ENCORP BERHAD

2007 ANNUAL REPORT

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Form of Proxy

01

FROM THE BOARDROOM

n·sion [ik-span-shuhn] –noun
1. the act or process of expanding.
2. the state or quality of being expanded.
3. the amount or degree of expanding.
of a thing: The present article is an expansion of one he wrote last year.
5. anything spread out; expanse.
n increase in economic and industrial activity (opposed to contraction).

Tan Sri Datuk (Dr) Omar bin Abdul Rahman
Chairman

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors, it gives me great pleasure to present to you the Annual Report of Encorp Berhad for the financial year ended 31 December 2007.

The year 2007 was an especially significant one for the Group, a turning point in our history which has set the stage for a more sustained growth. Coupled with a strong stock market performance, we are now able to focus on our expansion plans while sustaining our profitability.

A number of factors have contributed to our achievements, notably the settlement of the dispute on Extension of Time and Final Accounts claims with the Government of Malaysia. This has put us in a much stronger position, both financially and operationally. The settlement has also resulted in the ratings of Encorp Systembilt Sdn Bhd's Al-Bai Bitharman Ajil Notes being upgraded from BBB3 to A1 by Rating Agency Malaysia (RAM), signifying renewed confidence in the Group's financial ability as well as a more focused position in terms of our expansion in property development and construction management.

Solid Financial Performance

For the year under review, the Group turned a net loss of RM124.8 million in 2006 into a net profit after minority interest of RM69.3 million. This represents an impressive 156 percent increase and is a major boost for the Group and I am confident that we will enjoy sustainable earnings in years to come. The Group's performance clearly shows that the demand for quality products and services remains strong, and reaffirms our commitment to continuously uphold our vision.

The Group had also declared and paid two (2) interim dividends for the period ended 31 December 2007 of five percent each, since the turnaround of our financial performance in the first quarter.

Star Performers

The Group's key projects witnessed remarkable performance in 2007. Our flagship project, The Strand, Damansara is enjoying good margins as selling prices have gone up by 70 percent since its first launch. All 265 units of shop offices launched at The Strand, Damansara are fully sold. In addition, we also expect to see a continued upward trend in shop office investment in the market for 2008. Meanwhile, plans to launch the service apartments and SOHO (Small Office Home Office) phase at The Strand, Damansara are in their final stages. Following that, we will also be launching a shopping mall here, from which we are expecting a sizable recurring income when completed in 2011.

The Strand, Damansara will be an icon of the Klang Valley in years to come. Its unique and innovative design has set it apart in the industry. This has spurred a lot of interest in the market – the tremendous results from the sales launches speak for themselves.

Meanwhile, our Cahaya Alam development has seen very encouraging response and is contributing progressively to the Group's bottom-line. Phase 2A launches of double storey terrace houses at this eco-friendly environment were also fully sold. The Group is also embarking on plans to launch Section U10, Shah Alam development this year, with 80 units of bungalows, 144 units of 2-storey office suites and a commercial mall. This development with a Gross Development Value (GDV) of RM300 million is expected to be completed by the second quarter of 2011.

A Confident Outlook

The outlook for the property industry will continue to be guided by market conditions, in particular rising prices in oil and raw materials which are issues faced by most industries. While the property industry is still relatively soft, there are indications of gaining confidence in the market, albeit moving in that direction cautiously. We are confident that our projects will be able to benefit from the promising outlook for 2008, and enable us to continue to innovate and provide services and products of international quality and standards.

Malaysia has seen much progress over the last several decades – the property industry in particular enjoying robust growth and making a significant contribution towards the country's vision of becoming a developed nation. In tandem with this progress, we can be proud of the transformation of Encorp from a minor player more than 10 years ago into a recognised market leader today. To be truly competitive, we need to keep building on our capabilities, strengths and expertise. More importantly, we need to hold on to the mission we had set out to achieve, even through challenging times.

The Ninth Malaysia Plan has also opened new opportunities for industry players like us to participate in government development projects, ensuring that we remain profitable and provide value to our shareholders, employees and customers.

Having the expertise in Industrialized Building System (IBS) technology, we are ready to implement this valuable knowledge to add value for other large scale projects. We are now looking at several projects which are estimated at about RM2 billion and which are currently at tender and/or negotiation stages.

Developing Talent, Building Relationships

At Encorp, we continuously strive to create a dynamic and inspiring environment for the growth and development of our employees. With the same values, we are also focused on building customer relationships through the innovative products and services that we offer.

Encorp remains committed to its obligation to nation-building as its corporate responsibility. By staying in line with the country's aspirations towards sustainable development, enhancement, economic growth and human capital development, we are essentially helping Malaysia promote a quality of life for its society and progress as a pragmatic nation. We are indeed proud to be part of this national effort. Encorp has also not forgotten the importance of giving back to the society. Towards this end, the Group has initiated a list of Corporate Social Responsibility programmes to address the environmental issue, promote staff development and reach out to those who are in need.

Corporate Governance

Looking back over the past year of exceptional growth at Encorp, it is only appropriate that I continue to emphasize our role in ensuring the highest standards of principles and international best practices of corporate governance. The Malaysian Code on Corporate Governance acts as a barometer to ensure that we are in line with the principles of transparency, accountability and maximizing shareholders' value. The Malaysian Budget 2008 indicated that there is a need to further strengthen the roles and responsibilities of boards of directors and audit committees. At Encorp, we ensure that our policies, processes and people serve the needs of shareholders and other stakeholders, by implementing sound direction in the company's business activities. In tandem, we continuously strive towards improved relationships with our shareholders, employees,

suppliers, customers, regulators, the environment and the community at large to ensure that the system in which we operate is conducive to achieving our long-term goals.

Moving Forward 2008

Looking at the success achieved in the past year, the Group is now poised for greater growth and better financial results. Our performance in 2007 has enabled us to build our cash flow to capitalize on other business opportunities, and we are in a good position to focus on our expansion plans which we will see materialise in due course.

The success achieved in 2007 marks a new wave of transformation in the Group. While we will remain focused on our core expertise and capabilities, there will be new opportunities for regional and global expansion for 2008. We aim to strengthen our resources and create mutually beneficial partnerships through our experiences in ventures in Malaysia and beyond. For example, our IBS experience has enabled us to acquire skills and expertise to pursue other projects using the pre-fabricated building technology and infrastructure, while providing us with the added strength in our pursuit for both local and international ventures.

Currently, we are in talks with several countries within the region, including the Middle East, to build homes, government quarters or commercial buildings based on our experiences and expertise. The timing, however, would very much depend on the due diligence and feasibility studies of the projects.

Our expectation of a healthy contribution from our Property Division to the Group's profit has shown favourable results. Looking at the success of The Strand, Damansara and Cahaya Alam in particular, we are optimistic that Encorp's Property Division will continue to enhance the Group's profit in the coming years.

As I conclude, I would like to salute the dedication and commitment of the members of the Board. Your guidance and strategic directions have played a vital role in the growth of Encorp over the years, and together we have achieved success. To our valued Management and employees, you are the engine that propels us forward, and my deepest appreciation goes out to all of you. Last but not least, my sincere thanks to our valuable shareholders for your belief in us. We are riding this growth wave together and we are proud to have you share our vision and success.

Tan Sri Datuk (Dr) Omar bin Abdul Rahman
Chairman

lead·er·ship [lee-der-ship] –noun

1. the position or function of a leader.
2. ability to lead.
3. an act or instance of leading; guidance; direction.
4. the leaders of a group.

GROUP CEO'S REVIEW OF OPERATIONS

The year 2007 saw some refreshing new changes in the property industry, derived from Government initiatives as well as the stock market performance. Fortunately, these factors have contributed positively to the industry, giving more opportunities for greater growth. In the property cycle, we have had the blessings of confidence in the market and it still exists. Most sectors, especially office, shop office, residential and retail, are either improving or reaching peak levels. These are good signs and are indications of continuing performance. Government initiatives such as the exemption of Real Property Gains Tax (RPGT) have certainly had a positive impact on industry and will be a boost to the residential sector especially. The growth of Real Estate Investment Trusts (REITs) has also played a role in propelling us forward in terms of sound investments from both the domestic and international markets. Employees Provident Fund's (EPF) flexible option of withdrawals, meanwhile, was well received by homebuyers, and this augurs well for our residential development particularly.

While we have been on the bright side, there were some challenges which the industry continues to face. The rising cost of fuel and construction materials especially steel bars are obvious ones, and they tend to have a domino effect on other activities. We are prepared for these challenges and with the dedication and commitment from developers collectively, we will be able to overcome them. More importantly, we will continue to ensure that quality is always maintained and standards are never dropped.

CONSTRUCTION MANAGEMENT

The improved rating by Rating Agency Malaysia (RAM) of Encorp Systembilt Sdn Bhd's (ESSB) Al-Bai Bithaman Ajil Notes from BBB3 to A1 was a boost to the Company and Encorp's construction management arm, Encorp Construct Sdn Bhd, in terms of confidence and an improved financial position. This improved rating was attributed to ESSB receiving the outstanding Retrospective Concession Income for the teachers' housing project of RM80.9 million from the Government of Malaysia on 7 December 2007, thus revising upwards the monthly concession payment to a steady RM11.3 million with effect from July 2007 to January 2028.

Encorp's edge in the industry is its focus on innovation, while maintaining designs which are practical. This is evident in the success of past projects in terms of sales response as well as increased confidence from investors, including the Government. Our commitment to superior workmanship in all our projects spells out Encorp's leadership in building technology and dedicated team in construction management.

The Industrialised Building System (IBS) Technology which was used for the construction of the Teachers' Housing Project has been a key factor in strengthening Encorp's value proposition and obtaining valuable experience in its pursuit of overseas projects using pre-fabricated building technology. This, coupled with the vast potential for both local and overseas projects using this technology has also enabled us to move forward with discussions with several governments to undertake projects using the pre-fabricated concept for the construction of mass housing in international projects.

Having successfully completed the Teachers' Housing Project, our construction team, Encorp Construct Sdn Bhd mowed ahead to undertake the development of the second phase of our key project, The Strand, Damansara.

The Strand, Damansara has witnessed good construction progress in the year under review. Construction and infrastructure works for 46 units in Phase 2A are in progress. Structural works are also in progress for all 58 units at Phases 2B, 3A and 3B.

PROPERTY DEVELOPMENT

Encorp's Property Division, Must Ehsan Development Sdn Bhd, enjoyed the best ever performance in 2007, generating revenue of a staggering RM124.4 million and a pre-tax profit of RM37.5 million. This was attributed to excellent sales generated from the various launches from two key projects, The Strand, Damansara and Cahaya Alam.

THE STRAND, DAMANSARA

Encorp is fast gaining a solid reputation with The Strand, Damansara. The flagship project of the Group is steadily emerging into one of the most comprehensive and innovative integrated commercial development in the Klang Valley, having seen overwhelming take up rates for its commercial components.

All 265 units (Phases 1, 2, 3 and 4) of shop offices were fully taken up by the end of 2007. Enquiries on rental for ready and soon-to-be ready units have been pouring in with good investment returns to the purchasers. To date, the selling prices have gone up by 70 percent since its first launch.

Located on 45.6 acres of prime area, The Strand, Damansara is easily accessible from major highways in the Klang Valley. With Kota Damansara expected to be the next hot spot for Petaling Jaya, Encorp is well positioned to capitalise on the growth potential in this area in years to come.

The market for shop offices continues to see an upward trend in the property industry and The Strand, Damansara provides an ideal location for this popular office concept. As a result, several shop office development within The Strand, Damansara have either been completed or are rapidly nearing completion. We have also had a remarkable response from sales.

Major developments at The Strand, Damansara:

- Phase 1 consisting 101 units of 3½ and 4½ storey shop offices was completed and handed over in April 2008.
- Another 46 units of 3½ and 4½ storey shop offices project, is nearing completion after eight months since commencing construction in April 2007. The shop offices are expected to be completed by the second quarter of 2008.
- A further 58 units of 3½ and 4½ storey shop offices commenced construction in April 2007 and is expected to be fully completed by the end of 2008.
- The launch of Phase 4 comprising 60 units of shop offices in July 2007 generated a whopping 75 percent take up rate within the first five months despite a higher selling price. This is a clear testament of consumer confidence in both The Strand, Damansara and Encorp's value proposition. The final phase has also incorporated new and enhanced features including a larger built-up space and personalized elements.

The average appreciation value currently on properties launched at The Strand, Damansara is up to 70 percent, a clear indication of the attractive investment value for this flagship project.

Plans for more development are on the horizon, which will further contribute to The Strand, Damansara's emergence as an exciting integrated commercial address. These include the Shopping Mall, Serviced Apartments, a pedestrian-linked garden SOHO (Small Office Home Office) and Boulevard, all of which are due to be launched in 2008. Staying focused on innovation and practicality, these upcoming development will feature The Strand, Damansara's trademark design elements and detailed workmanship.

CAHAYA ALAM

Encorp's residential development project, Cahaya Alam, is situated on 209 acres of prime land in Shah Alam and located next to the Bukit Cahaya Alam Forest Reserve. It is designed to enhance community interaction and recreational activities within an eco-friendly environment.

Cahaya Alam has played a key role the Group's success in 2007, having done remarkably well in terms of new launches and take up rates.

Cahaya Alam witnessed a milestone event when it completed its first phase of residential development, Parcel A, *Roselle,* and was duly handed over in June 2007. Meanwhile, the first phase of *Jasmin* which was launched in April 2007 was so well received that all units were fully sold by year end. Due to the overwhelming response, 85 units of the second phase, *Jasmin 2*, were launched in March 2008. The houses of 22' X 75' size come with 4 bedrooms, 3 bathrooms and 2 family halls each.

We are confident that the response for the new phases will be as good, if not better than previous launches.

FUTURE PROSPECTS

Currently, Encorp is embarking on plans to launch the Section U10, Shah Alam development in 2008. This 47.1 acre, mixed residential project will complement Cahaya Alam in terms of its unique offering of an integrated gated community with an eco-concept, featuring lush landscaping and water features. There will be 80 units of bungalows, 144 units of 2-storey office suites as well as a commercial mall. With a Gross Development Value of RM300 million, this project is expected to be completed by the second quarter of 2010.

As property development is our core business, we need land banks to build on. However, where property development is concerned, Encorp rightfully sees the wisdom of treading cautiously. At this point, we are exploring projects or development, provided they meet our investment return threshold and give us an opportunity to value-add. This would enable us to fulfil our objective to provide quality development that enhance living standards and meet the high expectations of our customers. Encorp believes in the importance of having a good business strategy. An innovative concept also plays an important role.

Surging ahead, Encorp is confident of further growth in its construction management and property divisions. The substantial allocation by the Government for the construction sector as laid out in the Ninth Malaysia Plan is certainly a boost for property developers. Both domestic and foreign investments have contributed to the improved performance in the commercial property sector (including office, retail and hotel), which is showing quite a remarkable recovery with higher occupancy and rental rates over the past year. We are optimistic about the outlook for the commercial property sector despite the concerns of rising interest rates, fuel prices and raw material costs. Commercial properties in strategic locations have performed creditably, and will continue to do well as shown in capital appreciation over the last three to four years. Government incentives have had a positive impact on the property sector in the last one year, and we foresee more exciting products to be rolled out to meet the demands of both the local and international markets.

Yeoh Soo Ann
Group Chief Executive Officer

BOARD OF DIRECTORS

YBHG TAN SRI DATUK (DR) OMAR BIN ABDUL RAHMAN
Non-Executive Chairman, Non-Independent,
Non-Executive Director
Member of the Audit Committee
Member of the Remuneration Committee

Tan Sri Datuk (Dr) Omar (Malaysian, aged 75) was appointed to the Board on 17 June 2003. He was appointed as Non-Executive Chairman of Encorp Berhad on 23 February 2005.

A graduate in Veterinary Science from the University of Sydney, Australia and a Doctorate in Philosophy from Cambridge University, United Kingdom, Tan Sri Datuk (Dr) Omar began his career in 1960 in veterinary research. He was one of the founders of Universiti Pertanian Malaysia (UPM), serving as Foundation Dean of Veterinary Medicine and Deputy Vice-Chancellor (Academic). In 1984, he was appointed as Science Adviser in the Prime Minister's Department and in that capacity, he served on a number of national committees including the National Development Planning Committee, National Council for Scientific Research and Development, National Information Technology Council and National Telecommunication Council, among other notable positions in the areas of science, research and policy.

On the international scene, Tan Sri Datuk (Dr) Omar has served on the United Nation's Council for Science and Technology for Development. He is the current President of the Federation of Asian Scientific Academies and Societies (FASAS) and the founding and current Chairman of the Commonwealth Partnership for Technology Management (CPTM). He was the Founding President of the Academy of Sciences Malaysia and is now a Senior Fellow. He is also the Founding Fellow of the Islamic World Academy of Sciences and a Fellow of the Academy of Sciences for the Developing World (TWAS).

Tan Sri Datuk (Dr) Omar is Chairman of Kotra Industries Berhad, Green Packet Berhad and President as well as a Trustee of the Malaysian University of Science and Technology (MUST). He is also Chairman of Great Wall Plastic Industries Berhad, and a director of OSK Ventures International Bhd and BCT Technology Berhad.

Tan Sri Datuk (Dr) Omar has deemed interest in the Company through the substantial shareholding in Lavista Sdn Bhd held by him in trust.

Tan Sri Datuk (Dr) Omar does not have any family relationship with any director and/or major shareholder or any conflict of interest with the Company. Tan Sri Datuk (Dr) Omar has not been convicted of any offence within the past 10 years.

YEOH SOO ANN
Non-Independent, Executive Director
Group Chief Executive Officer

Yeoh (Malaysian, aged 47) joined the Board of Encorp Berhad and was appointed as Group Chief Executive Officer on an acting capacity on 18 November 2003. He was re-designated as Group Chief Executive Officer on 23 April 2008.

Yeoh has been a member of the Malaysian Institute of Certified Public Accountants and Malaysian Institute of Accountants since 1988.

He has worked in various public accounting firms in United Kingdom and Malaysia for more than 12 years, before moving into the commercial sector. Prior to joining Encorp Group, he was an Executive Director of Finance of a company listed on Bursa Malaysia Securities Berhad.

Yeoh is currently an Executive Director of Great Wall Plastic Industries Berhad.

Yeoh does not have any family relationship with any director and/or major shareholder or any conflict of interest with the Company. Yeoh has not been convicted of any offence within the past 10 years.

EFEIDA BINTI MOHD EFFENDI
Non-Independent, Executive Director
Member of the Remuneration Committee

Efeida (Malaysian, aged 35) was appointed to the Board of Encorp Berhad on 16 April 2001.

Efeida is a director of the Centre for Advanced Design (CENFAD), a leading art and design education establishment.

A Bachelor of Fine Arts degree holder from the prestigious Parsons School of Design, New York, Efeida worked in several leading architectural firms in New York upon graduating before returning to Malaysia.

Efeida has deemed substantial interest in the Company through the substantial shareholding in Lavista Sdn Bhd held by her and persons connected to her. She has not been convicted of any offence within the past 10 years.

YBHG DATUK RAMLI BIN SHAMSUDIN
Non-Independent, Executive Director

Datuk Ramli (Malaysian, aged 62) was appointed to the Board of Encorp Berhad on 27 April 2006.

Datuk Ramli started his career with the Royal Malaysian Navy. He joined the Britannia Royal Naval College, England in 1964 and graduated in 1967. His past appointments include commander of Malaysian warships, Director of Naval Training, Commandant of the Royal Malaysian Naval College and Assistant Chief of Staff Naval Plans, Developments and Operations. Datuk Ramli was also Head of the Project Management Team responsible for overseeing construction of four warships in Italy from 1981 to 1986.

Datuk Ramli joined Encorp Group Sdn Bhd in 1997 and was involved in its construction, education and media businesses until January 2000. He was then appointed Chief Executive Officer of the Malaysian Maritime Academy belonging to Petronas and Malaysian International Shipping Corporation from February 2000 until end of January 2005.

Datuk Ramli holds a Masters in Business Administration from Victoria University, Melbourne, Australia and a Masters degree in Defence Studies from Allahabad University, India. He is also a Fellow Commoner of the Management Programme from Wolfson College of Cambridge University, United Kingdom.

Within Encorp Berhad, Datuk Ramli currently oversees employee development, cost rationalisation initiatives, procurement and also assists the Business Development Unit.

Datuk Ramli has deemed interest in the Company through the substantial shareholding in Lavista Sdn Bhd held by him in trust.

Datuk Ramli does not have any family relationship with any director and/or major shareholder or any conflict of interest with the Company. Datuk Ramli has not been convicted of any offence within the past 10 years.

YBHG DATO' CHEW KONG SENG @ CHEW KONG HUAT
Senior Independent, Non-Executive Director
Member of the Remuneration Committee
Member of the Audit Committee

Dato' Chew (Malaysian, aged 70) was appointed to the Board of Encorp Berhad on 2 December 2002.

A former Managing Partner of accounting firm Ernst & Young in Malaysia from 1990 to 1996, Dato' Chew has over 30 years of experience in the accounting profession, covering a variety of industries which includes banking and financial institutions, timber, manufacturing, trading and foreign investment.

Dato' Chew is a Fellow of the Institute of Chartered Accountants in England and Wales, Member of the Malaysian Institute of Certified Public Accountants and Member of the Malaysian Institute of Accountants.

Dato' Chew is currently a director of Bank of America Berhad, Petronas Gas Berhad, Petronas Dagangan Berhad, Industrial Concrete Products Berhad, Aeon Co. (M) Bhd, GuocoLand (M) Berhad, PBA Holdings Bhd and Great Wall Plastic Industries Berhad.

Dato' Chew does not have any family relationship with any director and/or major shareholder or any conflict of interest with the Company. Dato' Chew has not been convicted of any offence within the past 10 years.

YBHG DATUK FONG JOO CHUNG

Independent, Non-Executive Director
(re-designated on 25 March 2008)
Chairman of the Remuneration Committee
Member of the Nomination Committee

Datuk Fong (Malaysian, aged 59) was appointed to the Board of Encorp Berhad on 16 April 2001.

Datuk Fong graduated with a Bachelors degree in Law (LLB) with Honours from the University of Bristol, United Kingdom in 1971 prior to obtaining his Barrister-at-law from Lincoln's Inn in the same year.

He began his professional career as an advocate in private legal practice at the end of 1971 before being appointed as State Attorney-General of Sarawak in August 1992. His service as State Attorney-General recently ended on 31 December 2007, but he has been retained by the Sarawak Government in an advisory capacity as State Legal Counsel. He served as Councillor with the Kuching Municipal Council and later the Council of Kuching City South from October 1981 until March 1992.

Datuk Fong is a director of Sarawak Energy Berhad (formerly known as Sarawak Enterprise Corporation Berhad), Bintulu Port Holdings Berhad and Syarikat SESCO Berhad. He is also a director of several private companies including Universal Cable (Sarawak) Sdn Bhd, Borneo Development Corporation (Sarawak) Sdn Bhd, Harwood Timber Sdn Bhd and Permodalan Assar Sdn Bhd.

Datuk Fong does not have any family relationship with any director and/or major shareholder or any conflict of interest with the Company. Datuk Fong has not been convicted of any offence within the past 10 years.

YBHG DATUK (DR) PHILIP TING DING ING
Independent, Non-Executive Director
Chairman of the Audit Committee
Member of the Nomination Committee

Datuk (Dr) Philip Ting (Malaysian, aged 56) was appointed to the Board of Encorp Berhad on 16 April 2001.

An Australian chartered accountant, Datuk (Dr) Philip Ting was in public practice for 17 years beginning with Touche Ross & Co in Australia in 1973 and ending as a Partner of Arthur Andersen & Co / Hanafiah Raslan & Mohamad in Malaysia. From 1991 to 1994, he was Chief Executive Officer of Sarawak Securities Sdn Bhd, a major stock-broking company in Malaysia and from 1994 to 1998, he was Group Managing Director of Cahya Mata Sarawak Berhad, a diversified conglomerate in Malaysia. During his working career, he spent a significant amount of time in Australia, the United States of America and in countries throughout South East Asia.

Datuk (Dr) Philip Ting presently sits on the Board of Ibraco Berhad and a number of private companies with business interests throughout Australasia.

Datuk (Dr) Philip Ting holds a Bachelor of Business degree majoring in Accounting, as well as a Doctorate of the University (Honoris Causa) from Swinburne University of Technology, Australia. He is a member of the Malaysian Institute of Certified Public Accountants and Malaysian Institute of Accountants.

Other than the 2,278,000 shares held by Datuk (Dr) Philip Ting in the Company, he does not have any other interest in the Company. He does not have any family relationship with any director and/or major shareholder or conflict of interest with the Company. Datuk (Dr) Philip has not been convicted of any offence within the past 10 years.

YBHG DATUK (DR) ZAINAL AZNAM BIN MOHD YUSOF
Independent, Non-Executive Director
Chairman of the Nomination Committee
Member of the Audit Committee

Datuk (Dr) Zainal Aznam (Malaysian, aged 63) joined the Board of Encorp Berhad on 21 April 2003.

Datuk (Dr) Zainal Aznam has long been involved in various economic research and policy development groups in the country. He was the former Deputy Director-General of the Institute of Strategic and International Studies (ISIS), Deputy Director of the Malaysian Institute of Economic Research (MIER) and Advisor in Economics at Bank Negara Malaysia. He has also spent nearly 20 years in the Economic Planning Unit (EPU) of the Prime Minister's Department. He was a member of the Working Group of the National Economic Action Council (NEAC), and currently is an Adviser with the National Implementation Task Force (NITF).

Datuk (Dr) Zainal Aznam is active in the academic field. He has served on boards and teams at Harvard University, Keio University and Korea Institute for International Economic Policy. He was a Visiting Scholar at the Harvard Institute for International Development (HIID), Harvard University. He was also a Research Fellow at the Centre for Research in Inequality Security and Ethnicity (CRISE), Queen Elizabeth House, Oxford University, United Kingdom from May to June 2004. Currently, he sits on the advisory panels of Universiti Kebangsaan Malaysia and University of Malaya, and is an Adjunct Professor at University Utara Malaysia.

Datuk (Dr) Zainal Aznam has a Bachelor of Science degree in Economics from Queen's University, Northern Ireland, a Masters degree in Development Economics from University of Leicester and a Doctorate in Economics from Oxford University, United Kingdom.

Datuk (Dr) Zainal Aznam's current directorships include HSBC Bank Malaysia Berhad, Opus International Group PLC, Rating Agency Malaysia Berhad and Permodalan BSN Berhad. He was a Commissioner in the Securities Commission from 1999 to 2004.

Datuk (Dr) Zainal Aznam does not have any family relationship with any director and/or major shareholder or any conflict of interest with the Company. Datuk (Dr) Zainal has not been convicted of any offence within the past 10 years.

com·mit·ment [kuh-mit-muhnt] –noun

1. the act of committing.
2. the state of being committed.
3. the act of committing, pledging, or engaging oneself.
4. a pledge or promise; obligation.
5. engagement; involvement.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Tan Sri Datuk (Dr) Omar bin Abdul Rahman	*Non-Executive Chairman, Non-Independent, Non-Executive Director*
Yeoh Soo Ann	*Non-Independent, Executive Director Group Chief Executive Officer*
Efeida binti Mohd Effendi	*Non-Independent, Executive Director*
Dato' Chew Kong Seng @ Chew Kong Huat	*Senior Independent, Non-Executive Director*
Datuk Fong Joo Chung *(redesignated w.e.f. 25 March 2008)*	*Independent, Non-Executive Director*
Datuk (Dr) Philip Ting Ding Ing	*Independent, Non-Executive Director*
Datuk (Dr) Zainal Aznam bin Mohd Yusof	*Independent, Non-Executive Director*
Datuk Ramli bin Shamsudin	*Non-Independent, Executive Director*

AUDIT COMMITTEE

Datuk (Dr) Philip Ting Ding Ing	*Chairman*
Tan Sri Datuk (Dr) Omar bin Abdul Rahman	*Member*
Datuk (Dr) Zainal Aznam bin Mohd Yusof	*Member*
Dato' Chew Kong Seng @ Chew Kong Huat *(appointed w.e.f. 24 May 2007)*	*Member*
Efeida binti Mohd Effendi *(resigned w.e.f. 28 September 2007)*	*Member*

NOMINATION COMMITTEE

Datuk (Dr) Zainal Aznam bin Mohd Yusof	*Chairman*
Datuk Fong Joo Chung	*Member*
Datuk (Dr) Philip Ting Ding Ing	*Member*

REMUNERATION COMMITTEE

Datuk Fong Joo Chung	*Chairman*
Tan Sri Datuk (Dr) Omar bin Abdul Rahman	*Member*
Dato' Chew Kong Seng @ Chew Kong Huat	*Member*
Efeida binti Mohd Effendi	*Member*

COMPANY SECRETARY

Chua Siew Chuan *(MAICSA 0777689)*

REGISTERED OFFICE

Level 2, Block B-59, Taman Sri Sarawak Mall
Jalan Tunku Abdul Rahman
93100 Kuching, Sarawak
Tel: (6) 082 428 626 Fax: (6) 082 423 626

SHARE REGISTRAR

Securities Services (Holdings) Sdn Bhd
Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur

Tel: (6) 03 2084 9000 Fax: (6) 03 2094 9940

PRINCIPAL BANKERS

RHB Bank Berhad
United Overseas Bank (M) Berhad
CIMB Bank Berhad
Bank Rakyat Berhad

AUDITORS

Ernst & Young *(AF: 0039)*

SOLICITORS

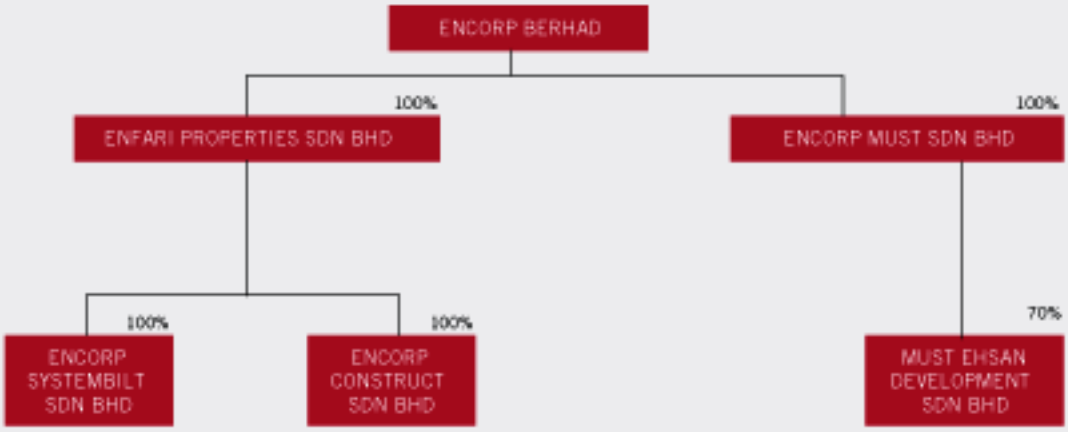
Zul Rafique & Partners
Ariffin Shahzad
Tan Swee Im & Co

STOCK EXCHANGE LISTING

Main Board, Bursa Malaysia Securities Berhad

Stock Code	:	ENCORP
Stock Number	:	6076

CORPORATE STRUCTURE



Subsidiary Company	Percentage (%)	Principal Activity	Place of Incorporation
Encorp Must Sdn Bhd	100	Investment and Property Project Management	Malaysia
Must Ehsan Development Sdn Bhd	70	Property Development	Malaysia
Enfari Properties Sdn Bhd	100	Investment Holding	Malaysia
Encorp Systembilt Sdn Bhd	100	Concessionaire for the design, construction and completion of 10,000 units of apartments as teachers' quarters	Malaysia
Encorp Construct Sdn Bhd	100	Property Construction	Malaysia

CORPORATE PROFILE

Encorp Berhad

Encorp Berhad was incorporated in Malaysia on 2 March 2000 and acquired its listing status on the Main Board of the Bursa Malaysia Securities Berhad on 11 February 2003.

Its core businesses are in construction management and property development. The Group is today strengthening its reputation in these sectors, including setting new standards in quality and efficiency.

What began as a vision to create outstanding businesses in selected niches of property development has led the Group to build its reputation for excellence and enriching the quality of life, including setting new standards in quality and efficiency.

By focussing on making a contribution towards building, nurturing and showcasing Malaysia as a prosperous, competent and creative nation to the international community, Encorp is committed towards realising its corporate vision to be a market leader in the industry.

Construction Management

Encorp's subsidiary, Enfari Properties Sdn Bhd (Enfari), has built its reputation as a major player in the country's property construction sector through the development of 10,000 units of Teachers' Housing Quarters for the Government of Malaysia.

The project was awarded to Enfari's wholly-owned subsidiary, Encorp Systembilt Sdn Bhd (ESSB) in 1998 for a concession period of 30 years. Under the contract, ESSB was required to design, build, finance and transfer 10,000 units of teachers' living quarters at 109 sites throughout Peninsular Malaysia, Sabah and Sarawak.

The concession is by far, the largest project undertaken in Malaysia using pre-cast building technology.

The Asian economic and financial crisis of 1997/1998 severely impacted the availability of funds for the project. Despite this, ESSB successfully secured a RM1.3 billion bond financing, which was voted amongst the top 10 best structured financing by regional financial publication CFO Asia, to finance and complete the project.

Logistically, the project required the approval of over 2,500 plans from 46 different local authorities. Notwithstanding these challenges, Encorp successfully completed the project and added this success to its corporate track record. The national Teachers' Housing project was handed over to the Ministry of Education in June 2004 witnessed by the Prime Minister of Malaysia, YAB Dato' Seri Abdullah Ahmad Badawi.

Teachers' Housing Project – A Success Story

Project achievements for the client, the Government of Malaysia included:

- Quality on-site housing for teachers
- Overcoming the acute housing shortage for teachers
- Guaranteed quality housing through Industrialised Building Systems (IBS)
- Enhanced the Government's aim to attract quality teachers

Pre-cast Building Technology

The pre-cast superstructure and envelope used in the construction of the Teachers' Housing units were factory-based pre-cast components. This method produced consistent, high quality walls and floors which allowed finishing works to proceed with minimal disruption.

Salient Features

- The building components used were of reinforced concrete and steel forms.
- Fabrication-produced components complied with approved local and international building standards.

- Components included staircases, floor planks, wall facades, columns, beams, internal walls, parapets and balcony trays.

Safe and Clean Site
- It incorporated a clean method of construction, which led to good on-site housekeeping and enhanced worker safety.

Versatile
- The system was highly versatile and flexible in providing different structural design concepts.

Structurally Efficient
- The system was structurally efficient and complied with approved codes of structural design, acoustic, fire-rating and water-tightness design.

Reliable
- The system possessed higher durability compared to traditional materials used, as well as reduced maintenance costs in the long run.

Speed and Ease of Construction
- Repeated construction processes on 10,000 units of apartments allowed work to proceed efficiently and at maximum speed, with minimal requirements for special equipment, skilled labour and formwork.
- Construction only took between 36 - 54 days to physically complete one block of 20 apartment units using a 12-man team.

Consistent Workmanship and High Quality Finishes
- The pre-cast building technology eliminated quality problems as the structures were factory manufactured and controlled.

Property Development

Encorp Must Sdn Bhd, the Group's property development subsidiary, maintains a focus to build affordable properties with excellent designs, superior workmanship and finishing, complete with amenities within a well-planned development.

Through its subsidiary Must Ehsan Development Sdn Bhd (MEDSB), Encorp is the 70% owner of two property development strategically located in Klang Valley – Kuala Lumpur's major growth conurbation - namely Cahaya Alam in Shah Alam and The Strand in Kota Damansara.

Cahaya Alam Development

The Cahaya Alam development is strategically located on a 209-acre parcel of leasehold land in Shah Alam, Selangor Darul Ehsan. When fully completed, the area will boast a residential development comprising 2,414 units of linked houses, semi-detached houses, shop offices and apartments.

Cahaya Alam is expected to yield an estimated total Gross Development Value (GDV) of RM800.0 million. Construction of Parcel A, *Roselle,* has been successfully completed whilst construction of Parcel B, *Jasmin,* is on-going.

The Strand, Damansara Development

The Strand, Damansara is located on a 45.6 acre leasehold land within the prime area of Kota Damansara. Situated along the major NKVE highway of the Klang Valley, The Strand Damansara is fast gaining ground as one the most sought after commercial areas in Selangor Darul Ehsan.

By working with renowned French architect, Nicolas Ayoub, The Strand, Damansara is a mixed development comprising shop offices, business suites, service apartments, shopping mall, a pedestrian-linked garden, SOHO (Small Office Home Office) and a central boulevard.

Project works began in the last quarter of 2004, with the GDV of the project exceeding RM1.4 billion. Phases 1A, 1B and 1C were handed-over to purchasers in April 2008. Construction and infrastructure works for Phase 2A and structural works for Phases 2B, 3A, 3B and Phase 4 are in progress.

VISION, MISSION & CORE VALUES

VISION

To be recognised as a market leader in providing excellent quality products and services.

MISSION

Enriching the quality of life and creating value for all its stakeholders.

CORE VALUES

Superior Quality

Everything that Encorp does or provides for all customers will be of superior quality based on world-class standards.

Value Focused

Encorp is value focused – all our activities are geared towards creating value in the organisation, for our shareholders and customers.

Innovative

Innovation is the spirit of Encorp – promoting creativity, personal discovery and growth.

Dynamic

Encorp will continue to lead and be ahead – proactively adapting to the changes of the external environment to advance our competitive position by building on our strengths.

Integrity

Ensuring that Encorp employees act and operate with integrity and be guided by what is ethical and right for our customers.

People Oriented

People are central to the success of Encorp – we create a dynamic and inspiring environment for the growth of our employees.

GROUP FINANCIAL SUMMARY

	FY 2007 (RM'000)	FY 2006 (RM'000)
Earnings		
Revenue	328,711	143,126
Profit / (Loss) before tax	111,324	(119,806)
Profit / (Loss) after tax	77,503	(122,988)
Profit / (Loss) attributable to equity holders of the Company	69,301	(124,843)
Profit attributable to minority interest	8,202	1,856
Equity		
Paid-up capital	223,509	223,509
Share Premium	103,563	103,563
Total equity attributable to equity holders of the Company	286,876	225,733
Minority Interest	6,838	1,856
Employment of assets		
Total net tangible assets	145,997	72,528
Intangible asset	140,879	153,205
Per Share		
Earnings / (Loss) per share attributable to equity holders of the Company (Sen)	31.01	(55.86)
Net assets per share attributable to equity holders of the Company (RM)	1.28	1.01
Net tangible assets per share (RM)	0.65	0.32
Dividends		
Gross dividends rate (%)	5.27	-
Single-tier exempt dividends rate (%)	4.73	-
Total (%)	10.00	
Net dividends rate (%)	8.58	-

in·no·va·tion [in-uh-vey-shuhn] –noun

1. something new or different introduced: numerous innovations in the high-school curriculum.
2. the act of innovating; introduction of new things or methods.

CORPORATE CALENDAR HIGHLIGHTS

20 March 2007 - Vendor Network 2007
Encorp Berhad participated in the two-day "*Vendor Network 2007*" programme held at the Kuala Lumpur Convention Centre as an exhibitor-vendor to share our success in involving a large pool of Bumiputra vendors in the national Teachers' Housing project.

7 & 8 April 2007 - Launch of The Strand, Damansara's final phase of 4-storey business suites
Following the successful launches of Phases 1, 2 and 3 of The Strand, which have subsequently been fully sold, Must Ehsan Development Sdn Bhd (MEDSB) launched its final phase of 4-storey business suites comprising 60 units.

14 & 15 April 2007 - Launch of 'Jasmin' double-storey courtyard homes at Cahaya Alam
Following the handover of Parcel A, *Roselle*, MEDSB proceeded to launch the new double-storey courtyard homes at Parcel B, *Jasmin*. The launch has received an overwhelming response.

25 May 2007 - Encorp makes a profit turnaround in Q1
Encorp Berhad managed a turnaround in financial performance with a profit after tax of RM4.86 million registered for the three months ended 31 March 2007 compared to a loss (after tax) of RM3.70 million recorded at the end of the first quarter in 2006.

8 June 2007 - Encorp receives RM163 million compensation for Teachers' Housing project

Encorp Berhad announced that an agreement had been reached for the resolution of the Final Accounts claims of the Teachers' Housing project that the Group had completed in 2004 for the Government of Malaysia. It was resolved that Encorp is entitled to the claim of RM163 million arising from the design and build of the Teachers' Housing project.

9 & 10 June 2007 - Vacant Possession for *Roselle*, Cahaya Alam
New home-owners of Parcel A, *Roselle*, Cahaya Alam received their keys.

28 June 2007 - 7th Annual General Meeting
Encorp Berhad held its 7th Annual General Meeting.

31 July 2007 - Encorp declares First Interim Dividend
Encorp Berhad declared a five percent (5%) interim dividend to its shareholders, the first dividend payment made since restoring its financial position, cash flow and earnings. The interim dividend was paid on 20 September 2007.

31 July 2007 - Thanksgiving luncheon
Staff of Encorp gathered for a celebratory luncheon following resolution of the Final Accounts claims on the Teachers' Housing project after three years of negotiations with the Government.

28 August 2007 - Encorp profits continue in Q2
The Group recorded a profit after tax of RM64.86 million for the three months ended 30 June 2007 compared to a profit after tax of RM4.86 million in the immediate preceding quarter. The second quarter's results included a one-off exceptional after tax income of RM57.6 million arising from settlement of the Final Accounts in respect of the Teachers' Housing project.

15 November 2007 - Still going strong in Q3
The Group announced a profit after tax of RM6.90 million for the third quarter ended 30 September 2007 bringing the Group's year-to-date profit to RM76.62 million. Encorp also reported revenue of RM61.48 million for the third quarter, making a total year-to-date revenue of RM270.84 million.

16 November 2007 - Meeting the special children of CADS
Staff of Encorp spent time with the special children at CADS (Enhancement Centre for the Cerebral Palsy, Autism, Down Syndrome and Slow Learners) in Kuala Lumpur.

17 November 2007 - Spending an enjoyable weekend at Rumah Hope
Encorp's CSR team continued to bring joy to underprivileged children when they visited Rumah Hope in Kuala Lumpur.

17 & 18 November 2007 - Celebrating Deeparaya with Cahaya Alam property purchasers
A Deeparaya Open House was held at the Cahaya Alam site as a token of appreciation to house buyers and registrants.

1 December 2007 - Exploring marine life with underprivileged children
Encorp's CSR team fulfilled the wishes of 26 children of Rumah Kanak-kanak Terbiar Subang Jaya with a field trip to Aquaria, KLCC.

7 December 2007 - Encorp receives RM 80.87 million for Final Accounts Claims
Encorp received RM80.87 million following the resolution of the Final Accounts Claim with the Government in relation to the Teachers' Housing project.

19 December 2007 - Upgrade of Ratings by Rating Agency Malaysia (RAM)
As a result of the resolution of the Final Accounts and subsequent payment by the Government of RM80.87 million, RAM revised and upgraded the ratings of Encorp Systembilt Sdn Bhd's Al-Bai Bitharman Ajil Notes from BBB3 to A1.

21 February 2008 - Encorp declares Second Interim Dividend
Encorp Berhad declared a five percent (5%) second interim dividend to its shareholders comprising 4.73% single-tier exempt dividend and 0.27% dividend less 26% tax. The second interim dividend was paid on 7 April 2008.

property

Larger built-ups from The Strand

Portfolio

Encorp gets ISO 9001:2000

NEW STRAITS TIMES TUESDAY, APRIL 17, 2007

BIZNEWS

Encorp earns certification

白沙羅The Strand綜合發展區

打造工作娛樂新天地

ENCORP CLOSES IN ON HOTSPOT DEALS

NEW STRAITS TIMES SATURDAY, JUNE 9, 2007

BIZNEWS

Encorp reaches pact with Govt

Encorp back in the black

Encorp rises for fifth day on better outlook

Sentiment on stock gets boost from brokerage calls

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Being a responsible corporate citizen, Encorp supports the philosophy of creating significant national, economic and social impact in ways that make a meaningful difference to people's lives. Hence, Encorp's Corporate Social Responsibility (CSR) efforts are geared towards enriching the quality of life and delivering sustainable value to our environment and the community around us, taking into consideration the best interests of our people and the Nation.

FOR THE ENVIRONMENT

A commitment towards sustainable development

In addressing the challenges within the property and construction industries, Encorp has established the following guidelines in an effort to promote sustainable development.

Encorp prides itself as being a responsible and environmentally conscious developer. Apart from adhering to the environmental requirements by the relevant authorities, key activities and measures taken by the Group include:

In Property Development

- Ensuring Encorp's property development have sufficient flood mitigation measures.
- Providing sufficient silt and debris traps.
- Turfing of exposed slopes to minimize erosion at construction sites.
- On-going water quality monitoring at sites.
- Development of an Environmental Management Plan (EMP) for larger project sites and submission of reports to the Department of Environment (DOE) on a monthly basis.
- Landscaped green areas within each development

In Construction Management

Environmental impact considerations at Encorp's Industrialised Building Systems (IBS) construction sites addressed the following:

- Controlled earthworks with minimal land exposure.
- Compliance to Environmental Impact Assessment requirements and procedures.
- Minimising wet trades which reduces involvement with environmentally hazardous materials such as cement, quick lime, mould oil, asbestos, etc.
- Effective stock-taking to ensure minimal wastage of building materials.
- No on-site burning and proper disposal of waste materials to approved dump yards.
- Minimal workmen employed on-site with proper site accommodation provided.
- Construction and demolition waste management.
- Usage of environmentally-friendly construction materials on-site, such as using timber-based block out for service ducts instead of polystyrene.
- Compliance with all regulatory requirements on Environment Protection and Safety, the Environmental Management Plan and ISO 14001.
- Minimising use of wood-based materials - the main structural building elements of the Teachers' Housing project, such as walls and flooring, was mainly concrete-based.

- Careful planning of landscaping – both at the Teachers' Housing project and in Encorp's current projects. These include elaborate landscaping which forms an integral part of the planning and design of Encorp's current development. At Cahaya Alam, a specially designed linear park is planned, whilst at The Strand, Damansara, the central boulevard and numerous water features will enhance the area's overall design.
- Promoting a safe and clean construction site.

Recycling

As part of the Group's CSR initiatives, all staff participated in the Encorp Recycling Campaign introduced in 2007. By actively promoting the benefits of the 3Rs – REDUCE, REUSE & RECYCLE, Encorp aims to drive home the message that each individual has a part to play in repairing the damage done to the earth for centuries. To support this effort, recycle bins have been placed in all Encorp offices to promote the recycling habit of separating waste materials that can be recycled or disposed off.

Care for the environment through festive greeting cards

In 2007, Encorp's festive cards were printed with an environmental message to support public awareness on environmental issues. A tag-line was chosen from entries submitted by Encorp staff. In 2007, the message was "Save the Environment for Our Future Generation."

FOR THE COMMUNITY

In line with Encorp's Mission to enrich the quality of life and create value for all its stakeholders, we believe in giving back to the community around us by helping those in need.

Donations & Sponsorships

The following were presented to charitable bodies in 2007:

- Donation of RM10,000 for "Program Seminar Percambahan Pemikiran Islam Hadhari Fasa Ke-2."
- Contribution to raise funds at "Glam Heart Charity Dinner Ball" in aid of the Malaysian Red Crescent Society (MRCS), Rumah Amal Cahaya Tengku Ampuan Rahimah (RACTAR) and Yayasan NUR.
- Sponsorship for "Kegiatan Kelab Persatuan Sukan dan Kebudayaan Kementerian Pelajaran Malaysia."
- Donation to *Surau Al-Ittihadiah, Seksyen 9, Shah Alam* for "Doa Selamat" prayers.
- The full 40% discount given by the supplier of Encorp's festive cards was donted to Rumah Hope (Home for the Abused and Abandoned Children) and Centre of Development for Cerebral Palsy, Autism-ADHD, Down Syndrome and Slow Learners (CADS).

Community Projects

Bringing joy to underprivileged children was the focus of Encorp's CSR team in 2007. Among activities carried out were:

- Dedicating time to the special children at CADS

It was indeed a priceless experience for staff of Encorp to spend half a day with the special children at CADS (Enhancement Centre for the Cerebral Palsy, Autism, Down Syndrome and Slow Learners) in Kuala Lumpur on 16 November 2007.

- Fun with the children of Rumah Hope

Encorp's CSR team brought joy to a group of underprivileged children at Rumah Hope, Kuala Lumpur in November 2007. The eventful half-day was filled with fun activities and entertainment.

- Exploring marine life at Aquaria

The wishes of 26 children of Rumah Kanak-kanak Terbiar Subang Jaya were fulfilled with a field trip to Aquaria, KLCC in December 2007. All clad in red Encorp t-shirts, the trip was an eye-opener for the children into the fascinating world of marine life.

AT THE MARKETPLACE

Promoting Industrialised Building Systems (IBS) Technology

As an early believer of the benefits of using the IBS technology in construction, Encorp is and remains an active promoter of this technology both locally and internationally. Among activities to promote the benefits included participating in a vendor network programme in March 2007 to share our success in involving a large pool of Bumiputra vendors in the national Teachers' Housing project. The benefits of the IBS technology highlighted by Encorp included:

- Consistent workmanship and high quality finishes
- Structural performance
- Reliability
- Longer column spans for unobstructed use of space
- Durability
- Promotion of local content of products and materials
- Replaceable facades
- Cost influence
- Minimal maintenance and touch-up of finished product
- Built-in mechanical and engineering (M&E) services

AT THE WORKPLACE

Encorp's employee relations programmes and activities are geared towards creating and sustaining a positive working environment. Efforts to resolve work-related problems and special programmes to recognize and reward employees' contributions to the organization form part of the Company's efforts towards becoming a preferred employer.

Several enhancements were introduced in 2007 to existing HR policies to further promote employee retention. These included:

- Recognition & Retention programmes
- Entitlements & Benefits plans and programmes
- Training
- Health and safety programmes
- Internship/Industrial training
- Employees' involvement and contributions to community
- Recognition of employees' children who excel in key examinations

vi·sion
[vizh-uhn] –noun

1. the act or power of sensing with the eyes; sight.
2. the act or power of anticipating that which will or may come to be: prophetic vision; the vision of an entrepreneur.
3. a vivid, imaginative conception or anticipation: visions of wealth and glory.
4. something seen; an object of sight.
5. a scene, person, etc., of extraordinary beauty.

STATEMENT OF CORPORATE GOVERNANCE

The Board of Directors (the Board) reaffirms its commitment to and supports the recommendations of the Malaysian Code on Corporate Governance (the Code). The Board strives to ensure that the highest standards of corporate governance are practised to protect and enhance shareholders' value.

During the financial year under review, the Board continued to adhere to the Principles and Best Practices of the Code including the recent revisions. The Board is pleased to report to the shareholders on its application and measures implemented to strengthen its compliance of the Code as follows:

A. BOARD OF DIRECTORS

The Company is managed and led by Board members from diverse professional backgrounds with relevant experiences and expertise in financial, business and other fields.

1. Composition of the Board

As at the date of this Report, the Board has eight (8) members comprising:

- Three (3) Executive Directors; and
- Five (5) Non-Executive Directors of whom four (4) are independent.

This composition complies with the Listing Requirements of Bursa Malaysia Securities Berhad which require that at least two (2) or one third (1/3) of the Board to be Independent Directors.

2. Board Balance

To ensure there is balance in the Board, the Independent Non-Executive Directors fulfil their roles by providing independent views, evaluations as well as advice in Board deliberations and decision makings. This ensures that the interests of the Group, shareholders, employees, customers, suppliers and other business associates are safeguarded.

The roles of the Chairman and Group Chief Executive Officer are distinct and held by two different persons. The Chairman is responsible for ensuring Board effectiveness and conduct, whilst the Group Chief Executive Officer has overall responsibility to manage the operations, organisational effectiveness and implementation of policies and decisions.

In line with the recommendations stipulated in Part 2 of the Code, the Board appointed Dato' Chew Kong Seng @ Chew Kong Huat as the Senior Independent, Non-Executive Director to whom any concerns of shareholders can be conveyed to.

3. Board Meetings

To ensure that Directors can plan ahead, Board meetings are scheduled in advance at the beginning of each year. Special Board meetings will be convened as and when necessary for the Board to deliberate on matters that require expeditious decisions.

Minutes of all Board meetings are properly recorded in substantial detail and length, including issues discussed in arriving at decisions. This is in line with the Best Practices under Part 2 of the Code.

During the financial year under review, six (6) Board meetings and one (1) Annual General Meeting (AGM) were held. The summary of attendance of the Board is as follows:

Name of Director	No. of Meetings Attended	Attendance (%)
Tan Sri Datuk (Dr) Omar bin Abdul Rahman	6/6	100
Yeoh Soo Ann	6/6	100
Efeida binti Mohd Effendi	5/6	83
Datuk Ramli bin Shamsudin	6/6	100
Dato' Chew Kong Seng @ Chew Kong Huat	6/6	100
Datuk Fong Joo Chung	6/6	100
Datuk (Dr) Philip Ting Ding Ing	6/6	100
Datuk (Dr) Zainal Aznam bin Mohd Yusof	5/6	83

4. Supply of Information

All Directors are provided with the necessary information relating to the business, operations and financial matters of the Company and the Group.

Board meetings are governed by a structured formal agenda for each meeting and the Company adopts the policy of circulating Board papers relating to the agenda to the Directors ahead of scheduled meetings. This ensures that Directors are given sufficient time to review and appraise the issues to be deliberated at the Board meetings.

All Directors have full and unrestricted access to the senior management within the Group and are entitled to the advice and services of the Company Secretary. Further, Directors may obtain independent professional advice relating to the affairs of the Group where necessary at the Company's expense, in order for them to discharge their responsibilities. In line with the recommendations of the Code, the Board adopted a policy on the procedures to be taken by a Director before he seeks such independent professional advice.

5. Duties and Responsibilities of the Board

The Board has full control over the business and affairs of the Company and the Group. Its primary responsibilities include:-

- To review and approve the business plan and overall strategic directions;
- To review the adequacy and integrity of the Company's internal control systems and functions;
- To identify and manage principal risks areas affecting the Company; and
- To oversee the overall conduct of the business of the Group's businesses.

6. Appointment & Re-Election of Directors

The Nomination Committee recommends suitable candidates for appointment to the Board, the appointment of which will be decided upon by the Board as a whole to ensure a balanced mix of experience and expertise amongst its members.

In accordance with the Company's Articles of Association, one-third of the Directors are required to retire from office at each AGM. Retiring Directors can offer themselves for re-election. Directors who are over seventy years of age are required to submit themselves for re-appointment annually in accordance with Section 129 of the Companies' Act, 1965.

Details of Directors seeking re-election at the forthcoming AGM are disclosed in the Statement Accompanying the Notice of AGM in this Report.

7. Committees established by the Board

To assist the Board to carry out their duties and responsibilities, the Board has delegated certain functions to the following committees comprising selected members of the Board. Each committee operates within clearly defined terms of reference and makes appropriate recommendations to the Board for decisions on matters deliberated by the committee.

a. Audit Committee

The Audit Committee was set up with the objective to assist the Board in fulfilling its responsibilities relating to financial reporting of the Company and its subsidiaries.

The members of the Audit Committee are as follows:

Name	Designation	Directorship
Datuk (Dr) Philip Ting Ding Ing	Chairman	Independent, Non-Executive Director
Tan Sri Datuk (Dr) Omar bin Abdul Rahman	Member	Non Independent, Non-Executive Director
Dato' Chew Kong Seng @ Chew Kong Huat *(appointed on 24 May 2007)*	Member	Senior Independent, Non-Executive Director
Efeida binti Mohd Effendi *(resigned on 28 September 2007)*	Member	Non-Independent, Executive Director
Datuk (Dr) Zainal Aznam bin Mohd Yusof	Member	Independent, Non-Executive Director

In line with the revised Part 2 of the Code:

- All members of Audit Committee are Non-Executive Directors with effect from 28 September 2007; and
- Two (2) meetings were held with the external auditors without the presence of Executive board members for the financial year under review.

The terms of reference of Audit Committee and summary of activities for the financial year under review are reported from pages 45 to 50.

b. Nomination Committee

The members of the Nomination Committee are as follows:

Name	Designation	Directorship
Datuk (Dr) Zainal Aznam bin Mohd Yusof	Chairman	Independent, Non-Executive Director
Datuk Fong Joo Chung	Member	Independent, Non-Executive Director
Datuk (Dr) Philip Ting Ding Ing	Member	Independent, Non-Executive Director

The Nomination Committee was established with the objective to assist the Board in fulfilling the following functions:

- To identify and recommend suitable committee members and candidates directorship of the Company and its subsidiaries;
- To evaluate and recommend to the Board for approval, the appointment, promotion, transfer, termination and scope of duties of the Group Chief Executive Officer, Executive Directors and Senior Management reporting to the Group Chief Executive Officer;
- To assess the effectiveness of the Board as a whole including its size, composition and contribution of each individual director; and
- To ensure an appropriate framework and plan for succession of the Board and Senior Management.

In line with Part 2 of the Code, the Board implemented an evaluation process, carried out by the Nomination Committee for assessing the effectiveness of the Board as a whole.

c. Remuneration Committee

The Remuneration Committee was established to provide assistance to the Board in establishing and recommending the remuneration package and policy for the Executive Directors, Group Chief Executive Officer and Senior Management. Remuneration Committee is to ensure that a strong link is maintained between the level of remuneration and individual performance based on agreed targets and other relevant factors.

The members of the Remuneration Committee are as follows:

Name	Designation	Directorship
Datuk Fong Joo Chung	Chairman	Independent, Non-Executive Director
Tan Sri Datuk (Dr) Omar bin Abdul Rahman	Member	Non Independent, Non-Executive Director
Dato' Chew Kong Seng @ Chew Kong Huat	Member	Senior Independent, Non-Executive Director
Efeida binti Mohd Effendi	Member	Non-Independent, Executive Director

7. Directors' Training

The Directors constantly participate in trainings, seminars and conferences to keep themselves abreast with changes and new development, both in the legal and commercial aspects. Amongst such trainings, programmes and courses attended by the Directors during the financial year under review, include:

- Malaysian Budget;
- Inspirational Leadership;
- 50th Merdeka Expo;
- Structural Earthquake Analysis and Design;
- Updates on the Companies (Amendment) Act 2007 "A1299"; and
- Elite Director's Academy 2007.

B. DIRECTORS' REMUNERATION

Policies and Procedures

The Remuneration Committee recommends the remuneration package for the Executive Directors to the Board for approval. The Executive Directors will abstain from deliberation and voting on decisions in respect of their own remuneration.

Directors are paid yearly fees which are determined by the Board and approved at the AGM. Attendance allowances are also paid to the Non-Executive Directors for each Board or committee meeting they attend.

The aggregate remuneration of Directors for the financial year ended 31 December 2007 are categorised into appropriate components as follows:

Description of Payment	Executive Directors (RM)	Non-Executive Directors (RM)
Salaries / Allowances & other emoluments	1,222,420*	150,000
Fees	94,274	267,247
Defined contribution plan	142,779*	-
Estimated money value of benefits-in-kind	101,343	14,166
Total	1,560,816*	431,413

** This includes the salary and contribution to the Employees Provident Fund paid by one of the subsidiaries of Encorp Bhd to a Director for the months of January and February 2007.*

The number of Directors whose remuneration falls into each successive band is as follows:

Range of Remuneration	Executive Directors	Non-Executive Directors
Below RM50,000		1
RM50,001 – RM100,000		3
RM150,001 – RM200,000		1
RM200,001 – RM250,000	2	
Above RM350,000	1	
Total	3	5

C. SHAREHOLDERS

Communication with Shareholders and Investors

The Company recognises the importance of effective communication with shareholders, investors and the public in general. In this respect, the Company keeps shareholders, investors and the public informed through announcements, releases of quarterly financial results, annual reports, circulars and general meetings. In line with the recommendations under the Code, a shareholders' communication policy was implemented to handle the process of handling queries from its shareholders.

Annual General Meeting (AGM)

The AGM is the principal forum for communication with shareholders. The notices of the AGM and annual reports are sent out to shareholders at least twenty-one (21) days before the AGM. Details of any special business are included in an explanatory statement to provide relevant information on matters involved.

D. ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board aims to present a clear, balanced and comprehensive assessment of the Group's financial position and prospects. The financial statements for each financial year and quarterly results are prepared in accordance with the Companies Act, 1965 and applicable FRS.

The Board is assisted by the Audit Committee to oversee the Group's Financial Reporting processes and the accuracy, adequacy and completeness of its Financial Reporting.

Internal Control

The Board of Directors recognises the pivotal role of a strong internal control system in keeping the Group on course towards its goals of maximising shareholders' value. To this extent, the need for a strong internal control environment has been ingrained into the culture of the Group by the Board and Management.

The effectiveness of the Group's system of internal control is reviewed periodically by the Audit Committee.

The Group's Statement on Internal Control is set out on pages 50 to 51.

Relationship with External Auditor

Through the Audit Committee, the Group has established a transparent relationship with the external auditor in seeking professional advice and ensuring compliance with the laws and regulations.

The external auditor also highlights to the attention of the Board of any material deficiency pertaining to the system of internal control and compliance issues of the Group.

ADDITIONAL COMPLIANCE INFORMATION PURSUANT TO LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

Utilisation of Proceeds

The proceeds of RM40.0 million raised from the Company's disposal of its associate company in January 2007 have yet to be fully utilised for the purpose of acquiring additional land bank for future development projects to expand its core business of property development.

Share Buy-Back

During the financial year under review, there was no share buy-back by the Company. However, the Company commenced share buy back from 30 April 2008. As at 12 May 2008, the Company has acquired a total of 267,400 of its issued shares from the open market. The shares bought back are held as treasury shares in accordance with Section 67A of the Companies' Act, 1965.

Options, Warrants or Convertible Securities

During the financial year under review, the Company did not issue any warrants or convertible securities.

American Depository Receipt (ADR) or Global Depository Receipt (GDR) Programme

During the financial year under review, the Company did not sponsor any ADR or GDR programme.

Sanctions / Penalties

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or Management by the relevant regulatory bodies.

Non-Audit Fees

During the financial year under review, the payment made to the external auditors, Ernst & Young for non-audit fees was RM50,250.00.

Variations in Results

There were no variations in results from any profit estimate, forecast, projection or unaudited results announced.

Profit Guarantee

No profit guarantee was given by the Company for the financial year under review.

Material Contracts

Encorp's wholly-owned subsidiary, Encorp Must Sdn Bhd, had entered into a Joint Venture Agreement on 4 April 2007 with Indi Makmur Sdn Bhd and Lunarhati Sdn Bhd ("JV Agreement") to establish an unincorporated joint venture for the purpose of developing 2 contiguous parcels of land at Bukit Cerakah, Seksyen U10, Shah Alam, Mukim Bukit

Raja, Daerah Petaling, Selangor Darul Ehsan into a mixed development comprising residential and commercial development.

The Conditions Precedent of the JV Agreement have yet to be met as at the date of this Report.

AUDIT COMMITTEE REPORT

The Board of Directors is pleased to present the report on the Audit Committee and its activities for the financial year ended 31 December 2007.

TERMS OF REFERENCE

POLICY

It is the policy of Encorp Berhad to establish an Audit Committee to ensure that internal and external audit functions are properly conducted, and that audit recommendations are being carried out effectively by all subsidiaries of the Encorp Berhad Group.

OBJECTIVES

The principal objectives of the Audit Committee are to assist the Board in discharging its statutory duties and responsibilities relating to accounting and reporting practices of the holding company and each of its subsidiaries. In addition, the Audit Committee shall:

(a) Evaluate the quality of the audits performed by the internal and external auditors;
(b) Provide assurance that the financial information presented by management is relevant, reliable and timely;
(c) Oversee compliance with laws and regulations and observance of a proper code of conduct; and
(d) Determine the quality, adequacy and effectiveness of the Group's control environment.

COMPOSITION OF THE AUDIT COMMITTEE

The Board shall appoint the Audit Committee members from amongst themselves, comprising no fewer than three (3) non-executive directors. The majority of the Audit Committee members shall be independent directors.

In this respect, the Board adopts the definition of "independent director" as defined under the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

All members of the Audit Committee shall be financially literate and at least one (1) member of the Audit Committee must be:

(a) a member of the Malaysian Institute of Accountant ("MIA"); or
(b) if he is not a member of MIA, he must have at least three (3) years of working experience and:
    i. he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or

ii. he must be a member of one of the associations of the accountants specified in Part II of the First Schedule of the Accountants Act 1967; or

(c) fulfils such other requirements as prescribed or approved by Bursa Securities.

No alternate director of the Board shall be appointed as a member of the Audit Committee.

The term of office and performance of the Audit Committee and each of its members shall be reviewed by the Board at least once every three (3) years to determine whether such Audit Committee and members have carried out their duties in accordance with their terms of reference.

Retirement and Resignation

If a member of the Audit Committee resigns, dies, or for any reason ceases to be a member resulting in non-compliance to the composition criteria as stated above, the Board shall within three (3) months of the event appoint such number of the new members as may be required to fill the vacancy.

Chairman

The members of the Audit Committee shall elect a Chairman from amongst their number who shall be an independent director.

In the absence of the Chairman of the Audit Committee, the other members of the Audit Committee shall amongst themselves elect a Chairman who must be independent director to chair the meeting.

SECRETARY

The Company Secretary shall be the Secretary of the Audit Committee and as a reporting procedure, the Minutes shall be circulated to all members of the Board.

MEETINGS

The Audit Committee shall meet regularly, with due notice of issues to be discussed, and shall record its conclusions in discharging its duties and responsibilities. In addition, the Chairman may call for additional meetings at any time at the Chairman's discretion.

Upon the request of the external auditors, the Chairman of the Audit Committee shall convene a meeting of the Audit Committee to consider any matter the external auditors believe should be brought to the attention of the directors or shareholders.

Notice of Audit Committee meetings shall be given to all the Audit Committee members unless the Audit Committee waives such requirement.

The Chairman of the Audit Committee shall engage on a continuous basis with senior management, such as the Chairman, the Chief Executive Officer, the Finance Director, the head of internal audit and the external auditors in order to be kept informed of matters affecting the Company.

The Finance Director, the head of internal audit and a representative of the external auditors should normally attend meetings. Other Board members and employees may attend meetings upon the invitation of the Audit Committee. The Audit Committee shall be able to convene meetings with the external auditors, the internal auditors or both, without executive Board members or employees present whenever deemed necessary and at least twice a year with the external auditors.

Questions arising at any meeting of the Audit Committee shall be decided by a majority of votes of the members present, and in the case of equality of votes, the Chairman of the Audit Committee shall have a second or casting vote.

Minutes

Minutes of each meeting shall be kept at the registered office and distributed to each member of the Audit Committee and also to the other members of the Board. The Chairman of the Audit Committee shall report on each meeting to the Board.

The minutes of the Audit Committee meeting shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting.

Quorum

The quorum for the Audit Committee meeting shall be the majority of members present whom must be independent directors.

AUTHORITY

The Audit Committee shall, in accordance with a procedure to be determined by the Board and at the expense of the Company,

(a) have explicit authority to investigate any matter within its terms of reference, the resources to do so, and full access to information. All employees shall be directed to co-operate as requested by members of the Audit Committee.
(b) have full and unlimited/unrestricted access to all information and documents/resources which are required to perform its duties as well as to the internal and external auditors and senior management of the Company and Group.
(c) obtain independent professional or other advice and to invite outsiders with relevant experience to attend, if necessary.
(d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any).
(e) where the Audit Committee is of the view that the matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements of Bursa Securities, the Audit Committee shall promptly report such matter to Bursa Securities.

DUTIES AND RESPONSIBILITIES

The duties and responsibilities of the Audit Committee are as follows:

(a) To consider the appointment of external auditors, the audit fee and any question of resignation or dismissal;
(b) To discuss with the external auditors before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is

involved;

(c) To review with the external auditors their evaluation of the system of internal controls and audit report;

(d) To review the quarterly and year-end financial statements of the Board, focusing particularly on:
- any change in accounting policies and practices;
- significant adjustments arising from the audit;
- the going concern assumptions; and
- compliance with accounting standards and other legal requirements.

(e) To discuss problems and reservations arising from the interim and final audits, and any matter the auditors may wish to discuss (in the absence of management, where necessary);

(f) To review the external auditors' management letter and management's response;

(g) To do the following, in relation to the internal audit function:
- review the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
- review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
- review any appraisal or assessment of the performance of members of the internal audit function;
- approve any appointment or termination of senior staff members of the internal audit function; and
- take cognizance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.

(h) To consider any related party transactions and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;

(i) To report its findings on the financial and management performance, and other material matters to the Board;

(j) To consider the major findings of internal investigations and management's response;

(k) To verify the allocation of employees' share option scheme ("ESOS") in compliance with the criteria as stipulated in the by-laws of ESOS of the Company, if any;

(l) To determine the remit of the internal audit function;

(m) To consider other topics as defined by the Board; and

(n) To consider and examine such other matters as the Audit Committee considers appropriate.

Summary of Activities of the Audit Committee

Five (5) Audit Committee meetings were held during the financial year under review. The activities of the Audit Committee are summarised as follows:

(a) Reviewed the unaudited financial results and the announcements for the quarterly/financial year end results of the Group prior to the Board of Directors' approval, particularly on:
- Overall performance of the Group;
- Prospects of the Group; and
- Compliance with applicable accounting standards and other legal requirements.

(b) Reviewed the audit reports together with the external auditor.
(c) Reviewed the internal audit reports presented and considered the significant audit findings, audit recommendations and management's responses to ensure significant findings were adequately addressed by the Management.
(d) Discussed with the external auditor the audit plan and scope for the year as well as the audit procedures to be followed.
(e) Review related party transactions entered into by the Group.
(f) Reviewed the risk management report presented and discussed the high and significant risk areas.

The record of attendance of the members for the financial year ended 31 December 2007 is as follows:

Name	*No. of Meetings Held*	*Attendance (%)*
Datuk (Dr) Philip Ting Ding Ing	5/5	100
Tan Sri Datuk (Dr) Omar bin Abdul Rahman	4/5	80
Dato' Chew Kong Seng @ Chew Kong Huat	3/3	100
Efeida bt Mohd Effendi	1/4	40
Datuk (Dr) Zainal Aznam bin Mohd Yusof	4/5	80

Internal Audit Function

The Group has established an internal audit department to assist the Audit Committee in discharging its duties and responsibilities.

The main role of the internal audit function is to review the effectiveness and efficiency of the system of internal control. The internal audit function covers and is not confined to the following:

- **Reviewing Objectives and Activities**
  Review with Management the operational activities and ensure the principal objectives are aligned to overall Group's objectives.

- **Evaluating Risk**
  Identify all auditable activities and relevant risk factors, and to assess their significance.

- **Confirming Information**
  Research and gather information that is competent, factual and complete.

- **Analysing Operations**
  Analyse and examine that operations are effective.

- **Providing Assurance on Compliance**
  Provide assurance on compliance with statutory requirements, laws, Group's policies and guidelines.

- **Recommending Internal Controls**
  Recommend appropriate controls to overcome deficiencies and to enhance the Group's operations.

- **Assuring Safeguards**
  Evaluate procedures in place to safeguard the Group's assets.

- **Consulting and Facilitating**
  Assist Management in establishing a proper risk management framework, assessing risk and monitoring the effectiveness of the risk management programme and ensuring the adequacy of the internal control system.

STATEMENT ON INTERNAL CONTROL

Introduction

The Statement on Internal Control is made pursuant to Paragraph 15.27 (b) of the Listing Requirements of Bursa Malaysia Securities Berhad. The Board of Directors acknowledges the importance of sound internal controls and risk management practices towards achieving good corporate governance. The Board of Directors is committed to maintaining a sound system of internal control to safeguard shareholders' investments and the Group's assets.

Responsibility

The Board of Directors affirms its overall responsibility in maintaining the Group's system of internal control and risk management, and for reviewing the adequacy and integrity of those systems. Due to the limitations that are inherent in any system of internal control, such systems are designed to mitigate rather than eliminate the risks that may impede the achievement of the Group's business objectives. Accordingly, these systems can provide only reasonable and not absolute assurance against material misstatement or loss.

Key Elements of Internal Control

The key elements of the Group's system of internal control are as follows:

1. There is an organisation structure and job descriptions that define lines of responsibility and delegation of authority according to defined limits of authority.

2. Key functions such as finance, corporate and legal matters are controlled centrally.

3. There is a strategic planning and annual budgeting process. The Board reviews and approves the annual budgets.

4. Actual performance is compared against budget and reviewed by the Board. Major variances will be explained.

5. The Audit Committee will review quarterly results to ensure the financial results are prepared in accordance with the Listing Requirements, Companies Act 1965 and applicable FRS so as to present a true and fair view of the financial position of the Group.

6. Policies and procedures of most operating units within the Group are documented in the Group policies and procedures manuals of the Group and/or ISO 9001, where applicable, to ensure compliance with internal control systems and relevant laws and regulations.

7. The Executive Committee (EXCO) involves the Directors and Senior Management who meet as and when necessary with all operating units head to consider financial and operational issues of the Group as well as any management proposal by the operating units.

8. The Internal Audit Department also conducted regular audits to ensure the adequacy and integrity of the internal control system in place and to assist the Audit Committee in carrying out its duties and responsibilities. Weaknesses in the internal control systems were identified and corrective actions were carried out accordingly. None of these weaknesses have resulted in any material losses to the Group.

Risk Management

The Board recognises that risks faced by the Group may have a significant impact to the business and have to be addressed on a timely basis. As such, risk management is an ongoing process subject to continuous review by the Board.

During the financial year under review, the Board continued its review of the risk management efforts carried out by the Group. The year saw a series of meetings and interviews conducted by the Risk Management Units and Risk Management Committee. These meetings were held to identify, analyse, measure and manage new risks faced by the Group. At the same time, existing risks were deliberated and rated accordingly. New and existing controls were considered and implemented to ensure that the likelihood and impact of the risks are mitigated.

The risk management processes have been reviewed by the Internal Audit Department semi-annually. The functions of the risk management were found satisfactory.

Conclusion

Based on the above, the Board is of the opinion that the state of the Group's internal control is satisfactory and has not resulted in any material losses or contingencies that would require disclosure in the Company's Annual Report.

STATEMENT ON DIRECTORS' RESPONSIBILITY

This statement is prepared as required by Paragraph 15.27 (a) of the Listing Requirements of the Bursa Malaysia Securities Berhad.

The Directors are required to prepare financial statements which give a true and fair view of the state of affairs of the Group and the Company as at the end of each financial year.

In preparing these financial statements, the Directors have:

1. adopted appropriate accounting policies and applied them consistently;

2. used reasonable and prudent judgments and estimations;

3. ensure that applicable approved accounting standards have been followed; and

4. prepared the financial statements on the going concern basis.

The Directors are responsible for ensuring that the Company maintains accounting records which disclose with reasonable accuracy, the financial position of the Group and the Company; and that the financial statements are prepared in accordance with the Listing Requirements, Companies Act 1965 and applicable FRS.

The Directors have general responsibility for taking such steps that are reasonably available to them to safeguard the assets of the Group, and to prevent and detect fraud and other irregularities.

solidity
[suh-lid-i-tee] –noun

1. the state, property, or quality of being solid.
2. firmness and strength.
3. strength of mind, character, finances, etc.
4. Obsolete. the amount of space occupied by a solid body; volume.

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ENCORP BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and provision of general management support services.

The principal activities of the subsidiaries are disclosed in Note 15 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year.

RESULTS

	Group RM	Company RM
Profit for the year	77,502,701	7,243,555
Attributable to:		
Equity holders of the Company	69,300,767	7,243,555
Minority interest	8,201,934	-
	77,502,701	7,243,555

There were no material transfers to or from reserves or provisions during the financial year.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

The amount of dividends paid by the Company since 31 December 2006 were as follows:

In respect of the financial year ended 31 December 2007

	RM
Interim dividend of 5% less 27% taxation, on 223,508,536 ordinary shares, declared on 31 July 2007 and paid on 20 September 2007	8,158,062

The Board of Directors had on 21 February 2008 declared a second interim dividend of 5% per ordinary share which comprises of a 4.73% single-tier exempt dividend and a 0.27% dividend less 26% Malaysian income tax in respect of the financial year ended 31 December 2007. The dividend was paid on 7 April 2008.

The directors do not recommend payment of any final dividend for the current financial year.

DIRECTORS

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Tan Sri Datuk (Dr) Omar bin Abdul Rahman
Yeoh Soo Ann
Efeida binti Mohd Effendi
Datuk Ramli bin Shamsudin
Datuk (Dr) Ting Ding Ing
Datuk Fong Joo Chung
Datuk (Dr) Zainal Aznam bin Mohd Yusof
Dato' Chew Kong Seng @ Chew Kong Huat

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full time employee of the Company as shown in Note 9 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 29 to the financial statements.

DIRECTORS' INTEREST

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

	← Number of Ordinary Shares of RM1 Each →			
	1.1.2007	Acquired	Sold	31.12.2007
(a) Direct interest in shares of the Company:				
Datuk (Dr) Ting Ding Ing	2,278,000	-	-	2,278,000
(b) Deemed interest in shares of the Company:				
Efeida binti Mohd Effendi *	73,636,036	-	-	73,636,036
Tan Sri Datuk (Dr) Omar bin Abdul Rahman ^	73,636,036	-	-	73,636,036
Datuk Ramli bin Shamsudin ^	73,636,036	-	-	73,636,036

* *By virtue of the substantial shareholding in Lavista Sdn. Bhd. held by her and persons connected to her.*

^ *By virtue of their substantial shareholdings in Lavista Sdn. Bhd. held by them in trust.*

Save as disclosed above, none of the other directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

OTHER STATUTORY INFORMATION

(a) Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that no provision for doubtful debts was necessary; and

(ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

OTHER STATUTORY INFORMATION (CONT'D.)

(b) At the date of this report, the directors are not aware of any circumstances which would render:

(i) it necessary to write off any bad debts or to make any provision for doubtful debts in respect of the financial statements of the Group and of the Company; and

(ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

(e) As at the date of this report, there does not exist:

(i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

(f) In the opinion of the directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

SIGNIFICANT EVENT

The significant event is disclosed in Note 30 to the financial statements.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 23 April 2008.

Tan Sri Datuk (Dr) Omar bin Abdul Rahman

Yeoh Soo Ann

ENCORP BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Tan Sri Datuk (Dr) Omar bin Abdul Rahman and Yeoh Soo Ann, being two of the directors of Encorp Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on page 63 to 130 are drawn up in accordance with the provisions of the Companies Act,1965 and applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2007 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 23 April 2008.

Tan Sri Datuk (Dr) Omar bin Abdul Rahman

Yeoh Soo Ann

STATUTORY DECLARATION
PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Kee Hock Kee, being the officer primarily responsible for the financial management of Encorp Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 63 to130 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, l960.

Subscribed and solemnly declared
by the abovenamed Kee Hock Kee
at Kuala Lumpur in the Federal
Territory on 23 April 2008

Kee Hock Kee

Before me,

Soh Ah Kau, AMN (W315)
Commissioner for Oaths

REPORT OF THE AUDITORS TO THE MEMBERS OF
ENCORP BERHAD
(Incorporated in Malaysia)

We have audited the accompanying financial statements set out on pages 63 to 130. These financial statements are the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

(a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of:

   (i) the financial position of the Group and of the Company as at 31 December 2007 and of the results and the cash flows of the Group and of the Company for the year then ended; and

   (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and

(b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries have been properly kept in accordance with the provisions of the Act.

REPORT OF THE AUDITORS TO THE MEMBERS OF
ENCORP BERHAD (CONT'D.)
(Incorporated in Malaysia)

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

Ernst & Young
AF: 0039
Chartered Accountants

George Koshy
No. 1846/07/09 (J)
Partner

Kuala Lumpur, Malaysia
23 April 2008

ENCORP BERHAD
(Incorporated in Malaysia)

INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

	Note	GROUP 2007 RM	GROUP 2006 RM	COMPANY 2007 RM	COMPANY 2006 RM
Revenue	3	328,710,549	143,125,856	13,579,676	7,248,160
Cost of sales	4	(82,710,034)	(25,454,531)	-	-
Gross profit		246,000,515	117,671,325	13,579,676	7,248,160
Other income	5	5,787,113	3,943,250	3,256,318	229,459
Selling and marketing expenses		(1,791,301)	(3,362,404)	-	-
Administrative expenses		(15,582,812)	(12,333,517)	(7,232,961)	(5,739,254)
Other expenses		(13,022,579)	(119,839,983)	(163,577)	(47,292)
Operating profit/(loss)		221,390,936	(13,921,329)	9,439,456	1,691,073
Finance costs	6	(110,067,289)	(109,948,589)	(11,210)	(4,172)
Share of profit of an associate		-	4,064,060	-	-
Profit/(loss) before tax	7	111,323,647	(119,805,858)	9,428,246	1,686,901
Income tax expense	10	(33,820,946)	(3,181,737)	(2,184,691)	(734,547)
Profit/(loss) for the year		77,502,701	(122,987,595)	7,243,555	952,354
Attributable to:					
Equity holders of the Company		69,300,767	(124,843,193)	7,243,555	952,354
Minority interest		8,201,934	1,855,598	-	-
		77,502,701	(122,987,595)	7,243,555	952,354
Basic earnings/(loss) per share attributable to equity holders of the Company (sen)	11	31.01	(55.86)		

The accompanying notes form an integral part of the financial statements.

ENCORP BERHAD
(Incorporated in Malaysia)

BALANCE SHEETS
AS AT 31 DECEMBER 2007

	Note	GROUP 2007 RM	GROUP 2006 RM	COMPANY 2007 RM	COMPANY 2006 RM
ASSETS					
Non-current assets					
Property, plant and equipment	13	5,971,383	5,095,723	1,512,799	160,437
Land held for property development	14	51,568,134	82,726,648	-	-
Investments in subsidiaries	15	-	-	295,960,000	295,960,000
Goodwill on consolidation	16	140,879,106	153,205,572	-	-
Concession income receivables	17	1,045,812,094	1,106,113,526	-	-
Deferred tax assets	18	150,532	-	-	-
		1,244,381,249	1,347,141,469	297,472,799	296,120,437
Current assets					
Property development costs	14	91,775,597	63,734,713	-	-
Trade and other receivables	19	168,328,607	148,236,447	17,373,772	25,748,519
Cash and bank balances	20	235,594,585	53,445,348	79,560,788	3,552,278
		495,698,789	265,416,508	96,934,560	29,300,797
Non-current asset held for sale	21	-	39,800,000	-	37,908,295
		495,698,789	305,216,508	96,934,560	67,209,092
TOTAL ASSETS		1,740,080,038	1,652,357,977	394,407,359	363,329,529

ENCORP BERHAD
(Incorporated in Malaysia)

BALANCE SHEETS
AS AT 31 DECEMBER 2007 (CONT'D.)

	Note	GROUP 2007 RM	GROUP 2006 RM	COMPANY 2007 RM	COMPANY 2006 RM
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	22	223,508,536	223,508,536	223,508,536	223,508,536
Share premium		103,563,392	103,563,392	103,563,392	103,563,392
(Accumulated losses)/ retained earnings		(40,195,792)	(101,338,497)	29,832,574	30,747,081
		286,876,136	225,733,431	356,904,502	357,819,009
Minority interests		6,838,232	1,855,598	-	-
Total equity		293,714,368	227,589,029	356,904,502	357,819,009
Non-current liabilities					
Trade payables	23	74,214,393	80,575,341	-	-
Borrowings	24	1,088,853,611	1,106,156,380	759,368	-
Deferred tax liabilities	18	30,093,389	8,983,971	-	-
		1,193,161,393	1,195,715,692	759,368	-
Current liabilities					
Borrowings	24	128,342,900	117,695,719	300,709	-
Trade and other payables	23	118,794,454	109,985,725	36,442,780	5,510,520
Income tax payable		6,066,923	1,371,812	-	-
		253,204,277	229,053,256	36,743,489	5,510,520
Total liabilities		1,446,365,670	1,424,768,948	37,502,857	5,510,520
TOTAL EQUITY AND LIABILITIES		1,740,080,038	1,652,357,977	394,407,359	363,329,529

The accompanying notes form an integral part of the financial statements.

ENCORP BERHAD
(Incorporated in Malaysia)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

	← Attributable to Equity Holders of the Company →				Minority Interest	Total Equity
		Non - Distributable	Distributable			
	Share Capital RM	Share Premium RM	Retained Earnings/ (Accumulated Losses) RM	Total RM	RM	RM
At 1 January 2006	223,508,536	103,563,392	23,504,696	350,576,624	-	350,576,624
(Loss)/profit for the year	-	-	(124,843,193)	(124,843,193)	1,855,598	(122,987,595)
At 31 December 2006	223,508,536	103,563,392	(101,338,497)	225,733,431	1,855,598	227,589,029
At 1 January 2007	223,508,536	103,563,392	(101,338,497)	225,733,431	1,855,598	227,589,029
Profit for the year	-	-	69,300,767	69,300,767	8,201,934	77,502,701
Dividends (Note 12)	-	-	(8,158,062)	(8,158,062)	(3,219,300)	(11,377,362)
At 31 December 2007	223,508,536	103,563,392	(40,195,792)	286,876,136	6,838,232	293,714,368

The accompanying notes form an integral part of the financial statements.

ENCORP BERHAD
(Incorporated in Malaysia)

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

		Non - Distributable	Distributable	
	Share Capital RM	Share Premium RM	Retained Earnings RM	Total Equity RM
At 1 January 2006	223,508,536	103,563,392	29,794,727	356,866,655
Profit for the year	-	-	952,354	952,354
At 31 December 2006	223,508,536	103,563,392	30,747,081	357,819,009
At 1 January 2007	223,508,536	103,563,392	30,747,081	357,819,009
Profit for the year	-	-	7,243,555	7,243,555
Dividends (Note 12)	-	-	(8,158,062)	(8,158,062)
At 31 December 2007	223,508,536	103,563,392	29,832,574	356,904,502

The accompanying notes form an integral part of the financial statements.

ENCORP BERHAD
(Incorporated in Malaysia)

CASH FLOW STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(loss) before tax	111,323,647	(119,805,858)	9,428,246	1,686,901
Adjustments for:				
Depreciation	696,119	593,680	163,577	47,292
Interest expense	110,067,289	109,948,589	11,210	4,172
Loss recognised on remeasurement of non-current asset held for sale	-	6,022,375	-	-
Dividend income	-	-	(10,290,000)	(4,704,235)
Provision on the recoverability of Extension of Time ("EOT")	-	69,426,356	-	-
Write back of short term accumulating compensated absences	-	(3,240)	-	-
Interest income on deposits placed in licensed banks and corporations	(4,065,635)	(2,256,657)	(1,164,613)	(229,459)
Gain on disposal of an associate	-	-	(2,091,705)	-
Interest income on late payments from house buyers	(167,397)	(362,527)	-	-
Share of profit of an associate	-	(4,064,060)	-	-
Deferred expenditure written off	-	113,633	-	113,633
Provision for liquidated ascertained damages	315,822	212,308	-	-
(Gain)/loss on disposal of property, plant and equipment	(244,113)	(21,294)	-	18,615
Impairment of goodwill on consolidation	12,326,466	43,797,570	-	-
Operating profit/(loss) before working capital changes	230,252,198	103,600,875	(3,943,285)	(3,063,081)
Changes in working capital:				
Development expenditure	3,117,630	(23,682,636)	-	-
Receivables	41,271,848	5,172,111	966,769	(1,309,583)
Operating profit/(loss) after working capital changes c/f	274,641,676	85,090,350	(2,976,516)	(4,372,664)

ENCORP BERHAD
(Incorporated in Malaysia)

CASH FLOW STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (CONT'D.)

	GROUP		COMPANY	
	2007	2006	2007	2006
	RM	RM	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES (CONT'D.)				
Operating profit/(loss) after working capital changes b/f	274,641,676	85,090,350	(2,976,516)	(4,372,664)
Corporate shareholder	(581,199)	(799,028)	(3,267,443)	(50,000)
Trade and other payables	2,713,158	29,031,554	1,145,575	924,493
Associate	-	2,258,033	-	-
Subsidiaries	-	-	40,332,591	(5,389,461)
Cash generated from/(used in) operations	276,773,635	115,580,909	35,214,207	(8,887,632)
Interest paid	(26,831)	(26,590)	(11,210)	(4,172)
Tax refunded	878,124	-	878,124	-
Income taxes paid	(9,773,681)	(1,812,500)	(135,000)	-
Net cash flow generated from/ (used in) operating activities	267,851,247	113,741,819	35,946,121	(8,891,804)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(462,164)	(224,778)	(397,939)	(52,350)
Proceeds from disposal of property, plant and equipment	252,498	89,500	-	30,000
Proceeds from disposal of non-current assets held for sale	39,800,000	-	40,000,000	-
Interest received	3,899,064	2,090,980	1,164,613	229,459
Dividend received	-	-	7,511,700	3,575,219
Net cash flow generated from investing activities	43,489,398	1,955,702	48,278,374	3,782,328

ENCORP BERHAD
(Incorporated in Malaysia)

CASH FLOW STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (CONT'D.)

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
CASH FLOWS FROM FINANCING ACTIVITIES				
Redemption of Al-Bai Bithaman Ajil Notes	(117,531,218)	(129,650,003)	-	-
Dividends paid to:				
shareholders of the Company	(8,158,062)	-	(8,158,062)	-
minority shareholders of a subsidiary	(3,219,300)	-	-	-
(Placement)/release of deposits pledged	(92,845,480)	23,905,312	419,107	135,966
Repayment of hire purchase payables	(282,828)	(201,791)	(57,923)	(65,974)
Net cash flow (used in)/ generated from financing activities	(222,036,888)	(105,946,482)	(7,796,878)	69,992
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	89,303,757	9,751,039	76,427,617	(5,039,484)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	19,143,760	9,392,721	101,109	5,140,593
CASH AND CASH EQUIVALENTS AT END OF YEAR (NOTE 20)	108,447,517	19,143,760	76,528,726	101,109

(a) Property, plant and equipment were acquired by way of the following means:

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Cash	462,164	224,778	397,939	52,350
Hire purchase arrangements	1,118,000	-	1,118,000	-
	1,580,164	224,778	1,515,939	52,350

The accompanying notes form an integral part of the financial statements.

ENCORP BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2007

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of Bursa Malaysia Securities Berhad ("Bursa Malaysia"). The registered office of the Company is located at Level 2, B-59, Taman Sri Sarawak Mall, Jalan Tunku Abdul Rahman, 93100 Kuching, Sarawak. The principal place of business of the Company is located at Level 18, Wisma SunwayMas, No 1, Jalan Tengku Ampuan Zabedah C9/C, Section 9, 40100 Shah Alam, Selangor Darul Ehsan.

The principal activities of the Company are investment holding and provision of general management support services. The principal activities of the subsidiaries are disclosed in Note 15. There have been no significant changes in the nature of the principal activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 23 April 2008.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements comply with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia ("FRS"). At the beginning of the current financial year, the Group and the Company had adopted new and revised FRSs which are mandatory for financial periods beginning on or after 1 January 2007 as described fully in Note 2.3.

The financial statements of the Group and of the Company have also been prepared on a historical basis and are presented in Ringgit Malaysia (RM).

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies

(a) Subsidiaries and Basis of Consolidation

(i) Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

(ii) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(a) Subsidiaries and Basis of Consolidation (Cont'd.)

(ii) Basis of Consolidation (Cont'd.)

Minority interest represents the portion of profit or loss and net assets in a subsidiary not held by the Group. It is measured at the minority's share of the fair value of the subsidiary's identifiable assets and liabilities at the acquisition date and the minority's share of changes in the subsidiary's equity since then.

(b) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(c) Property, Plant and Equipment, and Depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(c) Property, Plant and Equipment, and Depreciation (Cont'd.)

Depreciation of property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

	%
Commercial office space	2
Motor vehicles	20
Office equipment, furniture and fittings	10 - 20
Office renovation	10

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment. Fully depreciated assets are retained in the financial statements until the assets are no longer in use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss and the unutilised portion of the revaluation surplus on that item is taken directly to retained earnings.

(d) Land Held for Property Development and Property Development Costs

(i) Land Held for Property Development

Land held for property development consists of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified within non-current assets and is stated at cost less any accumulated impairment losses.

Land held for property development is reclassified as property development costs at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(d) Land Held for Property Development and Property Development Costs (Cont'd.)

(ii) Property Development Costs

Property development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

When the financial outcome of a development activity can be reliably estimated, property development revenue and expenses are recognised in the income statement by using the physical proportion of completion method. The stage of completion is determined by the architects,quantity surveyors and engineers to measure the extent of work performed to date.

Where the financial outcome of a development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable, and property development costs on properties sold are recognised as an expense in the period in which they are incurred.

Any expected loss on a development project, including costs to be incurred over the defects liability period, is recognised as an expense immediately.

Property development costs not recognised as an expense are recognised as an asset, which is measured at the lower of cost and net realisable value.

The excess of revenue recognised in the income statement over billings to purchasers is classified as accrued billings within trade receivables and the excess of billings to purchasers over revenue recognised in the income statement is classified as progress billings within trade payables.

(e) Construction Contracts

Where the outcome of a construction contract can be reliably estimated, contract revenue and contract costs are recognised as revenue and expenses respectively by using the stage of completion method. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

Where the outcome of a construction contract cannot be reliably estimated, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(e) Construction Contracts (Cont'd.)

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the total of costs incurred on construction contracts plus, recognised profits (less recognised losses), exceeds progress billings, the balance is classified as amount due from customers on contracts. When progress billings exceed costs incurred plus, recognised profits (less recognised losses), the balance is classified as amount due to customers on contracts.

(f) Impairment of Non-Financial Assets

The carrying amounts of assets, other than property development costs, deferred tax assets and non-current assets (or disposal groups) held for sale, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs to. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(f) Impairment of Non-Financial Assets (Cont'd.)

An impairment loss is recognised in profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

(g) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are recognised directly in equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

(i) Cash and Cash Equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at bank and deposits at call and short term highly liquid investments which have an insignificant risk of changes in value.

(ii) Receivables

Receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debt based on a review of all outstanding amounts as at the balance sheet date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(g) Financial Instruments (Cont'd.)

(iii) Concession Income Receivable

Concession income receivable is carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

(iv) Payables

Payables are stated at the fair value of the consideration to be paid in the future for goods and services received.

(v) Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

The consideration paid, including attributable transaction costs on repurchased ordinary shares of the Company that have not been cancelled, are classified as treasury shares and presented as a deduction from equity. No gain or loss is recognised in profit or loss on the sale, re-issuance or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

(vi) Borrowings

Al-Bai Bithaman Ajil Notes and interest bearing bank loans are recorded at the amount of proceeds received, net of transaction costs.

Borrowing costs directly attributable to the acquisition and construction of development properties and property, plant and equipment are capitalised as part of the cost of those assets in accordance with Note 2.2(d).

All other borrowing costs are charged to the income statement as an expense in the year in which they are incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(g) Financial Instruments (Cont'd.)

(vii) Derivative Financial Instruments

Derivative financial instruments are not recognised in the financial statements.

(h) Affiliated Companies

Affiliated companies include:

(i) Companies related to director, Efeida binti Mohd Effendi by virtue of her being a director, a shareholder and/or her relationship with the controlling shareholder of the companies.

(ii) Perbadanan Kemajuan Negeri Selangor ("PKNS"), a corporate shareholder and a joint venture party of a subsidiary of the Company for the purpose to undertake a mixed development project with a subsidiary of the Company.

(i) Leases

(i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership.

(ii) Finance Leases - the Group as Lessee

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Company's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(i) Leases (Cont'd.)

(ii) Finance Leases - the Group as Lessee (Cont'd.)

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for lease assets is in accordance with that for depreciable property, plant and equipment as described in Note 2.2(c).

(j) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised as income or an expense and included in the profit or loss for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(k) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

Provision for restructuring costs is recognised when a detailed and formal restructuring plan has been approved, and the restructuring has either commenced or has been announced publicly. Costs relating to ongoing activities are not provided for.

(l) Employee Benefits

(i) Short Term Benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined Contribution Plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(m) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of Properties

Revenue from sale of properties is accounted for by the stage of completion method as described in Note 2.2(d)(ii).

(ii) Construction Contracts

Revenue from construction contracts is accounted for by the stage of completion method as described in Note 2.2 (e).

(iii) Concession Income

Concession income is recognised when the significant risks and rewards of ownership has passed upon the completion and handover of each unit of the teachers' quarters to the Government.

Pursuant to the Privatisation Agreement, the concession income is payable by the Government from the completion and handover of each cluster of the teachers' quarters up to the end of the concession period ("the residual concession period"). Accordingly, the Company is compensated in the form of interest as a result of the extended repayment period. The concession period will expire in the year 2028.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(m) Revenue Recognition (Cont'd.)

(iv) Interest Income

Interest income from the concession is recognised on an accrual basis using the sum-of-digits method over the residual concession period.

All other interest income is recognised in the income statement on an accrual basis.

(v) Dividend Income

Dividend income is recognised when the Group's right to receive payment is established.

(vi) Management Fee

Management fees are recognised when services are rendered.

(vii) Rental Income

Rental income is recognised on an accrual basis.

(n) Non-current Assets (or Disposal Groups) Held for Sale and Discontinued Operation

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary.

Immediately before classification as held for sale, the measurement of the non-current assets (or all the assets and liabilities in a disposal group) is brought up-to-date in accordance with applicable FRSs. Then, on initial classification as held for sale, non-current assets or disposal groups (other than investment properties, deferred tax assets, employee benefits assets and financial assets) are measured in accordance with FRS 5 that is at the lower of carrying amount and fair value less costs to sell. Any differences are included in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs

On 1 January 2007, the Group and the Company adopted FRS 124: Related Party Disclosures. The adoption of the revised FRS 124 gives rise to additional disclosures but did not result in significant changes in accounting policies of the Group and the Company.

The MASB has also issued FRS 6: Exploration for and Evaluation of Mineral Resources, FRS 117: Leases and Amendment to FRS 119 2004: Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures. These FRS are, however, not applicable to the Group and the Company.

2.4 Standards and Interpretations Issued but Not Yet Effective

At the date of authorisation of these financial statements, the following new and revised FRS, amendment to FRS and Interpretations were issued but not yet effective and have not been applied by the Company:

FRSs, Amendments to FRS and Interpretations	Effective for financial periods beginning on or after
FRS 107: Cash Flow Statements	1 July 2007
FRS 111: Construction Contracts	1 July 2007
FRS 112: Income Taxes	1 July 2007
FRS 118: Revenue	1 July 2007
FRS 120: Accounting for Government Grants and Disclosure of Government Assistance	1 July 2007
FRS 134: Interim Financial Reporting	1 July 2007
FRS 137: Provisions, Contingent Liabilities and Contingent Assets	1 July 2007
FRS 139: Financial Instruments: Recognition and Measurement	Deferred
Amendment to FRS 121: The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation	1 July 2007
IC Interpretation 1: Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 July 2007
IC Interpretation 2: Members' Shares in Co-operative Entities and Similar Instruments	1 July 2007
IC Interpretation 5: Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 July 2007
IC Interpretation 6: Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	1 July 2007

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Standards and Interpretations Issued but Not Yet Effective (Cont'd.)

FRSs, Amendments to FRS and Interpretations	Effective for financial periods beginning on or after
IC Interpretation 7: Applying the Restatement Approach under FRS 129_{2004}: - Financial Reporting in Hyperinflationary Economies	1 July 2007
IC Interpretation 8: Scope of FRS 2	1 July 2007

The above new and revised FRS, amendment to FRS and Interpretations are expected to have no significant impact on the financial statements of the Company upon their initial application.

The Company is exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 139.

2.5 Significant Accounting Estimates and Judgements

(a) Critical Judgements Made in Applying Accounting Policies

There are no critical judgements made by management in the process of applying the Company's accounting policies that has significant effect on the amounts recognised in the financial statements.

(b) Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units ("CGU") to which goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future revenue from the CGU. The carrying amounts of goodwill as at 31 December 2007 were RM140,879,106 (2006: RM153,205,572).

Further details are disclosed in Note 16.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Significant Accounting Estimates and Judgements (Cont'd.)

(b) Key Sources of Estimation Uncertainty (Cont'd.)

(ii) Property Development

The Group recognises property development revenue and expenses in the income statement by using the physical proportion of completion method. The stage of completion is determined by the architects, quantity surveyors and engineers to measure the extent of work performed to date.

Significant judgement is required in determining the stage of completion, the extent of the property development costs incurred, the estimated total property development revenue and costs, as well as the recoverability of the development projects. In making the estimation, the Group evaluates by relying on the work of the above experts.

(iii) Income Tax

Significant estimation is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

3. REVENUE

	GROUP		COMPANY	
	2007	2006	2007	2006
	RM	RM	RM	RM
Concession income from the handover of teachers' quarters	204,348,355	103,449,888	-	-
Dividend income	-	-	10,290,000	4,704,235
Management fees	-	-	3,289,676	2,543,925
Sale of properties under development	124,362,194	39,675,968	-	-
	328,710,549	143,125,856	13,579,676	7,248,160

4. COST OF SALES

	GROUP	
	2007	2006
	RM	RM
Property development costs (Note 14(b))	82,710,034	25,454,531

5. OTHER INCOME

Other income includes the following:

	GROUP		COMPANY	
	2007	2006	2007	2006
	RM	RM	RM	RM
Interest income on:				
- deposits placed in licensed banks and corporations	4,065,635	2,256,657	1,164,613	229,459
- late payments from house buyers	167,397	362,527	-	-
Gain on disposal of an associate	-	-	2,091,705	-

6. FINANCE COSTS

	GROUP		COMPANY	
	2007	2006	2007	2006
	RM	RM	RM	RM
Interest expense on:				
- hire purchase payables	26,831	26,590	11,210	4,172
- Al-Bai Bithaman Ajil notes	110,040,458	109,921,999	-	-
- trade payables	2,620,958	2,022,743	-	-
	112,688,247	111,971,332	11,210	4,172
Less : Interest capitalised in qualifying assets				
Property development costs (Note 14)	(2,620,958)	(2,022,743)	-	-
	110,067,289	109,948,589	11,210	4,172

7. PROFIT/(LOSS) BEFORE TAX

The following amounts have been included in arriving at profit/(loss) before tax:

	GROUP		COMPANY	
	2007	2006	2007	2006
	RM	RM	RM	RM
Employee benefits expenses (Note 8)	7,592,641	6,047,148	5,244,795	3,840,971
Non-executive directors' remuneration (Note 9)	485,147	455,400	417,247	453,000
Auditors' remuneration:				
-statutory audits	104,000	100,000	45,000	45,000
-other services	50,000	-	50,000	-
Provision on the recoverability of EOT	-	69,426,356	-	-
Depreciation of property, plant and equipment	696,119	593,680	163,577	47,292
Rental of premises	85,200	124,048	240,000	213,600
Rental of equipment	37,478	38,527	10,318	10,730
Loss recognised on remeasurement of non-current asset held for sale (Note 21)	-	6,022,375	-	-
Impairment of goodwill on consolidation	12,326,466	43,797,570	-	-
Deferred expenditure written off	-	113,633	-	113,633
Provision for liquidated ascertained damages	315,822	212,308	-	-
(Gain)/loss on disposal of property, plant and equipment	(244,113)	(21,294)	-	18,615

8. EMPLOYEE BENEFITS EXPENSES

	GROUP		COMPANY	
	2007	2006	2007	2006
	RM	RM	RM	RM
Wages and salaries	6,620,091	5,226,616	4,646,260	3,373,695
Social security costs	32,696	31,660	20,082	15,535
Pension cost - defined contribution plans	563,055	478,222	382,029	291,496
Write back of short term accumulating compensated absences	-	(3,240)	-	-
Other staff related expenses	376,799	313,890	196,424	160,245
	7,592,641	6,047,148	5,244,795	3,840,971

Included in employee benefits expenses of the Group and of the Company are executive directors' remuneration amounting to RM1,675,879 (2006: RM1,073,543) and RM1,435,054 (2006: RM939,143) respectively as further disclosed in Note 9.

9. DIRECTORS' REMUNERATION

The details of remuneration receivable by directors of the Group and of the Company during the financial year were as follows:

	GROUP		COMPANY	
	2007	2006	2007	2006
	RM	RM	RM	RM
Executive:				
Salaries and other emoluments	1,417,060	876,394	1,202,420	756,394
Fees	94,274	94,267	94,274	94,267
Defined contribution plan	164,545	102,882	138,360	88,482
	1,675,879	1,073,543	1,435,054	939,143
Estimated money value of benefits-in-kind	101,343	56,172	101,343	56,172
	1,777,222	1,129,715	1,536,397	995,315

9. DIRECTORS' REMUNERATION (CONT'D.)

	GROUP		COMPANY	
	2007	2006	2007	2006
	RM	RM	RM	RM
Non-executive:				
Fees	329,747	303,000	267,247	303,000
Allowances and other emoluments	155,400	152,400	150,000	150,000
	485,147	455,400	417,247	453,000
Estimated money value of benefits-in-kind	14,166	10,625	14,166	10,625
	499,313	466,025	431,413	463,625
	2,276,535	1,595,740	1,967,810	1,458,940

The number of directors of the Company whose total remuneration during the year fell within the following bands is analysed below:

	Number of Directors	
	2007	2006
Executive directors:		
RM50,001 - RM100,000	-	1
RM100,001 - RM150,000	-	1
RM150,001 - RM200,000	2	-
RM800,001 - RM850,000	-	1
RM1,150,001 - RM1,200,000	1	-
	3	3
Non-executive directors:		
< RM50,000	1	-
RM50,001 - RM100,000	3	4
RM150,001 - RM200,000	1	1
	5	5

10. INCOME TAX EXPENSE

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Current income tax:				
Malaysian income tax	8,920,351	3,171,080	2,208,895	734,547
Under/(over) provision in prior years	3,941,709	6,621	(24,204)	-
	12,862,060	3,177,701	2,184,691	734,547
Deferred taxation (Note 18):				
Relating to origination and reversal of temporary differences	22,841,560	-	-	-
Relating to changes in tax rate	(570,256)	-	-	-
(Over)/under provision in prior years	(1,312,418)	4,036	-	-
	20,958,886	4,036	-	-
Total income tax expense	33,820,946	3,181,737	2,184,691	734,547

Domestic income tax is calculated at the Malaysian statutory tax rate of 27% (2006:28%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 26% from the current year's rate of 27%, effective year of assessment 2008 and to 25% in subsequent years. The computation of deferred tax as at 31 December 2007 has reflected these changes.

A reconciliation of income tax expense applicable to profit/(loss) before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Profit/(loss) before tax	111,323,647	(119,805,858)	9,428,246	1,686,901
Taxation at Malaysian statutory tax rate of 27% (2006: 28%)	30,057,385	(33,545,640)	2,545,626	472,332
Effect of income not subject to tax	(113,400)	(811,591)	(564,760)	-

10. INCOME TAX EXPENSE (CONT'D.)

	GROUP		COMPANY	
	2007	2006	2007	2006
	RM	RM	RM	RM
Effect of expenses not deductible for tax purpose	3,596,393	20,723,511	209,434	154,453
Effect of changes in tax rates on opening balance of deferred tax	(570,256)	-	-	-
Deferred tax recognised at different tax rates	(1,835,064)	-	-	-
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	-	(636,432)	-	-
Deferred tax assets recognised on unutilised business losses	13,629	-	(13,241)	-
Deferred tax assets not recognised during the year	42,968	18,579,169	31,836	107,762
Effects of share of profit of an associate	-	(1,137,937)	-	-
Under/(over) provided in prior years				
- current taxation	3,941,709	6,621	(24,204)	-
- deferred tax	(1,312,418)	4,036	-	-
Tax expense for the year	33,820,946	3,181,737	2,184,691	734,547
Tax savings during the financial year arising from:				
Utilisation of current year tax losses	984,183	638,487	881,151	638,487

11. EARNINGS/(LOSS) PER SHARE

Earnings/(loss) per share amounts are calculated by dividing profit/(loss) for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year held by the Company.

	2007 RM	2006 RM
Profit/(loss) for the year	69,300,767	(124,843,193)
Weighted average number of ordinary shares in issue	223,508,536	223,508,536

	2007 Sen	2006 Sen
Basic earnings/(loss) per share	31.01	(55.86)

The Company does not have any potential dilutive ordinary shares. Accordingly, the diluted earnings per share is not presented.

12. DIVIDENDS

	Dividends in respect of Year		Dividends recognised in year	
	2007 RM	2006 RM	2007 RM	2006 RM
Recognised during the year:				
Interim dividend for 2007:				
5% less 27% taxation, on 223,508,536 ordinary shares (0.37 sen per ordinary share)	8,158,062	-	8,158,062	-

The Board of Directors had on 21 February 2008 declared a second interim dividend of 5% per ordinary share which comprises of a 4.73% single-tier exempt dividend and a 0.27% dividend less 26% Malaysian income tax in respect of the financial year ended 31 December 2007. The dividend was paid on 7 April 2008.

13. PROPERTY, PLANT AND EQUIPMENT

GROUP	Commercial office space RM	Motor vehicles RM	Office equipment, furniture and fittings RM	Office renovation RM	Total RM
As 31 December 2007					
Cost					
At 1 January 2007	3,756,750	1,543,556	1,680,561	2,434,899	9,415,766
Additions	-	1,487,203	92,961	-	1,580,164
Disposals	-	(1,131,372)	(57,912)	-	(1,189,284)
At 31 December 2007	3,756,750	1,899,387	1,715,610	2,434,899	9,806,646
Accumulated depreciation and impairment					
At 1 January 2007	507,161	1,340,146	995,314	1,477,422	4,320,043
Charge for the year (Note 7)	75,135	130,315	247,180	243,489	696,119
Disposals	-	(1,125,538)	(55,361)	-	(1,180,899)
At 31 December 2007	582,296	344,923	1,187,133	1,720,911	3,835,263
Net carrying amount					
At 31 December 2007	3,174,454	1,554,464	528,477	713,988	5,971,383
As 31 December 2006					
Cost					
At 1 January 2006	3,756,750	1,883,239	1,627,379	2,434,899	9,702,267
Additions	-	150,826	73,952	-	224,778
Disposals	-	(490,509)	(20,770)	-	(511,279)
At 31 December 2006	3,756,750	1,543,556	1,680,561	2,434,899	9,415,766
Accumulated depreciation and impairment					
At 1 January 2006	432,026	1,744,181	759,418	1,233,811	4,169,436
Charge for the year (Note 7)	75,135	27,858	247,076	243,611	593,680
Disposals	-	(431,893)	(11,180)	-	(443,073)
At 31 December 2006	507,161	1,340,146	995,314	1,477,422	4,320,043
Net carrying amount					
At 31 December 2006	3,249,589	203,410	685,247	957,477	5,095,723

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

COMPANY	Office renovation RM	Motor vehicles RM	Office equipment RM	Total RM
As 31 December 2007				
Cost				
At 1 January 2007	10,250	-	243,916	254,166
Additions	-	1,483,226	32,713	1,515,939
At 31 December 2007	10,250	1,483,226	276,629	1,770,105
Accumulated depreciation				
At 1 January 2007	1,794	-	91,935	93,729
Charge for the year (Note 7)	1,025	108,882	53,670	163,577
At 31 December 2007	2,819	108,882	145,605	257,306
Net carrying amount				
At 31 December 2007	7,431	1,374,344	131,024	1,512,799
As 31 December 2006				
Cost				
At 1 January 2006	10,250	95,509	191,566	297,325
Additions	-	-	52,350	52,350
Disposals	-	(95,509)	-	(95,509)
At 31 December 2006	10,250	-	243,916	254,166
Accumulated depreciation				
At 1 January 2006	769	44,571	47,991	93,331
Charge for the year (Note 7)	1,025	2,323	43,944	47,292
Disposals	-	(46,894)	-	(46,894)
At 31 December 2006	1,794	-	91,935	93,729
Net carrying amount				
At 31 December 2006	8,456	-	151,981	160,437

(a) Net book value of property, plant and equipment under hire purchase arrangement amounted to RM1,374,344 (2006: RM5,747).

14. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS

(a) Land Held for Property Development

	Leasehold Land RM	Development Expenditure RM	Total RM
GROUP			
At 31 December 2007			
At cost			
At 1 January 2007	82,726,648	-	82,726,648
Transfer to property development costs (Note 14(b))	(31,158,514)	-	(31,158,514)
At 31 December 2007	51,568,134	-	51,568,134
Carrying amount at 31 December 2007	51,568,134	-	51,568,134
At 31 December 2006			
At cost			
At 1 January 2006	90,076,556	-	90,076,556
Transfer to property development costs (Note 14(b))	(7,349,908)	-	(7,349,908)
At 31 December 2006	82,726,648	-	82,726,648
Carrying amount at 31 December 2006	82,726,648	-	82,726,648

(b) Property Development Costs

GROUP			
At 31 December 2007			
Cumulative property development costs			
At 1 January 2007	17,929,127	81,327,484	99,256,611
Costs incurred during the year	-	79,592,405	79,592,405
Transfer from land held for property development (Note 14(a))	31,158,514	-	31,158,514
At 31 December 2007	49,087,641	160,919,889	210,007,530

14. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS (CONT'D.)

(b) Property Development Costs (Cont'd.)

	Leasehold Land RM	Development Expenditure RM	Total RM
GROUP			
At 31 December 2007			
Cumulative costs recognised in income statement			
At 1 January 2007	(4,058,007)	(31,463,892)	(35,521,899)
Recognised during the year (Note 4)	(7,929,852)	(74,780,182)	(82,710,034)
At 31 December 2007	(11,987,859)	(106,244,074)	(118,231,933)
Property development costs at 31 December 2007	37,099,782	54,675,815	91,775,597
At 31 December 2006			
Cumulative property development costs			
At 1 January 2006	10,579,219	32,190,318	42,769,537
Costs incurred during the year	-	49,137,167	49,137,167
Transfer from land held for property development (Note 14(a))	7,349,908	-	7,349,908
At 31 December 2006	17,929,127	81,327,485	99,256,612
Cumulative costs recognised in income statement			
At 1 January 2006	(1,426,546)	(8,640,822)	(10,067,368)
Recognised during the year (Note 4)	(2,631,460)	(22,823,071)	(25,454,531)
At 31 December 2006	(4,058,006)	(31,463,893)	(35,521,899)
Property development costs at 31 December 2006	13,871,121	49,863,592	63,734,713

14. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS (CONT'D.)

Included in property development costs is interest expense incurred during the financial year:

	GROUP	
	2007 RM	2006 RM
Interest expense (Note 6)	2,620,958	2,022,743

The land held for development was purchased from PKNS in prior years as disclosed in Note 23(b). Upon execution of the sale and purchase agreement, the document of title to the properties will be transferred directly from PKNS to the end purchasers.

15. INVESTMENT IN SUBSIDIARIES

	COMPANY	
	2007 RM	2006 RM
Unquoted shares at cost	295,960,000	295,960,000

Details of the subsidiaries are as follow:

Name of Subsidiaries	Share Capital RM'000	Country of Incorporation	Principal Activities	Equity Interest Held (%) 2007	2006
Enfari Properties Sdn. Bhd.	50,000	Malaysia	Investment holding	100	100
Encorp Must Sdn. Bhd.	10,000	Malaysia	Investment holding and property project management	100	100

15. INVESTMENT IN SUBSIDIARIES (CONT'D.)

Name of Subsidiaries	Share Capital RM'000	Country of Incorporation	Principal activities	Equity Interest Held (%) 2007	2006
Subsidiaries of Enfari Properties Sdn. Bhd.					
Encorp Systembilt Sdn. Bhd.	50,000	Malaysia	Concessionaire to build and transfer teachers' quarters to the Government of Malaysia	100	100
Encorp Construct Sdn. Bhd.	1,000	Malaysia	Property construction	100	100
Subsidiary of Encorp Must Sdn. Bhd.					
Must Ehsan Development Sdn. Bhd.	15,000	Malaysia	Property development	70	70

16. GOODWILL ON CONSOLIDATION

	GROUP 2007 RM	2006 RM
Cost		
At 1 January/31 December	197,003,142	197,003,142
Accumulated impairment		
At 1 January	(43,797,570)	-
Impairment loss recognised in income statement (Note7)	(12,326,466)	(43,797,570)
At 31 December	(56,124,036)	(43,797,570)
Net carrying amount at 31 December	140,879,106	153,205,572

16. GOODWILL ON CONSOLIDATION (CONT'D.)

(a) Impairment tests for goodwill

Allocation of goodwill

Goodwill has been allocated to the Group's CGUs identified according to business segment as follows:

As at 31 December

	2007 RM	2006 RM
Goodwill - Business Segment		
Property development	40,576,119	44,518,582
Concessionaire	100,302,987	108,686,990
	140,879,106	153,205,572

(b) Key basis used in value-in-use calculations

Property development

The recoverable amount of the CGU is determined based on value-in-use calculations using gross development value ("GDV") projections based on financial budgets approved by management on the entire project and the subsequent launch of each phase covering a one to two-year period. The gross margin assumed for the projections of GDV is 33% (2006: 36%).

The basis used to determine the value assigned to the budgeted gross margins for each phase is based on the type and mix of development, historical and projected market demand, adjusted for expected efficiency improvements and anticipated cost increase.

16. GOODWILL ON CONSOLIDATION (CONT'D.)

(b) Key basis used in value-in-use calculations (CONT'D.)

Concessionaire

The recoverable amount of the CGU is determined based on the billings estimate of the concession income receivable over the concession period. The goodwill impairment review for the concessionaire business segment is based on the recoverability of the concession income receivables as disclosed in Note 17. The goodwill arising from the concessionaire business segment is allocated as discussed below:

As at 31 December

	2007 RM	2006 RM
Basic	85,517,450	89,775,701
Final Accounts - Additional Works	14,785,537	18,911,289
	100,302,987	108,686,990

17. CONCESSION INCOME RECEIVABLES

	GROUP	
	2007 RM	2006 RM
Concession income receivables accrued:		
- Within 1 year	139,547,963	139,968,975
- More than 1 year and less than 2 years	136,757,899	118,146,800
- More than 2 years and less than 5 years	410,273,697	354,440,400
- More than 5 years	2,062,868,386	2,099,441,553
	2,749,447,945	2,711,997,728
Unearned interest income	(1,564,087,888)	(1,465,915,227)
	1,185,360,057	1,246,082,501
Receivable within one year (Note 19)	139,547,963	139,968,975
Receivable after one year	1,045,812,094	1,106,113,526
	1,185,360,057	1,246,082,501

The Government of Malaysia ("the Government") and a subsidiary, entered into a Concession Agreement ("the Agreement") dated 9 February 1998 in connection with the design, construction and completion of 10,000 units of teachers' quarters, constructed over 109 land sites. In addition to the basic works, the Agreement also recognises that the amount billed shall include a measurement of works on site.

17. CONCESSION INCOME RECEIVABLES (CONT'D.)

The Group had recognised RM274,872,670 as concession income receivables since financial year ended 31 December 2004 which comprised of total claims in relation to the Extension of Time ("EOT") of RM104,341,369 and Additional Works in the Final Accounts of RM170,531,301. A provision on the recoverability of the EOT of RM69,426,356 was made in the previous financial year.

During the current financial year:

(i) the outstanding balance of the claims on EOT of RM34,915,013 has been recovered in full; and

(ii) the Final Accounts of RM170,531,301 has been approved by the Government, which will be received by way of monthly concession income until 2028. The payment of the retrospective concession income from the date of submission of the Final Accounts up to June 2007 of RM80,874,209 had been paid by the Government. This is after setting off the advance of RM12,635,000 given by the Government (Note 23 (e)). Subsequent to June 2007, the Government has paid on a monthly basis the additional concession income for the Final Accounts of RM1,439,015.

The Group's normal trade credit term on concession income receivables is 21 (2006: 21) days

As at balance sheet date, the Group has a significant concentration of credit risk. The entire concession income receivables are due from the Government.

18. DEFERRED TAXATION

	GROUP		COMPANY	
	2007	2006	2007	2006
	RM	RM	RM	RM
At 1 January	8,983,971	8,979,935	-	-
Recognised in income statement (Note 10)	20,958,886	4,036	-	-
At 31 December	29,942,857	8,983,971	-	-
Presented after appropriate offsetting as follows:				
Deferred tax assets	(150,532)	-	(44,265)	(31,357)
Deferred tax liabilities	30,093,389	8,983,971	44,265	31,357
	29,942,857	8,983,971	-	-

18. DEFERRED TAXATION (CONT'D.)

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

Deferred tax liabilities of the Group:

	Progress Billings RM	Accelerated Capital Allowances RM	Total RM
At 1 January 2007	335,396,000	116,524	335,512,524
Recognised in the income statement	(39,777,433)	3,947	(39,773,486)
At 31 December 2007	295,618,567	120,471	295,739,038
At 1 January 2006	342,066,000	140,437	342,206,437
Recognised in the income statement	(6,670,000)	(23,913)	(6,693,913)
At 31 December 2006	335,396,000	116,524	335,512,524

Deferred tax assets of the Group:

	Tax Losses and Unabsorbed Capital Allowances RM	Provision RM	Total RM
At 1 January 2007	(326,528,553)	-	(326,528,553)
Recognised in the income statement	60,916,594	(184,222)	60,732,372
At 31 December 2007	(265,611,959)	(184,222)	(265,796,181)
At 1 January 2006	(333,226,502)	-	(333,226,502)
Recognised in the income statement	6,697,949	-	6,697,949
At 31 December 2006	(326,528,553)	-	(326,528,553)

18. DEFERRED TAXATION (CONT'D.)

Deferred tax liabilities of the Company:

	Accelerated Capital Allowances RM
At 1 January 2007	31,357
Recognised in the income statement	12,908
At 31 December 2007	44,265
At 1 January 2006	39,481
Recognised in the income statement	(8,124)
At 31 December 2006	31,357

Deferred tax assets of the Company:

	Tax Losses and Unabsorbed Capital Allowances RM
At 1 January 2007	(31,357)
Recognised in the income statement	(12,908)
At 31 December 2007	(44,265)
At 1 January 2006	(39,481)
Recognised in the income statement	8,124
At 31 December 2006	(31,357)

Deferred tax assets have not been recognised in respect of the following items:

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Tax losses and unabsorbed capital allowances	3,486,057	3,276,439	1,407,255	1,338,385
Others	594,433	594,433	57,433	57,433

18. DEFERRED TAXATION (CONT'D.)

The unutilised tax losses and unabsorbed capital allowances of the Group and of the Company amounting to RM3,486,057 (2006: RM3,276,439) and RM1,407,255 (2006: RM1,338,385) respectively are available indefinitely for offsetting against future taxable profits of the respective entities within the Group, subject to no substantial change in shareholdings of those entities under the Income Tax Act, 1967 and guidelines issued by the tax authority.

19. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Current				
Trade receivables				
Third parties	4,561,771	3,206,631	-	-
Accrued billings in respect of property development costs	12,449,260	-	-	-
Concession income receivable within one year (Note 17)	139,547,963	139,968,975	-	-
Subsidiaries (a)	-	-	15,049,358	22,307,821
	156,558,994	143,175,606	15,049,358	22,307,821
Other receivables				
Amount due from an associate company (b)	-	1,129,016	-	1,129,016
Deposits (c)	6,234,332	1,157,762	6,410	3,310
Prepayments	398,366	870,690	49,444	50,484
Tax recoverable	992,816	264,208	2,108,373	2,257,888
Sundry receivables	4,144,099	1,639,165	160,187	-
Other receivables, net	11,769,613	5,060,841	2,324,414	3,440,698
Total trade and other receivables	168,328,607	148,236,447	17,373,772	25,748,519

(a) The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

(b) The amount due from the associate company in previous financial year was non-interest bearing and was repayable on demand. The amount was unsecured and was to be settled in cash.

(c) Included in the deposit of the Group, in the current financial year, is an advance consideration of RM5 million paid according to the terms of a Joint Venture agreement (JVA) between a subsidiary company, Encorp Must Sdn. Bhd. and Indi Makmur Sdn. Bhd. ("Indi Makmur") and Lunarhati Sdn. Bhd. ("Lunarhati"). Further details on the JVA are disclosed in Note 30.

19. TRADE AND OTHER RECEIVABLES (CONT'D.)

The Group's normal credit term is 90 days (2006: 90 days).

Further details on related party transactions are disclosed in Note 29.

Other information on financial risks of other receivables are disclosed in Note 31.

20. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Cash on hand and at banks (a)	3,070,601	2,275,150	628,726	101,109
Deposits with:				
- licensed banks (b)	111,674,627	23,041,859	78,932,062	3,451,169
- a licensed corporation (c)	120,849,357	28,128,339	-	-
Cash and bank balances	235,594,585	53,445,348	79,560,788	3,552,278

(a) Included in the cash at bank of the Group are the following:

(i) An amount of RM16,684 (2006: RM3,081) held by a licensed corporation in trust for the holders of the ESSB BAIDS; and

(ii) An amount of RM1,348,275 (2006: RM1,428,309) held pursuant to Section 7A of the Housing and Development (Control & Licensing) Act 1966 and restricted from use in other operations.

(b) The deposits with licensed banks of the Group which are pledged or on lien are:

(i) Deposits of RM1,072,800 (2006: RM1,072,800) on lien for a bank guarantee granted to the Government and performance bonds;

(ii) Deposits of RM827,890 (2006: RM217,890) pledged to bank for credit facilities granted to a subsidiary company, Must Ehsan Development Sdn. Bhd.

Designated deposits of RM3,032,062 (2006: RM3,451,169) of the Company is on lien for settlement of payables in Encorp Systembilt Sdn. Bhd. and Encorp Construct Sdn. Bhd.

(c) The deposit of RM120,849,357 (2006: RM28,128,339) is held by a licensed corporation in trust for the holders of the ESSB BAIDS.

Other information on financial risks of cash and cash equivalents are disclosed in Note 31.

20. CASH AND CASH EQUIVALENTS (CONT'D.)

For the purpose of the cash flow statements, cash and cash equivalents comprise of the following as at balance sheet date:

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Cash and bank balances	235,594,585	53,445,348	79,560,788	3,552,278
Less: Pledged/designated	(127,147,068)	(34,301,588)	(3,032,062)	(3,451,169)
Cash and cash equivalents	108,447,517	19,143,760	76,528,726	101,109

21. NON-CURRENT ASSET HELD FOR SALE

On 22 November 2006, the Group announced the disposal of 49% of its investment in Great Wall Plastic Industries Berhad comprising 39,201,960 ordinary shares of RM1.00 each for a total cash consideration of RM40 million. The disposal was duly completed on 22 January 2007.

The investment in the associate held for sale on the Group's balance sheet as at 31 December 2006 was as follows:

	RM
Unquoted shares, at cost	37,908,295
Share of post acquisition reserves	7,914,080
Loss recognised on remeasurement of non-current asset held for sale (Note 7)	(6,022,375)
	39,800,000

The non-current asset classified as held for sale in the Company's balance sheet as at 31 December 2006 is as follows:

	Carrying amount immediately before classification RM	Allocation of remeasurement RM	Carrying amount RM
Current Assets			
Non-current asset held for sale	37,908,295	-	37,908,295

22. SHARE CAPITAL

	Number of Ordinary Shares of RM1 Each		Amount	
	2007	2006	2007 RM	2006 RM
Authorised:				
At 1 January/ 31 December	300,000,000	300,000,000	300,000,000	300,000,000
Issued and fully paid:				
At 1 January/ 31 December	223,508,536	223,508,536	223,508,536	223,508,536

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

Treasury shares

The shareholders of the Company, by an ordinary resolution passed in a general meeting held on 28 June 2007, renewed their approval for the Company's plan to repurchase its own ordinary shares. The directors of the Company are committed to enhancing the value of the Company for its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders. The Company has not repurchased its issued ordinary shares from the open market during the financial year 2007.

23. TRADE AND OTHER PAYABLES

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Current				
Trade payables				
Third parties (a)	49,698,462	47,558,229	-	-
Amount due to an affiliated company (b)	9,547,166	9,662,824	-	-
Subsidiaries (c)	-	-	33,778,248	704,120
Progress billings in respect of property development costs	29,708,026	16,885,853	-	-
	88,953,654	74,106,906	33,778,248	704,120

23. TRADE AND OTHER PAYABLES (CONT'D.)

	Group		Company	
	2007	2006	2007	2006
	RM	RM	RM	RM
Current (Cont'd.)				
Other payables				
Amounts due to (d):				
-affiliated companies	115,787	384,955	968	291,327
-corporate shareholder	3,247	584,446	-	3,287,443
Advance payment (e)	-	12,635,000	-	-
Sundry payables	2,530,588	2,767,363	139,744	261,923
Provision for defect liability (f)	537,400	537,400	-	-
Accruals for construction costs	5,224,372	5,327,368	-	-
Provision for short-term accumulating compensated absences	94,499	94,499	57,433	57,433
Other accruals	20,914,164	12,862,480	2,466,387	908,274
Interest accrual (g)	-	420,000	-	-
Provision for liquidated ascertained damages (h)	420,743	212,308	-	-
Deposits from buyers	-	53,000	-	-
	29,840,800	35,878,819	2,664,532	4,806,400
	118,794,454	109,985,725	36,442,780	5,510,520
Non-current				
Trade payables				
Amount due to an affiliated company (b)	74,214,393	80,575,341	-	-

(a) Save and except for an amount of RM26,985,430 (2006: RM31,207,397) due to a contractor of a subsidiary company bearing interest of 1.5% per annum above the Base Lending Rate ("BLR"), the trade payables are non-interest bearing and the normal trade credit terms granted to the Group is 21 days (2006: 21 days).

23. TRADE AND OTHER PAYABLES (CONT'D.)

(b) Included in long term trade payables is an amount due to an affiliated company, PKNS, which is a corporate shareholder of the Company's subsidiary. The amount relates to the purchase of two plots of land, namely

(i) a 209.7 acres plot of land at U12 Shah Alam, Selangor Darul Ehsan; and

(ii) approximately 45 acres plot of land at PBI, Pusat Bandar Kota Damansara for development as a mixed development project.

(c) The amounts due to subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

(d) Amounts due to the affiliated companies and corporate shareholder are non-interest bearing and are repayable on demand. The amounts are unsecured and are to be settled in cash.

(e) The advance payment is in respect of an amount received from the Government for the concession as reported in Note 17.

During the current financial year, the advance payment received has been utilised to set-off the concession income receivables (Note 17).

(f) Provision for defect liability is in respect of a project undertaken by a subsidiary.

(g) The accrual of interest relates to interest charged to a subsidiary, Encorp Must Sdn. Bhd. by the joint venture partner ("PKNS"), on the extension of time granted to fulfill the terms and conditions of the joint venture agreement as disclosed in Note 27.

(h) The movement of provision for liquidated ascertained damages is as follows:

	Group	
	2007	2006
	RM	RM
At beginning of year	212,308	-
Recognised in income statement		
-Additional provision during the year	315,822	212,308
Amount paid during the year	(107,387)	-
At the end of year	420,743	212,308

Further details on related party transactions are disclosed in Note 29.

Other information on financial risks of other payables are disclosed in Note 31.

24. BORROWINGS

	GROUP		COMPANY	
	2007	2006	2007	2006
	RM	RM	RM	RM
Short Term Borrowings				
Secured:				
Al-Bai Bithaman Ajil Notes payable	128,042,191	117,518,219	-	-
Hire purchase payables (Note 25)	300,709	177,500	300,709	-
	128,342,900	117,695,719	300,709	-
Long Term Borrowings				
Secured:				
Al-Bai Bithaman Ajil Notes payable	1,080,094,243	1,098,108,975	-	-
Advance from a contractor	8,000,000	8,000,000	-	-
Hire purchase payables (Note 25)	759,368	47,405	759,368	-
	1,088,853,611	1,106,156,380	759,368	-
	1,217,196,511	1,223,852,099	1,060,077	-
Total Borrowings				
Secured:				
Al-Bai Bithaman Ajil Notes are payable (a):				
- within one year	128,042,191	117,518,219	-	-
- more than one year and less than two years	128,000,000	128,042,192	-	-
- more than two years and less than five years	413,134,794	384,000,000	-	-
- more than five years	1,894,056,406	2,051,204,198	-	-
	2,563,233,391	2,680,764,609	-	-
Less: Finance charges	(1,355,096,957)	(1,465,137,415)	-	-
	1,208,136,434	1,215,627,194	-	-
Advance from a contractor (b)	8,000,000	8,000,000	-	-
Balance carried forward	1,216,136,434	1,223,627,194	-	-

24. BORROWINGS (CONT'D.)

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Total Borrowings (Cont'd.)				
Secured (Cont'd.):				
Balance brought forward	1,216,136,434	1,223,627,194	-	-
Hire purchase payables (Note 25)	1,060,077	224,905	1,060,077	-
	1,217,196,511	1,223,852,099	1,060,077	-
Analysed as follows:				
Due within one year	128,342,900	117,695,719	300,709	-
Due after one year	1,088,853,611	1,106,156,380	759,368	-
	1,217,196,511	1,223,852,099	1,060,077	-

(a) The secured Al-Bai Bithaman Ajil Notes ("Notes") were issued by a subsidiary company to finance the planning, design, construction and completion costs of 10,000 units of teachers' quarters for the Government of Malaysia. The Notes were undertaken in four tranches as follows:

(i) RM1.3216 billion Notes 2002/2018 were issued in the year 2000, maturing on 3 January 2018 and are repayable by 32 semi-annual instalments commencing on 3 July 2002;

(ii) RM510 million Notes 2002/2018 were issued in the year 2000, maturing on 15 September 2018 and are repayable by 34 semi-annual instalments commencing on 15 March 2002; and

(iii) RM250 million Primary Notes 2007/2028 and RM276.893 million Secondary Notes 2007/2028 issued in the year 2002 with the following maturity and redemption dates:

Maturity Dates	Face Value of Primary Notes RM	Aggregate Face Value of Secondary Notes RM
29 May 2007	30,000,000	5,772,740
29 May 2012	30,000,000	15,307,397
29 May 2017	30,000,000	26,338,356
29 May 2022	70,000,000	80,891,615
29 May 2028	90,000,000	148,583,220

The Primary Notes due on 29 May 2007, 29 May 2012 and 29 May 2017 are redeemable in full on the above maturity dates. The Primary Notes due on 29 May 2022 are redeemable in 5 equal yearly instalments commencing on 29 May 2018, and those due on 29 May 2028 are redeemable in 6 equal yearly instalments commencing on 29 May 2023.

24. BORROWINGS (CONT'D.)

(a) (iii) The Secondary Notes are repayable by 49 semi-annual instalments commencing on 29 May 2004.

(iv) RM625 million Primary Notes 2004/2026 and RM252.5 million Secondary Notes 2004/2026 issued in the year 2004 with the following maturity and redemption dates:

Maturity Dates	Face Value of Primary Notes RM	Aggregate Face Value of Secondary Notes RM
31 December 2019	62,500,000	50,000,000
31 December 2020	62,500,000	45,000,000
31 December 2021	62,500,000	40,000,000
31 December 2022	62,500,000	35,000,000
31 December 2023	62,500,000	30,000,000
31 December 2024	93,750,000	25,000,000
31 December 2025	93,750,000	17,500,000
31 December 2026	125,000,000	10,000,000

The Primary Notes are redeemable in full on the above maturity dates.

The Secondary Notes are repayable by 16 semi-annual instalments commencing on 30 June 2019.

(v) RM42 million Primary Notes 2019/2026 and RM16,968,000 Secondary Notes 2019/2026 issued on the 30 June 2005 with the following maturity and redemption dates:

Maturity Dates	Face Value of Primary Notes RM	Aggregate Face Value of Secondary Notes RM
31 December 2019	4,200,000	3,360,000
31 December 2020	4,200,000	3,024,000
31 December 2021	4,200,000	2,688,000
31 December 2022	4,200,000	2,352,000
31 December 2023	4,200,000	2,016,000
31 December 2024	6,300,000	1,680,000
31 December 2025	6,300,000	1,176,000
31 December 2026	8,400,000	672,000

24. BORROWINGS (CONT'D.)

(a) (v) The Primary Notes are redeemable in full on the above maturity dates.

The Secondary Notes are repayable by 16 semi-annual instalments commencing on 30 June 2019.

All Notes are secured by the assignment of the contract Concession Payments and the Project Escrow Account, and a negative pledge on all assets of a subsidiary company.

(b) The advance received from a contractor is in respect of a turnkey development project undertaken for the Group. Interest will be charged at the rate of 1.5% above the Base Lending Rate ("BLR") after five years from date of advance. The advance is not payable within the next 12 months.

Other information on financial risks of borrowings are disclosed in Note 31.

25. HIRE PURCHASE PAYABLES

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Future minimum lease payments:				
Not later than 1 year	340,692	162,296	340,692	-
Later than 1 year and not later than 2 years	340,692	72,443	340,692	-
Later than 2 years and not later than 5 years	390,924	-	390,924	-
Later than 5 years	78,175	-	78,175	-
Total future minimum lease payment	1,150,483	234,739	1,150,483	-
Less: Future finance charges	(90,406)	(9,834)	(90,406)	-
Present value of finance lease liabilities (Note 24)	1,060,077	224,905	1,060,077	-

25. HIRE PURCHASE PAYABLES (CONT'D.)

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Analysis of present value of finance lease liabilities:				
Not later than 1 year	300,709	177,500	300,709	-
Later than 1 year and not later than 2 years	314,627	47,405	314,627	-
Later than 2 years and not later than 5 years	369,002	-	369,002	-
Later than 5 years	75,739	-	75,739	-
	1,060,077	224,905	1,060,077	
Less: Amount due within 12 months (Note 24)	(300,709)	(177,500)	(300,709)	-
Amount due after 12 months (Note 24)	759,368	47,405	759,368	-

The weighted average interest rate of the hire purchase payables at the end of the financial year was 2.25% (2006: 4.4%).

Other information on financial risks of hire purchase and finance lease liabilities are disclosed in Note 31.

26. RETAINED EARNINGS

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

26. RETAINED EARNINGS (CONT'D.)

The Company did not elect for the irrevocable option to disregard the 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the 108 balance as at 31 December 2007 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act 2007. As at 31 December 2007, the Company has sufficient credit in the 108 balance to frank the payment of dividends amounting to RM652,000 (2006: RM453,000) out of its retained earnings. If the balance of the retained earnings of RM29,180,000 (2006: RM30,294,000) were to be distributed as dividends, the Company may distribute such dividends under the single tier system.

27. CAPITAL COMMITMENTS

	GROUP	
	2007	2006
	RM	RM
Commitment to increase cost of investment in Must Ehsan Development Sdn. Bhd.	-	13,288,668

The commitment to increase the cost of investment in Must Ehsan Development Sdn. Bhd. in the previous year arose under the terms of a Joint Venture Agreement ("JVA") between the Group and a Joint Venture ("JV") partner.

28. CONTINGENT LIABILITIES AND MATERIAL LITIGATIONS

	GROUP	
	2007	2006
	RM	RM
Contingent liabilities:		
Corporate guarantee given by the Company to contractors of teachers' quarters project in relation to design guarantees to the Government	31,807,200	31,807,200

The directors are of the opinion that the likelihood of the above claims crystallising is remote as the design guarantee is to cover for any defect in the design of the teachers' quarters which have been undertaken by professional architects and consultants.

28. CONTINGENT LIABILITIES AND MATERIAL LITIGATIONS (CONT'D.)

In addition to the above, the Group has material litigations arising from:

(i) a claim of RM7.7 million (subsequently amended to RM3.6 million) (2006: RM7.7 million) made by a third party against, inter alia, two subsidiaries of the Group for losses and damages suffered from alleged trespass into its land on which the two subsidiaries were carrying out works for the Government of Malaysia. The trial concluded on 5 December 2007. Through the solicitors, the two subsidiaries have filed their written submission as instructed by the Court and are awaiting the reply of submission from the plaintiff. The Court has yet to fix a date for the decision as at the date of this report.

The directors are of the opinion that the likelihood of the above claims crystallising are remote as the Government is obliged to handover sites free from any encumbrance.

(ii) an arbitration proceeding between a subsidiary and its 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 comprise of 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 of the arbitration proceeding started in December 2006 and there had been a few hearings since. The next continued hearing has been fixed from 12 to 16 May 2008.

The arbitration is on-going. The claim is disputed and the subsidiary has a right of counter claim.

29. RELATED PARTY DISCLOSURES

(a) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

	GROUP		COMPANY	
	2007	2006	2007	2006
	RM	RM	RM	RM
Management fees charged to subsidiaries: (i)				
- Encorp Construct Sdn. Bhd.	-	-	(960,000)	(720,000)
- Encorp Systembilt Sdn. Bhd.	-	-	(1,920,000)	(1,440,000)
- Must Ehsan Development Sdn. Bhd.	-	-	(409,675)	(383,925)

29. RELATED PARTY DISCLOSURES (CONT'D.)

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Rental payable to:				
- Encorp Construct Sdn. Bhd. (ii)	-	-	240,000	213,600
Advances from/(to) subsidiaries	-	-	45,332,591	(5,389,461)
Sales of properties under development to a person who is connected to a director (iii)	-	(1,111,000)	-	-
Sales of properties under development to the directors of the Company (iv)	(7,131,443)	-	-	-
Sales of properties under development to the directors of a subsidiary (iv)	-	(1,844,260)	-	-
Deposits paid on behalf of a subsidiary (v)	(5,000,000)	-	(5,000,000)	-
Transfer of 8 units of properties under development to PKNS (vi)	12,688,650	-	-	-

(i) The rendering of services to subsidiaries were made at arm's length pricing and without a fixed term of repayment.

(ii) The rental payable to the subsidiary was made at arm's length pricing and without a fixed term of repayment.

(iii) The sales of properties under development to a person who is connected to a director, Yeoh Soo Ann, were made according to the published prices and conditions offered to the major customers of the Group.

(iv) The sales of properties under development to the directors of the Company and the directors of a subsidiary were made according to the published prices and conditions offered to the major customers of the Group except for a preferential discount rate of 17% accorded to the directors as employees of the Group.

29. RELATED PARTY DISCLOSURES (CONT'D.)

(v) The deposit represents an advance consideration paid by the Company on behalf of its subsidiary according to the terms of a JVA between the subsidiary and Indi Makmur and Lunarhati. Further details are disclosed in Note 30.

(vi) Pursuant to the terms and conditions of the original sale and purchase agreement (SPA) dated 23 May 2000, PKNS had agreed to sell and a subsidiary, Must Ehsan Development Sdn. Bhd. ("MEDSB"), had agreed to purchase 2 plots of lands at an agreed consideration sum of RM105,500,775 (purchase price). The details of the purchase of land are disclosed in Note 23(b). In addition to the purchase price, PKNS is also entitled to redeemable preference shares (RPS) of RM1 each in the issued and paid up share capital of MEDSB amounting to RM10,500,000.

On 12 March 2008, Encorp Must Sdn. Bhd ("EMSB"), the immediate holding company of the Company, and PKNS entered into a supplemental agreement to vary the terms and conditions of the SPA. PKNS's entitlement to receive the RPS shall be substituted and replaced in the following manner:

(i) transferring a total of 8 units of shop offices comprising part of the project of the Company at an aggregate consideration sum of RM12,688,650 ("contra units consideration"); and

(ii) EMSB paying to PKNS a cash amount of RM499,300 ("cash consideration").

As at the date of this report, the above transactions have yet to be completed pending the completion of the units and the payment of the cash consideration.

Information regarding outstanding balances arising from related party transactions as at 31 December 2007 are disclosed in Notes 19 and 23.

29. RELATED PARTY DISCLOSURES (CONT'D.)

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	GROUP		COMPANY	
	2007	2006	2007	2006
	RM	RM	RM	RM
Wages and salaries	4,192,447	3,142,243	3,007,391	2,352,990
Social security costs	8,499	6,558	5,297	4,752
Pension cost - defined contribution plans	454,696	325,992	311,476	229,956
Other staff related expenses	285,345	231,302	178,330	199,044
	4,940,987	3,706,095	3,502,494	2,786,742

Included in the total remuneration of key management personnel is:

	GROUP		COMPANY	
	2007	2006	2007	2006
	RM	RM	RM	RM
Directors' remuneration	2,161,026	1,528,943	1,852,301	1,392,143

30. SIGNIFICANT EVENT

On 2 April 2007, a subsidiary, EMSB entered into a JVA with Indi Makmur and Lunarhati to establish an unincorporated Joint Venture for the purpose of developing two parcels of lands into a mixed development comprising residential and commercial development. The subsidiary's contribution under the JVA is to:

(i) undertake at its own costs and expenses, the development, building, construction works, payment of premium in respect of renewal of the approval for the alienation of the land and all other expenses payable in respect of the land held for intended development;

(ii) provide the technical, commercial, financial and managerial expertise required to carry out and complete the intended development and carry out the advertising and promotion of the development.

Two directors of the Company have significant interests in Indi Makmur and Lunarhati.

31. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate risks (both fair value and cash flow), foreign currency risk, liquidity risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. It is, and has been throughout the year under review, the Group's policy that no trading in derivative financial instruments shall be undertaken.

(b) Interest Rate Risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's debt obligations. The Group adopts a policy of constantly monitoring movements in interest rates. Presently, it does not use derivative financial instruments to hedge its interest rate risk.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group has significant interest-bearing financial assets, and the Group's income and operating cash flows are dependent on changes in market interest rates. The Group's interest-bearing financial assets are mainly short term in nature and have been mostly placed in fixed and/or repurchased order deposits with reputable financial institutions which generate interest income to the Group. The Group manages its interest rate risk by placing such balances on varying maturity and interest rate terms.

The Group's interest rate risk arises primarily from interest-bearing borrowings. Borrowings at floating rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate borrowings.

Interest on financial instruments subject to floating interest rates is repriced annually at the prevailing market interest rates. The other financial instruments of the Group and the Company that are not included in the adjacent tables are not subject to interest rate risks.

31. FINANCIAL INSTRUMENTS (CONT'D.)

(b) Interest Rate Risk (Cont'd.)

The following tables set out the carrying amounts, the weighted average effective interest rates (WAEIR) as at the balance sheet date and the remaining maturities of the Group's and the Company's financial instruments that are exposed to interest rate risk:

	Note	WAEIR %	Within 1 Year RM	1-2 Years RM	2-3 Years RM	3-4 Years RM	4-5 Years RM	More than 5 Years RM	Total RM
At 31 December 2007									
Group									
Fixed rate									
Al-Bai Bithaman Ajil Notes	24	9.05	23,884,933	26,133,046	28,312,072	30,671,753	63,580,968	1,035,553,662	1,208,136,434
Hire purchase payables	25	2.25	300,709	314,627	279,889	43,633	45,480	75,739	1,060,077
Floating rate									
Cash and bank balances	20	3.29	232,523,984	-	-	-	-	-	232,523,984
Trade payables	23	8.25	26,985,430	-	-	-	-	-	26,985,430
Company									
Fixed rate									
Hire purchase payables	25	2.25	300,709	314,627	279,889	43,633	45,480	75,739	1,060,077
Floating rate									
Cash and bank balances	20	3.38	78,932,062	-	-	-	-	-	78,932,062

31. FINANCIAL INSTRUMENTS (CONT'D.)

(b) Interest Rate Risk (Cont'd.)

	Note	WAEIR %	Within 1 Year RM	1-2 Years RM	2-3 Years RM	3-4 Years RM	4-5 Years RM	More than 5 Years RM	Total RM
At 31 December 2006									
Group									
Fixed rate									
Al-Bai Bithaman Ajil Notes	24	9.17	7,477,761	23,884,933	26,133,046	28,312,072	30,671,753	1,099,147,629	1,215,627,194
Hire purchase payables	25	4.40	177,500	47,405	-	-	-	-	224,905
Floating rate									
Cash and bank balances	20	2.81	51,170,198	-	-	-	-	-	51,170,198
Trade payables	23	8.25	31,207,397	-	-	-	-	-	31,207,397
Company									
Floating rate									
Cash and bank balances	20	2.90	3,451,169	-	-	-	-	-	3,451,169

Interest on financial instruments subject to floating interest rates is repriced annually at the prevailing market interest rates. The interest of the Al-Bai Bithaman Ajil Notes is fixed upon issuance. The other financial instruments of the Group and the Company that are not included in the above table are not subject to interest rate risks.

31. FINANCIAL INSTRUMENTS (CONT'D.)

(c) Foreign Exchange Risk

The Group is not exposed to significant foreign currency risk as the majority of the Group's transactions, assets and liabilities are denominated in Ringgit Malaysia.

(d) Liquidity Risk

The Group actively manages its debts maturity profile, operating cash flows and the availability of funding so as to ensure that all repayment and funding needs are met. The Group monitors and maintains a level of cash and bank balances deemed adequate by the Management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

(e) Credit Risk

The Group's credit risk is primarily attributable to trade receivables. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, trade receivables and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets. No other financial assets carry a significant exposure to credit risk.

As at the balance sheet date, the Group has a concentration of credit risk as disclosed in Note 17. Apart from this, the Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial assets.

31. FINANCIAL INSTRUMENTS (CONT'D.)

(f) Fair Values

	GROUP		COMPANY	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
At 31 December 2007				
Financial Liabilities				
Secured borrowings (Note 24)	1,208,136,434	1,313,879,688	-	-
Hire purchase payables (Note 24)	1,060,077	1,056,032	1,060,077	1,056,032
At 31 December 2006				
Financial Liabilities				
Secured borrowings (Note 24)	1,215,627,194	1,227,128,550	-	-
Hire purchase payables (Note 24)	224,905	221,927	-	-

(i) Amount due from/(to) Related Companies

The carrying amount of these balances approximate fair value because the carrying amount is repayable on demand.

(ii) Cash and Cash Equivalents, Trade and Other Receivables/Payables

The fair value of cash and cash equivalents, trade and other receivables/payables approximate their respective carrying values in the balance sheet of the Group due to the relatively short term maturity of these financial instruments.

32. SEGMENT INFORMATION

(a) Reporting Format

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

(b) Business Segments

The Group comprises the following main business segments:

(i) Investment holding

This segment refers to investment holding companies of the Group.

(ii) Concessionaire

This segment refers to the concessionaire to build and transfer teachers' quarters to the Government of Malaysia.

(iii) Construction

This segment refers to property construction and general contracting services.

(iv) Property Development

This segment refers to the development of residential and commercial properties.

The directors are of the opinion that all inter-segment transactions have been entered into in the normal course of business, and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

(c) Allocation Basis and Transfer Pricing

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, liabilities and expenses.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

32. SEGMENT INFORMATION (CONT'D.)

Business Segments

The following table provides an analysis of the Group's revenue, results, assets, liabilities and other information by business segment:

	Investment Holding	Concessionaire	Construction	Property development	Elimination	Total
	RM	RM	RM	RM	RM	RM
31 December 2007						
Revenue						
Sales to external customers	-	204,348,355	-	124,362,194	-	328,710,549
Inter-segment sales	23,869,675	-	17,054,314	-	(40,923,989)	-
Total revenue	23,869,675	204,348,355	17,054,314	124,362,194	(40,923,989)	328,710,549
Results						
Segment results	18,928,891	199,226,030	(2,640,422)	36,509,188	(34,865,783)	217,157,904
Interest expense	(11,210)	(110,040,458)	(15,621)	-	-	(110,067,289)
Interest income	1,164,613	2,046,452	-	1,021,967	-	4,233,032
Profit before tax						111,323,647
Income tax income						(33,820,946)
Profit for the year						77,502,701

32. SEGMENT INFORMATION (CONT'D.)

Business Segment (Cont'd.)

	Investment Holding	Concessionaire	Construction	Property development	Elimination	Total
	RM	RM	RM	RM	RM	RM
31 December 2007 (Cont'd.)						
Assets						
Segment assets	474,201,104	1,341,934,490	24,011,806	197,614,167	(296,824,877)	1,738,936,690
Unallocated assets	2,220,958	89,045	-	150,532	(1,317,187)	1,143,348
Total assets						1,740,080,038
Liabilities						
Segment liabilities	61,346,545	1,223,611,476	32,774,881	169,565,546	(77,093,090)	1,410,205,358
Unallocated liabilities	-	30,093,389	3,792,748	2,274,175	-	36,160,312
Total liabilities						1,446,365,670
Other segment information						
Capital expenditure	1,515,940	-	6,375	57,849	-	1,580,164
Depreciation	163,583	2,252	456,925	73,359	-	696,119
Impairment of goodwill	-	-	-	-	12,326,466	12,326,466

32. SEGMENT INFORMATION (CONT'D.)

Business Segments

The following table provides an analysis of the Group's revenue, results, assets, liabilities and other information by business segment:

	Investment Holding	Concessionaire	Property Development	Eliminations	Total
	RM	RM	RM	RM	RM
31 December 2006					
Revenue					
Sales to external customers	-	103,449,888	39,675,968	-	143,125,856
Inter-segment sales	7,248,160	-	-	(7,248,160)	-
Total revenue	7,248,160	103,449,888	39,675,968	(7,248,160)	143,125,856
Results					
Segment results	1,441,207	27,755,886	9,192,225	(54,929,831)	(16,540,513)
Interest expense	(4,172)	(109,944,417)	-	-	(109,948,589)
Interest income	229,459	1,723,749	665,976	-	2,619,184
Share of profit of associate	4,064,060	-	-	-	4,064,060
Loss before tax					(119,805,858)
Income tax expense					(3,181,737)
Loss for the year					(122,987,595)

32. SEGMENT INFORMATION (CONT'D.)

Business Segment (Cont'd.)

	Investment Holding	Concessionaire	Property Development	Eliminations	Total
	RM	RM	RM	RM	RM
31 December 2006 (Cont'd.)					
Assets					
Segment assets	401,312,600	1,302,631,691	172,502,029	(264,152,551)	1,612,293,769
Non-current asset held for sale	37,908,295	-	-	1,891,705	39,800,000
Unallocated assets	2,370,472	89,045	-	(2,195,309)	264,208
Total assets					1,652,357,977
Liabilities					
Segment liabilities	27,857,093	1,280,633,785	162,628,828	(56,706,541)	1,414,413,165
Unallocated liabilities	-	9,798,779	557,004	-	10,355,783
Total liabilities					1,424,768,948
Other segment information					
Capital expenditure	52,350	1,450	170,978	-	224,778
Depreciation	47,292	474,585	71,803	-	593,680
Impairment of goodwill	-	-	-	**43,797,570**	**43,797,570**
Other significant non-cash expenses:					
- Provision on the recoverability of EOT	-	69,426,356	-	-	69,426,356

LIST OF PROPERTIES

Location	Description and Existing use	Land Area (sq. m)	Build-up (sq. m)	Age of Building (years)	Net Book Value as at 31.12.2007 (RM '000)	Year of acquisition
PT No 574, Daerah Petaling, Selangor, Level 18, Wisma Sun-wayMas, No.1, Jalan Tengku Ampuan Zabedah C9/C, Section 9, 40100 Shah Alam, Selangor Darul Ehsan	Office building (99 years lease expiring on 29/8/2094), currently in use as offices for Encorp Berhad Group of Companies	N/A	1,505	9.5	3,174	2000
Lot 8093 (Seksyen U12), Shah Alam, Mukim Bukit Raja, Daerah Petaling, Selangor Darul Ehsan	Land held for property development (99 years lease expiring on 28/3/2104)	798,368	N/A	N/A	56,124	2000
PB1, Kota Damansara Town Centre, Selangor Darul Ehsan	Commercial land held for property development	148,118	N/A	N/A	32,796	2000

REVALUATION POLICY ON LANDED PROPERTIES

The Company has not adopted a policy of regular revaluation of its landed properties.

ANALYSIS OF SHAREHOLDINGS

as at 12 May 2008

Authorised Share Capital : RM300,000,000.00
Issued and Paid-up Share Capital : RM223,508,536.00
Class of Shares : Ordinary shares of RM1.00 each
Voting Rights : One vote per ordinary share

Size of Holdings	No. of shareholders	%	No. of Shares	% of Share holdings
1-99	69	2.07	729	0.00
100 – 1,000	428	12.81	370,048	0.17
1,001 – 10,000	2,319	69.43	9,037,415	4.05
10,001 – 100,000	446	13.35	13,932,596	6.24
100,001 – less than 5% of issued shares	75	2.25	56,558,312	25.33
5% and above of issued shares	3	0.09	143,388,036	64.22
TOTAL	**3,340**	**100.00**	**223,287,136**	**100.00**

INFORMATION OF SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholders	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
Lavista Sdn. Bhd.	66,636,036	29.85	-	-
Efeida binti Mohd Effendi	-	-	66,636,036[1]	29.85
Tan Sri Datuk (Dr) Omar bin Abdul Rahman	-	-	66,636,036[2]	29.85
Datuk Ramli bin Shamsudin	-	-	66,636,036[2]	29.85
Anjakan Masyhur Sdn. Bhd.	40,000,000	17.92	-	-
Azhar bin Mohd Awal	-	-	40,000,000[3]	17.92
Azman Hanafi bin Abdullah	-	-	40,000,000[3]	17.92
Pegang Impian Holdings Sdn. Bhd.	43,752,000	19.59	-	-
Abang Ariffin Bin Abang Bohan	-	-	43,752,000[4]	19.59
Taufiq bin Abdul Khalid	-	-	43,752,000[4]	19.59

1. *Deemed substantial interest through the substantial shareholdings in Lavista Sdn. Bhd. held by her and persons connected to her.*
2. *Deemed interest by virtue of their substantial shareholdings in Lavista Sdn. Bhd. held by them in trust.*
3. *Deemed interest by virtue of their substantial shareholdings in Anjakan Masyhur Sdn. Bhd.*
4. *Deemed interest by virtue of their substantial shareholdings in Pegang Impian Holdings Sdn. Bhd.*

LIST OF DIRECTORS' SHAREHOLDINGS

		Shareholdings			
Directors	Notes	Direct No. of Shares	%	Indirect No. of Shares	%
Tan Sri Datuk (Dr) Omar bin Abdul Rahman	a	-	-	66,636,036	29.85
Yeoh Soo Ann		-	-	-	-
Efeida binti Mohd Effendi	b	-	-	66,636,036	29.85
Datuk Ramli bin Shamsudin	a	-	-	66,636,036	29.85
Dato' Chew Kong Seng @ Chew Kong Huat		-	-	-	-
Datuk Fong Joo Chung		-	-	-	-
Datuk (Dr) Philip Ting Ding Ing		2,278,000	1.02	-	-
Datuk (Dr) Zainal Aznam bin Mohd Yusof		-	-	-	-

a. *By virtue of their substantial shareholdings in Lavista Sdn Bhd held by them in trust.*

b. *By virtue of the substantial shareholdings in Lavista Sdn Bhd held by her and persons connected to her.*

LIST OF 30 LARGEST SECURITIES ACCOUNT HOLDERS

No	Name	No of Shares	Percentage
1.	LAVISTA SDN BHD	66,636,036	29.85
2.	ANJAKAN MASYHUR SDN BHD	40,000,000	17.92
3.	PEGANG IMPIAN HOLDINGS SDN BHD	36,752,000	16.46
4.	PEGANG IMPIAN HOLDINGS SDN BHD	7,000,000	3.13
5.	MALAYSIAN ASSURANCE ALLIANCE BERHAD	4,275,000	1.91
6.	HDM NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account for Oh Kim Sun	4,244,200	1.90
7.	MAYBAN NOMINEES (TEMPATAN) SDN BHD Avenue Invest Berhad for Kumpulan Wang Amanah Pencen (E00170-220136)	4,162,000	1.86
8.	ROBIN LO BING	3,466,500	1.55
9.	MERIT ICON SDN BHD	2,970,000	1.33
10.	NG GUO-LIANG	2,896,000	1.30
11.	TM ASIA LIFE MALAYSIA BHD AS BENEFICIAL OWNER (PF)	2,400,000	1.07
12.	DATUK (DR) PHILIP TING DING ING	2,278,000	1.02
13.	MAYBAN NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account for Chew Pok Oi	2,096,400	0.94
14.	UNIVERSAL TRUSTEE (MALAYSIA) BERHAD Pacific Premier Fund	1,374,900	0.62
15.	KE-ZAN NOMINEES (ASING) SDN BHD Kim Eng Securities Pte. Ltd. For Exquisite Holdings Limited	1,306,900	0.59
16.	SBB NOMINEES (TEMPATAN) SDN BHD Kumpulan Wang Persaraan (CAFM A/C 1)	1,237,700	0.55
17.	WONG POI KIEN	1,104,500	0.49
18.	CHING CHOOI SIM	741,500	0.33

No	Name	No of Shares	Percentage
19.	CHING CHOOI KUAN	730,900	0.33
20.	LIM PECK HOON	723,100	0.32
21.	YEOW MAY LEE	658,900	0.30
22.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account for Tan Siong An	502,500	0.23
23.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account for Ng Yoke Yen	502,000	0.22
24.	KENANGA NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account for Kiu Chiong Chin	498,800	0.22
25.	EE BENG YEE	491,500	0.22
26.	NG YOKE LEE	462,200	0.21
27.	CITIGROUP NOMINEES (ASING) SDN BHD UBS AG for Artradis Barracuda Fund	400,700	0.18
28.	INTER-PACIFIC EQUITY NOMINEES (ASING) SDN BHD Kim Eng Securities Pte Ltd for Loh Yih	394,000	0.18
29.	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account for Chan Bee Hoon	365,900	0.16
30.	TM ASIA LIFE MALAYSIA BHD AS BENEFICIAL OWNER (APEF)	349,000	0.16
	TOTAL	**191,021,136**	**85.55**

THE EIGHTH ANNUAL GENERAL MEETING

unity
[yoo-ni-tee]
–noun, plural -ties.

1. the state of being one; oneness.
2. a whole or totality as combining all its parts into one.
3. the state or fact of being united or combined into one.
4. oneness of mind, feeling, etc., as among a number of persons.

NOTICE OF EIGHTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Eighth Annual General Meeting of ENCORP BERHAD will be held on Wednesday, 25 June 2008 at 2.30 p.m. at **Selasih Room, First Floor, Hilton Kuching, Jalan Tunku Abdul Rahman, 93748 Kuching, Sarawak** for the following purposes:

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2007 together with the Reports of the Directors and Auditors thereon. (Resolution 1)

2. To approve the payment of Directors' fees for the financial year ended 31 December 2007. (Resolution 2)

3. To consider and, if thought fit, to pass the following resolution pursuant to Section 129(6) of the Companies Act, 1965:

   "That pursuant to Section 129(6) of the Companies Act, 1965, Tan Sri Datuk (Dr) Omar bin Abdul Rahman, who has exceeded the age of seventy (70) years, be re-appointed as a Director of the Company and to hold office until the conclusion of the next Annual General Meeting." (Resolution 3)

4. To consider and, if thought fit, to pass the following resolution pursuant to Section 129(6) of the Companies Act, 1965:

   "That pursuant to Section 129(6) of the Companies Act, 1965, Dato' Chew Kong Seng @ Chew Kong Huat, who has attained the age of seventy (70) years, be re-appointed as a Director of the Company and to hold office until the conclusion of the next Annual General Meeting." (Resolution 4)

5. To re-elect the following Directors who retire in accordance with Article 81 of the Articles of Association of the Company:

   (a) Efeida binti Mohd Effendi (Resolution 5)
   (b) Datuk (Dr) Zainal Aznam bin Mohd Yusof (Resolution 6)

6. To re-appoint Messrs Ernst & Young as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. (Resolution 7)

As Special Business:

7. To consider and, if thought fit, to pass the following ordinary resolutions:

Ordinary Resolution 1
- Authority to issue shares pursuant to Section 132D of the Companies Act, 1965

"THAT subject to Section 132D of the Companies Act, 1965 and approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue and allot shares in the Company, at any time to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this Resolution does not exceed ten per centum (10%) of the issued and paid-up share capital of the Company for the time being and the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad; AND THAT such authority shall commence immediately upon the passing of this resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company." (Resolution 8)

Ordinary Resolution 2
- Proposed renewal of authority for share buy-back

"THAT subject always to the Companies Act, 1965, the Company's Articles of Association, Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), and the approvals of all relevant governmental and/or regulatory authorities, the Directors of the Company be and are hereby authorised to make purchases of ordinary shares of RM1.00 each in the Company's issued and paid-up ordinary share capital through Bursa Securities, provided that:

(a) the aggregate number of ordinary shares purchased and/or held by the Company as treasury shares shall not exceed ten per centum (10%) of the existing issued and paid-up ordinary share capital for the time being of the Company;

(b) the maximum funds allocated by the Company for the purpose of purchasing its shares shall not exceed the total retained profits and share premium account of the Company ; and

(c) the authority conferred by this resolution will commence immediately upon passing of this ordinary resolution and shall continue to be in force until:

(i) the conclusion of the next Annual General Meeting ("AGM") of the Company following the general meeting at which such resolution was passed at which time it shall lapse unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions;

(ii) the expiration of the period within the next AGM after the date is required by law to be held; or

(iii) revoked or varied by ordinary resolution passed by the shareholders in a general meeting,

whichever is earlier.

AND THAT the Directors of the Company be and are hereby authorised to deal with the shares purchased in their absolute discretion in the following manner:-

(i) cancel all the shares so purchased; and/or

(ii) retain the shares so purchased in treasury for distribution as dividend to the shareholders and/or resell on the market day of Bursa Securities; and/or

(iii) retain part of the shares so purchased as treasury shares and cancel the remainder.

AND FURTHER THAT the Directors of the Company be and are hereby authorised to take all such steps as are necessary and/or enter into any and all agreements, arrangements and guarantees with any party or parties to implement, finalise and give full effect to the aforesaid purchase with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities from time to time to implement or to effect the purchase of its own shares." (Resolution 9)

8. To transact any other ordinary business of which due notice has been given in accordance with the Companies Act, 1965.

By Order of the Board

CHUA SIEW CHUAN
(MAICSA 0777689)
Company Secretary

Kuching
2 June 2008

Explanatory Notes to Special Business:

1. Authority to issue shares pursuant to Section 132D of the Companies Act, 1965

   The above Ordinary Resolution 1, if passed, will empower the Directors of the Company to issue and allot shares to such persons at any time in their absolute discretion without convening a general meeting provided that the aggregate number of the shares issued does not exceed 10% of the issued share capital of the Company for the time being.

2. Proposed Renewal of Authority for Share-Buy Back

   The proposed adoption of Ordinary Resolution 2 is intended to renew the authority granted by the shareholders of the Company at the Annual General Meeting held on 28 June 2007. The proposed renewal of authority for share buy-back will allow the Board of Directors to exercise the power of the Company to purchase not more than 10% of the issued and paid-up share capital of the Company at any time within the time period stipulated in the Listing Requirements of Bursa Malaysia Securities Berhad.

Notes:

1. A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 ("the Act") shall not apply to the Company.

2. If the appointer is a corporation, the form of proxy must be given under its common seal or under the hand of an officer or attorney of the corporation duly authorised.

3. A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting provided that the provision of Section 149(1)(c) of the Act is complied with.

4. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.

5. The instrument appointing a proxy and the power of attorney or other authority, if any, must be deposited at the Registered Office of the Company at Level 2, Block B-59, Taman Sri Sarawak Mall, Jalan Tunku Abdul Rahman, 93100 Kuching, Sarawak not less than forty-eight (48) hours before the time set for holding the meeting or any adjournment thereof.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

The information on Board Meetings and attendance of the Directors can be found on pages 38 to 39 of the Annual Report.

Directors who are standing for re-election at the Eighth Annual General Meeting of the Company are as follows:

Section 129(6) of the Companies Act, 1965

(a) Tan Sri Datuk (Dr) Omar bin Abdul Rahman
(b) Dato' Chew Kong Seng @ Chew Kong Huat

Article 81 of the Articles of Association

(c) Efeida binti Mohd Effendi
(d) Datuk (Dr) Zainal Aznam bin Mohd Yusof

Their particulars can be found on page 12,13,15 and 18 of the Annual Report. Their shareholdings in the Company are stated on page 134 of the Annual Report.

STATEMENT OF SHARE BUY BACK

Statement Accompanying Notice of Annual General Meeting Pursuant to Paragraph 12.06[2(a)] of the Listing Requirements of Bursa Malaysia Securities Berhad

1. Disclaimer Statement

Bursa Malaysia Securities Berhad ("Bursa Securities") has not perused the Share Buy-Back Statement ("Statement") prior to its issuance as it is an exempt document. Bursa Securities takes no responsibility for the contents of this Statement, makes no representation as to its accuracy or completeness and expressly disclaims any liability, whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Statement.

2. Rationale for renewal of authority from shareholders of the Company to enable the Company to purchase and/or hold up to ten percent (10%) of its issued and paid-up share capital pursuant to Section 67A of the Companies Act, 1965 ("Proposed Renewal of Authority for Share Buy-Back")

The proposed share buy-back, if exercised, is expected to potentially benefit the Company and its shareholders in the following manners:-

a) The proposed share buy-back will provide the Company the option to return its surplus financial resources to its shareholders;

(b) Depending on the effective cost of funding of the shares to be purchased, the earnings per share of the Group may be enhanced (in the case where the shares so purchased are cancelled), and thereby long-term investors are expected to enjoy a corresponding increase in the value of their investments in the Company;

(c) If the shares purchased are kept as treasury shares, the treasury shares may be realised with potential gain without affecting the total issued and paid-up share capital of the Company. Alternatively, the shares purchased can be distributed as share dividends to reward the shareholders of the Company; and

(d) The Company may be able to stabilize the supply and demand of its shares in the open market and thereby supporting its fundamental value.

3. Retained Profits and Share Premium

Based on the Audited Financial Statements of the Company for the financial year ended 31 December 2007, the retained profits and share premium account of the Company stood at RM29.83 million and RM103.56 million respectively.

4. Source of Funds

The amount allocated for share buy-back will be financed by internally generated funds and/or bank borrowings, the proportion of which will depend on the quantum of the purchase consideration as well as the availability of internally generated funds and the repayment capability of the Company, if financed by bank borrowings, at the date(s) of the purchase(s).

In the event that the Company intends to purchase its own shares using external borrowings, the Board of Directors shall ensure that the Company shall have sufficient funds to repay the external borrowings and that the repayment would have no material effect on the cash flow of Encorp group of companies.

5. Direct and Indirect Interests of the Directors and Substantial Shareholders in the Proposed Renewal of Authority for Share Buy-Back

Save for the inadvertent proportionate increase in the percentage shareholdings and/or voting rights of the shareholders of the Company as a consequence of the share buy-back, none of the Directors and/or substantial shareholders nor persons connected with the Directors and/or substantial shareholders of the Company have any interest, direct or indirect, in the Proposed Renewal of Authority for Share Buy-Back and the proposed resale of treasury shares, if any.

As such, none of the Directors and/or substantial shareholders nor persons connected with them need to abstain from voting in respect of their direct and/or indirect shareholdings on the ordinary resolution approving the Proposed Renewal of Authority for Share Buy-Back.

The effects of the proposed share buy-back on the shareholdings of the Directors of Encorp based on the Register of Directors' Shareholdings as at 12 May 2008 and assuming 22,350,853 Encorp Shares, being the maximum number of shares that are purchased and retained as treasury shares authorised under the Proposed Renewal of Authority for Share Buy-Back, and there is no change in the number of shares held by the Directors of Encorp as at 12 May 2008 are as follows:-

Directors	Before Share Buy-Back				After Share Buy-Back❶			
	Direct No. of Shares	%	Indirect No. of Shares	%	Direct No. of Shares	%	Indirect No. of Shares	%
Datuk (Dr) Philip Ting Ding Ing	2,278,000	1.02	-	-	2,278,000	1.13	-	-
Datuk Fong Joo Chung	-	-	-	-	-	-	-	-
Efeida binti Mohd Effendi	-	-	66,636,036❷	29.81	-	-	66,636,036❷	33.13

Dato' Chew Kong Seng @ Chew Kong Huat	-	-	-	-	-	-	-	-
Datuk Ramli bin Shamsudin	-	-	66,636,036❸	29.81	-	-	66,636,036❸	33.13
Datuk (Dr) Zainal Aznam bin Mohd Yusof	-	-	-	-	-	-	-	-
Tan Sri Datuk (Dr) Omar bin Abdul Rahman	-	-	66,636,036❸	29.81	-	-	66,636,036❸	33.13
Yeoh Soo Ann	-	-	-	-	-	-	-	-

❶ *Assuming that 10% of the existing issued and paid-up share capital of Encorp are bought and retained as treasury shares subsequently.*

❷ *Deemed substantial interest through the substantial shareholdings in Lavista Sdn. Bhd. held by her and persons connected to her.*

❸ *Deemed interest by virtue of their substantial shareholdings in Lavista Sdn. Bhd. held by them in trust.*

The effects of the Share Buy-Back on the shareholdings of the major shareholders based on the Register of Substantial Shareholdings of the Company as at 12 May 2008 assuming 22,350,853 Encorp Shares, being the maximum number of shares that are purchased and retained as treasury shares authorised under the Proposed Renewal of Authority for Share Buy-Back and there is no change in the number of shares held by the major shareholders of Encorp as at 12 May 2008 are as follows:

Major Shareholders	Before Share Buy-Back				After Share Buy-Back❶			
	Direct No. of Shares	%	Indirect No. of Shares	%	Direct No. of Shares	%	Indirect No. of Shares	%
Lavista Sdn. Bhd	66,636,036	29.81	-	-	66,636,036	33.12	-	-
Efeida binti Mohd Effendi	-	-	66,636,036❷	29.81	-	-	66,636,036❷	33.13
Tan Sri Datuk (Dr) Omar bin Abdul Rahman	-	-	66,636,036❸	29.81	-	-	66,636,036❸	33.13

Datuk Ramli bin Shamsudin	-	-	66,636,036❸	29.81	-	-	66,636,036❸	33.13
Anjakan Masyhur Sdn. Bhd	40,000,000	17.90	-	-	40,000,000	19.88	-	-
Azhar bin Mohd Awal	-	-	40,000,000❹	17.90	-	-	40,000,000❹	19.88
Azman Hanafi bin Abdullah	-	-	40,000,000❹	17.90	-	-	40,000,000❹	19.88
Pegang Impian Holdings Sdn. Bhd.	43,752,000	19.57	-	-	43,752,000	21.75	-	-
Abang Ariffin bin Abang Bohan	-	-	43,752,000❺	19.57	-	-	43,752,000❺	21.75
Taufiq bin Abdul Khalid	-	-	43,752,000❺	19.57	-	-	43,752,000❺	21.75

❶ *Assuming that 10% of the existing issued and paid-up share capital of Encorp are bought and retained as treasury shares subsequently.*

❷ *Deemed substantial interest through the substantial shareholdings in Lavista Sdn. Bhd. held by her and persons connected to her.*

❸ *Deemed interest by virtue of their substantial shareholdings in Lavista Sdn. Bhd held by them in trust.*

❹ *Deemed interest by virtue of their substantial shareholdings in Anjakan Masyhur Sdn. Bhd.*

❺ *Deemed interest by virtue of their substantial shareholdings in Pegang Impian Holdings Sdn. Bhd.*

6. Potential Advantages and Disadvantages of the Proposed Renewal of Authority for Share Buy-Back

Potential advantages of the Proposed Renewal of Authority for Share Buy-Back to the Company and its shareholders are stated in Section 2 above.

Potential disadvantages of the Proposed Renewal of Authority for Share Buy-Back to the Company and its shareholders are as follows:-

(a) it will reduce the financial resources of the Group and may result in the Group foregoing better investment opportunities in future or, at least deprive Encorp Group of interest income that can be derived from the funds utilised for the Share Buy-Back; and

(b) as the Share Buy-Back can only be made out of retained profits and share premium of the Company, it may result in the reduction of financial resources available for distribution to shareholders in the immediate future.

The Proposed Renewal of Authority for Share Buy-Back is not expected to have any potential material disadvantages to the Company and its shareholders, as it will be exercised only after in depth consideration of the financial resources of the Company and of the resultant impact on its shareholders. The Board of Directors in exercising any decision on the share buy-back will be mindful of the interest of the Company and its shareholders.

7. Financial Effects of the Proposed Renewal of Authority for Share Buy-Back

On the assumption that the share buy-back is carried out in full, the effects of the Proposed Renewal of Authority for Share Buy-Back on the share capital, net asset per share (NA), working capital and earnings per share (EPS) of the Company are set out below:

(a) Share capital

In the event the Company acquires the full amount of Encorp Shares authorised under the Share Buy-Back and all the shares purchased are cancelled, the issued and paid-up share capital of the Company will be as follows:

	No. of Encorp Shares at RM1/- each (RM)	%
Existing issued and paid-up share capital as at 12 May 2008	223,508,536	100
Assuming cancellation of 10% shares pursuant to the Proposed Renewal of Authority For Share Buy- Back	(22,350,853)	(10)
Issued and paid-up share capital after the Proposed Renewal of Authority for Share Buy-Back and cancellation	201,157,683	90

However, the share buy-back will have no effect on the issued and paid-up share capital if all share purchased are to be retained as treasury shares but the rights attaching to the treasury shares in relation to voting, dividends and participation in any other distributions or otherwise are suspended. While these Encorp Shares remain as treasury shares, the Companies Act 1965 prohibits the taking into account of such shares in calculating the number of percentage of shares in the Company for a purpose whatsoever including substantial shareholdings, takeovers, notices, requisitioning of meetings, quorum for meetings and the result of votes on resolutions.

(b) NA

The effects of the share buy-back on the NA per share of the Encorp Group are dependent on the purchase price of the Encorp Shares at the

time of buy back. If all Encorp Shares so purchased are cancelled, the consolidated NA per share of the Group is likely to be reduced if the purchase price exceeds the NA per share, whereas the NA per share of the Group will increase if the purchase price is less than the NA per share of the Group at the time of purchase.

For shares purchased which are kept as treasury shares, upon resale, the NA per share of the Group would increase assuming that a gain has been realised or decreased if a loss is realized. If treasury shares are distributed as share dividends, the NA of the Group would decrease by cost of the treasury shares.

(c) Working Capital

The proposed share buy-back will reduce the working capital of the Group, the quantum of which depends on, amongst others, the number of shares eventually purchased and the purchase price of the shares.

(d) EPS

Assuming that the shares purchased under the share buy-back are cancelled, the share buy-back may increase the EPS of Encorp Group. Similarly, on the assumption that the shares purchased are treated as treasury shares and subsequently resold, the extent of the effect on earnings of Encorp Group will depend on the actual selling price and number of treasury shares resold and the effective gain arising. In the event the shares purchased are held as treasury shares, i.e., neither cancelled nor resold, the effective reduction in the issued and paid-up share capital of Encorp pursuant to the share buy-back would generally, all else being equal, increase the consolidated EPS of the Company.

(e) Dividends

For the financial year ended 31 December 2007, the Company had declared and paid the following interim dividends:-

- First Interim Dividend of 5% less 27% income tax;
- Second Interim Dividend of 5% comprising 4.73% single tier exempt dividend and 0.27% dividend less 26% income tax.

Assuming the proposed share buy-back is implemented in full and the Company's quantum of dividends is maintained at historical levels, the share buy-back will have the effect of increasing the dividend rate of the Company as a result of the reduction in the issued and paid-up share capital of the Company.

The proposed share buy-back may have an adverse impact on the Company's dividend policy for the financial year ending 31 December 2008 as it would reduce the cash available, which may otherwise be used for dividend payment. Nonetheless, the treasury shares purchased may be distributed as dividends to shareholders of the Company, if the Company so decides.

(f) Shareholdings

The effect of the proposed share buy-back on the percentage of shareholdings of the Directors and substantial shareholders of the Company would depend on the timing of the purchase, the number of shares purchased, if any, and their actual shareholdings at the time of such purchase.

Please refer to Section 5 above for further details on the shareholding structure of Directors and substantial shareholders of the Company.

8. Implication Under the Malaysian Code on Take-Overs and Mergers 1998 (the "Code")

Under the Code, a director and any person acting in concert with him or a relevant shareholder will be required to make a mandatory general offer for the remaining ordinary shares of the Company not already owned by him/them if his/their stake in the Company is increased beyond 33% or if his/their existing shareholding is between 33% and 50% and exceeds by another 2% in any six (6) months period.

Assuming that the share buy-back is carried out in full, the shareholding of Lavista Sdn. Bhd. will be increased from 29.81% to 33.13% based on the issued and paid up share capital of the Company as at 12 May 2008. In such as a case, Lavista Sdn. Bhd. will be obliged to make a mandatory general offer for the remaining ordinary shares in the Company not held by it pursuant to Part II Code 6 of the Code.

Should such circumstances arise, Lavista Sdn. Bhd. and any person acting in concert with it intend to apply for an exemption from implementing a mandatory general offer in accordance with Practice Note 2.9.10 of the Code.

9. Purchase, Resale and Cancellation of shares made in the previous twelve (12) months

In the preceding twelve (12) months and as at 12 May 2008, the Company has purchased 267,400 of its own shares, the details which are as set out below. All of shares bought back by the Company are held as treasury shares and none of the treasury shares held were resold or cancelled in the preceding twelve (12) months:-

Date of Purchase	No of Shares Purchased	Lowest Purchase Price (RM)	Highest Purchase Price (RM)	Average Purchase Price (RM)	Total Purchase Consideration (RM)
30 April 2008	44,000	0.960	0.975	0.968	42,285.00
2 May 2008	24,400	0.970	0.985	0.978	23,889.00
5 May 2008	98,000	0.980	1.000	0.990	97,240.00
6 May 2008	31,000	1.000	1.000	1.000	31,000.00
7 May 2008	24,000	1.000	1.000	1.000	24,000.00

Date of Purchase	No of Shares Purchased	Lowest Purchase Price (RM)	Highest Purchase Price (RM)	Average Purchase Price (RM)	Total Purchase Consideration (RM)
8 May 2008	39,000	0.990	1.000	0.995	38,700.00
9 May 2008	7,000	1.000	1.000	1.000	7,000.00

10. Public Shareholding Spread

As at 12 May 2008, the public shareholding spread of Encorp was 31.69%. The public shareholding spread is expected to be reduced to 21.69% assuming the share buy-back is 22,350,853 Encorp Shares with the purchase from the market and all the Encorp Shares so purchased are cancelled. The Company will not undertake any share buy-back if that will result in a breach of paragraph 8.15(1) of the Listing Requirements of Bursa Securities, which requires the Company to maintain a shareholding spread of at least 25% of its total listed shares in the hands of 1,000 public shareholders holding not less than 100 shares each applicable in relation to companies having nominal value of issued and paid-up capital of RM60 million. The Board is mindful of the shareholding spread requirement and will continue to be mindful of the requirement when making any purchase of Encorp Shares by the Company.

11. Directors' Statement

This Statement has been seen and approved by the Board of Directors and they individually and collectively accept full responsibility for the accuracy of the information given in this Statement and confirm that, after making all reasonable enquiries, to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

Having considered all aspects of the proposed share buy-back, the Board of Directors is of the opinion that the Proposed Renewal of Authority for Share Buy-Back is fair, reasonable and in the best interest of the Company.

12. Directors' Recommendation

The Board of Directors recommends that you vote in favour of the Ordinary Resolution for the Proposed Renewal of Authority for Share Buy-Back to be tabled at the forthcoming AGM.

13. Other Information

There is no other information concerning the Proposed Renewal of Authority for Share Buy-Back as shareholders and their professional advisers would reasonably require and expect to find in this Statement for the purpose of making informed assessment as to the merits of approving the Proposed Renewal of Authority for Share Buy-Back and the extent of the risks involved in doing so.

ENCORP BERHAD
(Company No. 506836 -X)
(Incorporated in Malaysia)

No. of shares held	

I/We _____ NRIC No. _____ of

_____

being a member /members of ENCORP BERHAD, hereby appoint _____
of_____ or failing him,
_____ of _____
_____or failing him the Chairman of the Meeting as my / our proxy to vote for me / us and on my / our behalf at the Eighth Annual General Meeting of the Company, to be held on Wednesday, 25 June 2008 at 2.30 p.m. at **Selasih Room, First Floor, Hilton Kuching, Jalan Tunku Abdul Rahman, 93748 Kuching, Sarawak** and at any adjournment thereof.

ORDINARY BUSINESS

	FOR	AGAINST
1. To receive the Audited Financial Statements for the financial year ended 31 December 2007 together with the Directors' Report and Auditors' Report thereon.		
2. To approve the Directors' Fees for the financial year ended 31 December 2007.		
3. To re-elect Tan Sri Datuk (Dr) Omar bin Abdul Rahman, who shall retire pursuant to Section 129(6) of the Companies Act 1965.		
4. To re-elect Dato' Chew Kong Seng @ Chew Kong Huat, who shall retire pursuant to Section 129(6) of the Companies Act 1965.		
5. To re-elect Efeida binti Mohd Effendi who shall retire in accordance with Article 81 of the Company's Articles of Association.		
6. To re-elect Datuk (Dr) Zainal Aznam bin Mohd Yusof who shall retire in accordance with Article 81 of the Company's Articles of Association.		
7. To re-appoint Messrs Ernst & Young as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorize the Directors to fix their remuneration.		

SPECIAL BUSINESS

8. Ordinary Resolution 1 - Authority to allot shares pursuant to Section 132D of the Companies Act 1965.		
9. Ordinary Resolution 2 - Proposed renewal of authority for share buy-back.		

(Please indicate with (✓) or (X) how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote as he thinks fit of abstain from voting at his discretion).

As witness my / our hand(s) this _____ day of _____ 2008.

Signature _____

Notes:

1. A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act 1965 ("the Act") shall not apply to the Company.
2. If the appointer is a corporation, the form of proxy must be given under its common seal or under the hand of an officer or attorney of the corporation duly authorised.
3. A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting provided that the provision of Section 149(1)(c) of the Act is complied with.
4. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
5. The instrument appointing a proxy and the power of attorney or other authority, if any, must be deposited at the Registered Office of the Company at Level 2, Block B-59, Taman Sri Sarawak Mall, Jalan Tunku Abdul Rahman, 93100 Kuching, Sarawak not less than forty-eight (48) hours before the time set for holding the meeting or any adjournment thereof.

Place
Stamp Here

The Company Secretary
ENCORP BERHAD (506836-X)
Level 2, Block B-59
Taman Sri Sarawak Mall
Jalan Tunku Abdul Rahman
93100 Kuching
Sarawak

ENCORP BERHAD

(150683G-X)

Encorp Berhad
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