented by industry segments for the current period ended 31 December 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	-	46,621	123,430	9,871	113,101	-	293,023
- Inter-segment sales	38,904		36,489	-	-	(75,393)	-
Total revenue	38,904	46,621	159,919	9,871	113,101	(75,393)	293,023
Results							
- Segment results	24,606	14,933	1,403	(263)	110,336	(39,121)	111,894
- Interest expenses	(533)	(67)	(6)	(2)	(99,688)	-	(100,296)
- Interest income	200	238	57	1	2,841	-	3,337
Profit before tax	24,273	15,104	1,454	(264)	13,489	(39,121)	14,935
- Income tax expense	(3,705)	(3,870)	(260)	-	1,047	3,676	(3,112)
Profit after tax	20,568	11,234	1,194	(264)	14,536	(35,445)	11,823
 Profit attributable to:							
Equity holders of the parent							7,938
Minority interest							3,885
							<u>11,823</u>

ENCORP BERHAD (506836-X)
EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 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 31 December 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 31 Dec 10 RM'000	As at 31 Dec 09 RM'000
Contingent liabilities:		
Corporate guarantee given to banks for credit facilities granted to subsidiaries	29,636	13,599
Corporate guarantee given to suppliers in favour of credit facility granted to subsidiaries	809	519
	<u>30,445</u>	<u>14,118</u>

A13. Capital Commitments

	As at 31 Dec 10 RM'000	As at 31 Dec 09 RM'000
Commitment to purchase development land		
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 RM95,479,000 for the current quarter ended 31 December 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 RM3,879,000. 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
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B2. Comparison with Immediate Preceding Quarter

For the current quarter under review, the Group recorded a profit before tax of RM3,879,000 as compared to profit before tax of RM9,009,000 in the immediate preceding quarter. The profit before tax during the current quarter was contributed by concession income, property development, construction and others.

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 to continue contributing positively to the Group's earnings.

Barring any unforeseen circumstances, the Group expects improvement in 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 31 Dec 10 RM'000	Current year ended 31 Dec 10 RM'000
Income tax	971	1,604
Deferred tax	(1,674)	1,508
	<u>(703)</u>	<u>3,112</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 31 DECEMBER 2010

B8. Status of Corporate Proposals

On 8 August 2010, the Company has announced the followings:

- (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.
- (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.
- (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; and
- (iv) Proposed amendment to the Memorandum of Association of the Company to facilitate the Proposed Increase in authorised Share Capital.

(Collectively referred to as the "Proposals")

Further to approvals from Bank Negara Malaysia and Securities Commission obtained on 22 September 2010 and 1 October 2010 respectively, Bursa Malaysia Securities Berhad has vide its letter dated 30 November 2010 approved the listing and quotation of the RCSLS, Warrants and new ordinary shares subject to terms and conditions imposed.

At the EGM held on 12 January 2011, the shareholders of the Company have approved all the resolutions in relation to the Proposals as set out in the Notice of EGM dated 15 December 2010.

On 2 February 2011, the Company announced the following:

- i) Entitlement date of the RCSLS is on 22 February 2011;
- ii) The Abridged Prospectus together with the Notice of Provisional Allotment and Rights Subscription Form in relation to the RCSLS will be despatched on 24 February 2011;
- iii) Listing date of the Rights Securities to be 23 March 2011.

B9. Group Borrowings

The Group borrowings as at 31 December 2010 comprise of: -

	RM'000
<u>Short Term Borrowings - Payable Within 12 Months</u>	
Bridging loan - security	20,000
Hire purchase payables	332
Finance lease	1,098
Short term loan	500
Advance	8,000
Al-Bai Bithaman Ajil Notes - secured	128,000
	<u>157,930</u>
 <u>Long Term Borrowings - Payable After 12 Months</u>	
Hire purchase payables	272
Term loan	15,851
Al-Bai Bithaman Ajil Notes - secured	1,001,806
	<u>1,017,929</u>
Total group borrowings	<u>1,175,859</u>

ENCORP BERHAD (506836-X)
EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
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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 had on 20 October 2010 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

The Arbitrator had on 4 January 2011 directed that the above schedule be revised as follows:

- i) The Contractor to submit its final written submission (if any) on or before 19 January 2011;
- ii) The Subsidiary to submit its final written submission (if any) on or before 27 April 2011; and
- iii) The Contractor to submit its final written reply (if any) on or before 25 May 2011.

In this respect, on 19 January 2011 the Contractor had submitted its final written submission.

B12. Proposed Dividends

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

B13. Realised and Unrealised Profits

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main market listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses.

On 20 December 2010, Bursa Malaysia further issued guidance on the disclosure and the format required.

	31 Dec 10	30 Sept 10
	RM'000	RM '000
Total retained profit of Encorp Berhad and its subsidiaries		
- Realised	146,987	136,691
- Unrealised	(483)	751
	<u>146,504</u>	<u>137,442</u>
Less: Consolidation adjustments	(154,451)	(147,448)
Total group accumulated losses as per consolidated accounts	<u><u>(7,947)</u></u>	<u><u>(10,006)</u></u>

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B13. Realised and Unrealised Profits (Contd.)

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.

B14. Basic Earnings Per Share

	Current quarter ended 31 Dec 10	Current year ended 31 Dec 10
	RM'000	RM'000
Attributable to ordinary equity holders of the parent		
Profit attributable to equity holders of the parent	<u>2,059</u>	<u>7,938</u>
Weighted average number of ordinary shares in issue ('000)	<u>216,423</u>	<u>216,423</u>
Basic earnings per ordinary share (Sen)	<u>0.95</u>	<u>3.67</u>

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

B15. 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 24 February 2011.

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

Lee Lay Hong
 Company Secretary

24 February 2011