

annual report

2006



ENCORP
BERHAD
(506836-X)



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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

Efeida binti Mohd Effendi

Non-Independent, Executive Director

Datuk Ramli bin Shamsudin

Non-Independent, Executive Director

Datuk Fong Joo Chung

Non-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

Dato' Chew Kong Seng @ Chew Kong Huat

Senior Independent, Non-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

Member

Efeida binti Mohd Effendi

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, 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 (Malaysia) Bhd

CIMB Bank Berhad

(formerly known as Bumiputra-Commerce Bank Berhad)

Bank Rakyat Berhad

AUDITORS

Ernst & Young (AF: 0039)

SOLICITORS

Zul Rafique & Partners

Ariffin Shahzad

Kiru & Yong

STOCK EXCHANGE LISTING

Main Board, Bursa Malaysia Securities Berhad

Stock Code : **ENCORP**

Stock Number : **6076**

MISSION STATEMENT & CORE VALUES

ENCORP VISION

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

ENCORP MISSION

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

ENCORP 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 the employees.



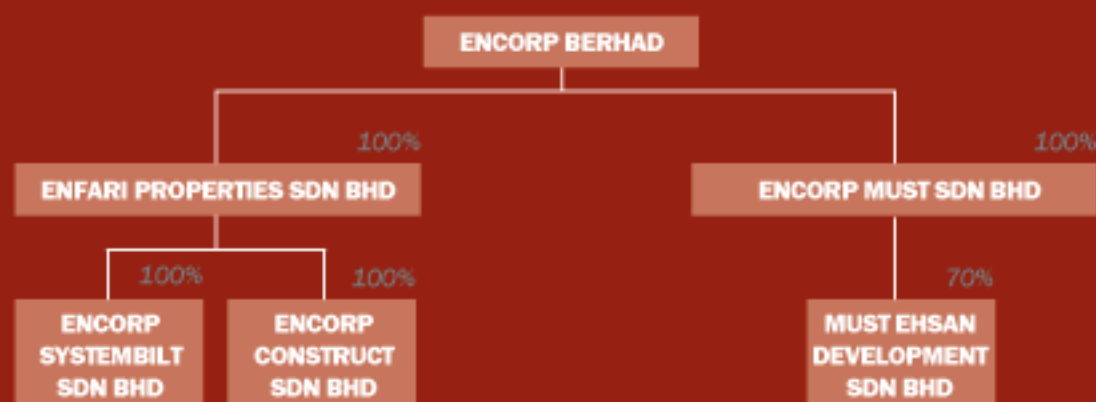
GROUP FINANCIAL HIGHLIGHTS

Group Financial Highlights	FY 2006 (RM'000)	FY 2005* (RM'000)
Revenue	143,126	114,546
(Loss) / profit before tax	(119,806)	2,795
(Loss) / profit after tax for the year	(122,988)	3,506
(Loss) / profit attributable to equity holders of the Company	(124,843)	3,595
Profit / (loss) attributable to minority interest	1,855	(89)
Paid-up capital	223,509	223,509
(Loss) / earnings per share attributable to equity holders of the Company (Sen)	(55.86)	1.61
Total equity attributable to equity holders of the Company	225,733	350,577
Total net tangible assets	72,528	153,573
Net assets per share attributable to equity holders of the Company (RM)	1.01	1.57
Net tangible assets per share (RM)	0.32	0.69

* Certain comparative amounts have been reclassified to conform with current year's presentation.



CORPORATE STRUCTURE



Note: 1. Encorp had on 22 January 2007 completed the disposal of its entire 49% issued and paid-up share capital in Great Wall Plastic Industries Berhad comprising 39,201,960 ordinary shares of RM1.00 each.

2. Encorp Construct Sdn Bhd, a wholly-owned subsidiary of Encorp, had on 11 September 2006 completed the disposal of its entire 55% issued and paid-up share capital in Encorp-L&M Precast Sdn Bhd to Encorp Group Sdn Bhd.

Subsidiary Company	Percentage (%)	Principal Activity	Place of Incorporation
Encorp Must Sdn Bhd	100	Investment Holding and Property 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

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 74) 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 the Chairman of the Board of Kotra Industries Berhad, Green Packet Berhad and a trustee of Malaysian University of Science and Technology (MUST). He is also a director of OSK Ventures International Bhd, Great Wall Plastic Industries Berhad, BCT Technology Berhad and was the Executive Chairman of Kumpulan Modal Perdana Sdn Bhd.

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

Yeoh (Malaysian, aged 46) joined the Board of Encorp Berhad and was appointed as Group Chief Executive Officer on an acting capacity on 18 November 2003.

Yeoh has been a member of the Malaysian Institute of Certified Public Accountants and the 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 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 Audit Committee

Member of the Remuneration Committee

Efeida (Malaysian, aged 34) was appointed to the Board of Encorp Berhad on 16 April 2001.

Efeida is an Executive 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 carved a niche in several leading architectural firms in New York before returning to Malaysia.

Efeida has deemed substantial interest in the Company through the substantial shareholdings in Lavista Sdn Bhd held by her and persons connected to her. Efeida 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 61) was appointed to the Board of Encorp Berhad on 27 April 2006.

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

Datuk Ramli joined the private sector, Encorp Group Sdn Bhd in 1997 and was involved in construction, education and media industries until January 2000. He was the Chief Executive Officer, Malaysian Maritime Academy belonging to Petronas and Malaysian International Shipping Corporation from 1 February 2000 to 31 January 2005.

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

Datuk Ramli is currently the Group Director of Encorp Berhad overseeing employees' development activities, cost rationalisation initiatives, procurement and also provides assistance to 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 DATUK FONG JOO CHUNG

*Non-Independent, Non-Executive Director
Chairman of the Remuneration Committee
Member of the Nomination Committee*

Datuk Fong (Malaysian, aged 58) was appointed to the Board of Encorp Berhad on 16 April 2001.

Datuk Fong is the State Attorney-General of Sarawak, a position he has held since August 1992. Prior to this, he had been in private practice (1971-1992) and held senior positions in various legal associations and bodies in Sarawak, including President of the Advocates' Association of Sarawak (1983-1987), member of the High Court Rules Committee (1982-1988), Chairman of the Kuching Rating Appeals Tribunal (1986-1992), Chairman of the Inquiry Committee (1991-1992) and member of the Kuching City South Council (1981-1992).

Datuk Fong graduated with a Bachelor of Laws Degree (Honours) from the University of Bristol, England and is a Barrister-at-Law (Lincoln's Inn).

Datuk Fong is currently a Director of Sarawak Enterprise Corporation Berhad and Bintulu Port Holdings Berhad.

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 55) 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 starting 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 the Chief Executive Officer of Sarawak Securities Sdn Bhd, a major stock broking company in Malaysia and from 1994 to 1998, he was the Group Managing Director of Cahya Mata Sarawak Berhad, a diversified conglomerate in Malaysia. During his working career, he had spent significant amount of time in Australia, the United States and throughout South East Asia.

Datuk (Dr) Philip Ting presently sits on the Board of a number of public and 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 the 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 Ting 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 Audit Committee
Member of the Remuneration Committee

Dato' Chew (Malaysian, aged 69) was appointed to the Board of Encorp Berhad on 2 December 2002.

A former Managing Partner of the 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 include banking and financial institutions, timber, manufacturing, trading and foreign investment.

Dato' Chew is a fellow member 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 (Malaysia) 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 (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 62) 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). Currently, he 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 Center 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 holds 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 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.

CHAIRMAN'S STATEMENT



Dear Shareholders,

On behalf of the Board of Directors of Encorp Berhad, I am pleased to present to you the Annual Report and Audited Financial Statements of the Group for the financial year ended 31 December 2006.

During the year under review, the Group recorded a 25% increase in revenue to RM143.13 million contributed mainly by the property development projects and the concession income from the Teachers' Quarters Project.

However, the Group made a loss of RM122.99 million for the year. This was mainly attributed to the provision of RM107.67 million on the recoverability of the Extension of Time (EOT) claims and the related impairment of goodwill in respect of the Teachers' Quarters Project. This provision was made as the Government of Malaysia has endorsed only a partial EOT claim of RM34.92 million following an initial agreement on the number of months for which the EOT is claimable.

In 2006, we made substantial progress in the property development and construction of our Cahaya Alam mixed residential project in Shah Alam and The Strand, Damansara commercial project at Kota Damansara.

Property sales at The Strand, Damansara have been extremely encouraging. Whilst the local property market in general experienced soft market conditions all year round, demands for high-end commercial properties located in prime areas remained strong. Such was the case for The Strand, Damansara, which has registered a sale of 97% of units offered to-date. Going by this trend, we anticipate our offer of sale in 2007 of shop offices, service apartments and shopping mall in this prime area to be equally well received.

Motivated by the success of our property developments, the Group has consolidated its investments in 2006 to focus on its core businesses. Our priority going forward is to build Encorp into a major property development and construction management company.

In response to the Government's exhortation to think globally, we are also looking to expand not just locally but also internationally. Currently we are working closely with several strategic partners to pursue more construction projects using the Industrialised Building Systems (IBS) technology. As a pioneering company which has successfully implemented this construction technology in Malaysia, we are in an excellent position to apply our expertise and accumulated experience for the benefit of our targeted local and international clientele.

I am also pleased to inform that Encorp Berhad has successfully attained the ISO 9001:2000 quality management system certification for our Property Division. This achievement signaled our continuing effort in assuring our stakeholders and clients of our commitment to quality in all our endeavours.

Looking ahead, we are confident that the Group is well-positioned to tap opportunities within the local economy. Having registered 5.9% GDP growth in 2006, expectations are that Malaysia's economy will remain resilient this year. As with all of Corporate Malaysia, we look forward to the full beneficial economic impact of the Ninth Malaysia Plan in 2007 and beyond.

Encorp began over 10 years ago with a vision to be a market leader in providing quality products and services. The journey so far has been challenging. More importantly, our experiences over these years have served us well to gear our Group towards further expansion.

Today, the Group's businesses are streamlined into sectors where we can increase the optimum utilisation of our resources and proven expertise. We have nurtured good business networks and relationships. We are building up our land bank for future developments. Construction on our current property development projects are on track and brisk sales of these properties are generating cash flow for the Group's expansion.

Encorp has strong business fundamentals that we are proud of. Despite the financial losses in 2006 that is mainly due to a one-off transaction following the provision on the recoverability of the EOT claims and related goodwill impairment, the perseverance and dedication put in by the team members will show future favourable results, and with your continued support, we are resolved to continue Encorp's path towards professional and commercial excellence.

Last but not least, I would like to extend my sincere appreciation to my fellow directors, management team and staff for all their dedication and contribution to the Group. We believe we have a strong team under the banner of Encorp.

To our valued customers, bankers, bondholders, business partners and government authorities, I wish to extend my heartfelt thanks for your continued trust and confidence in us. And, to our shareholders, I must record my personal gratitude for the support shown to us in both good and bad times. This has been a source of great encouragement for the Group to continue our endeavour to increase shareholders' value.

Tan Sri Datuk (Dr) Omar bin Abdul Rahman
Chairman

OPERATIONS OVERVIEW

CONSTRUCTION MANAGEMENT

Enfari Properties Sdn Bhd is Encorp's construction management arm. Through its subsidiary, Encorp Systembilt Sdn Bhd, it became a concessionaire for the development of 10,000 units of privatised teachers' quarters awarded by the Ministry of Education (MOE).

Annuity interest income of RM103.45 million was recognised in 2006 for the successful completion and hand-over of the Teachers' Quarters Project.

Whilst the Teachers' Quarters Project were completed and officially handed-over in 2004, Encorp's claims with the MOE for additional works remain outstanding. Progress has been made during 2006 in our negotiations with the Government of Malaysia on the settlement of the Final Accounts of the Project.

An independent quantity surveying consultant was appointed to quantify the amount of claims on the additional works to which Encorp is entitled. The Company looks forward to the prompt and positive resolution of these claims.

The MOE and Encorp have reached an initial agreement on the Extension of Time (EOT) claims. As a result, RM34.92 million has been endorsed by the Government of Malaysia in favour of Encorp. Negotiations for additional EOT claims are still on-going.

Encorp Construct Sdn Bhd has successfully secured the following projects:

- a) 46 units of 3 1/2 and 4 1/2 storey shop offices, at The Strand, Damansara with a contract value of RM25.80 million which is expected to be completed by the first quarter of 2008; and
- b) 58 units of 3 1/2 and 4 1/2 storey shop offices, at The Strand, Damansara with a contract value of RM34.12 million which is expected to be completed by the third quarter of 2008.

For these projects, the Company has to face site management challenges as the units are located at close proximity to on-going construction activities of the neighbouring development. However, with the experience gained from completing 10,000 units of teachers' quarters over 109 different locations in the country, Encorp is able to apply these experiences to address the logistics challenges faced in these projects.

Going forward, Encorp is actively sourcing new business opportunities, both locally and internationally. These include projects that will capitalise on Encorp's proven expertise in the use of Industrialised Building System (IBS) for the construction of buildings and infrastructure works.



PROPERTY DEVELOPMENT

During the financial year under review, the Group's Property Division, Must Ehsan Development Sdn Bhd, generated RM39.68 million in revenue and pre-tax profit of RM10.0 million.

Overall, Malaysia's property market experienced a lack-lustre performance during the year due to increasing signs of an over-built situation, especially high-end residential properties and rising cost of building materials and oil prices. Property developers experienced declining sales and intense competition, which led to thinning profit margins. However, sales of landed properties at prime locations are expected to remain strong with support from domestic and foreign buyers due to the recent exemption of the real property gain tax (RPGT). Moreover, foreigners are also allowed to buy properties costing RM250,000 and above without the approval of the Foreign Investment Committee (FIC).

The Strand, Damansara

Having received approvals for planning, building and engineering, the development of Encorp's flagship commercial project called The Strand, Damansara progressed with great vigor in 2006. It is located on 45.6 acres of prime area fronting major highways in the Klang Valley.

Encouraging consumer demand for high-end commercial properties has led Encorp to bring forward the launch of more shop offices in 2006. Sales have been brisk, with a take up rate of 97% to date.

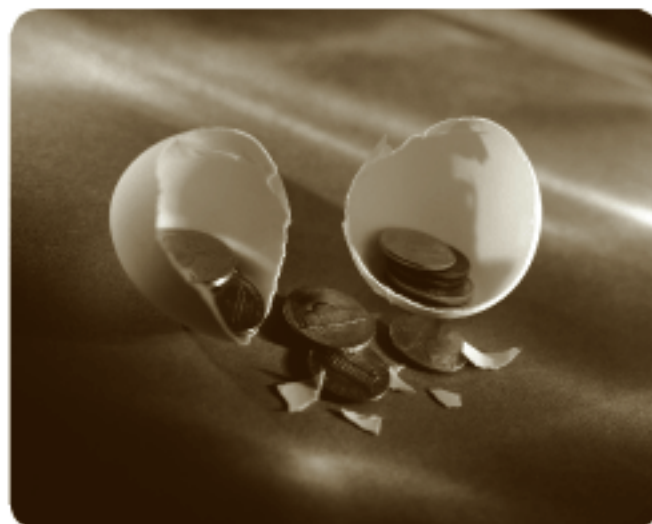
Construction of over 200 units of shop offices is currently in progress, with a further 60 units of 4 storey shop offices being launched in the second quarter of 2007. Detailed planning of the boutique shopping mall and condo-tel towers is also in progress.

Cahaya Alam, Shah Alam

Cahaya Alam is a mixed development situated on 209 acres of a prime location in Shah Alam. The development concept is based on residential precincts surrounding a central linear park with amenities to promote active lifestyle for residents.

Work on Parcel A was completed in July 2006. To date, Encorp has completed 115 units of 22' x 75' double storey link houses.

The Group is looking at new strategies in response to the soft property market conditions, in particular for mid-range properties. As such, Encorp expects to receive an overwhelming response in the sales launch of Parcel B comprising 157 units of 22' x 75' double storey link houses.



STATEMENT OF CORPORATE GOVERNANCE

The Board of Directors acknowledges the importance of promoting good corporate governance in discharging its responsibilities. It strives to ensure that it practises the highest standards of principles and best practices of the Malaysian Code on Corporate Governance (the Code) to maximise shareholders' value.

The Board of Directors is pleased to report to the shareholders on its application of the principles and best practices as recommended by the Code.

A. BOARD OF DIRECTORS

1. Composition of the Board

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

- Three (3) Executive Directors;
- Five (5) Non-Executive Directors of whom three (3) are Independent Directors.

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 should comprise Independent Directors.

The Board comprises members with relevant experiences and expertise drawn from various fields.

The Independent, Non-Executive Directors, fulfill 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.

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

To ensure that there is a balance of power and authority, the roles of the Chairman and the 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 the overall responsibility to manage the operations, organisational effectiveness and implementation of policies and decisions.



2. 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.

Seven (7) Board meetings, an Annual General Meeting and an Extraordinary General Meeting were held during the financial year ended 31 December 2006. A summary of attendance of the Board for the financial year ended 31 December 2006 is as follows:

Name of Director	No. of Board Meetings Attended	Attendance (%)
Tan Sri Datuk (Dr) Omar bin Abdul Rahman	7/7	100
Yeoh Soo Ann	6/7	86
Efeida binti Mohd Effendi	4/7	57
Datuk Fong Joo Chung	7/7	100
Datuk (Dr) Philip Ting Ding Ing	6/7	86
Datuk (Dr) Zainal Aznam bin Mohd Yusof	6/7	86
Dato' Chew Kong Seng @ Chew Kong Huat	6/7	86
Datuk Ramli bin Shamsudin <i>(appointed to the Board on 27 April 2006)</i>	6/6	100

3. 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 agendas 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. The Board has approved a policy to cover the procedures to be taken by a Director before he seeks such independent professional advice in line with the recommendations of the Code.

4. Duties and Responsibilities of the Board

The Board has full control over the business and affairs of the Company and the Group, which includes the responsibility to determine the overall strategic direction.

5. 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. The 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
Datuk (Dr) Zainal Aznam bin Mohd Yusof	Member	Independent, Non-Executive Director
Tan Sri Datuk (Dr) Omar bin Abdul Rahman	Member	Non-Independent, Non-Executive Director
Efeida binti Mohd Effendi	Member	Non-Independent, Executive Director
Dato' Chew Kong Seng @ Chew Kong Huat (appointed to the Audit Committee on 24 May 2007)	Member	Senior Independent, Non-Executive Director

The composition of the Audit Committee, its terms and reference and summary of activities are reported on pages 21 to 24.

b. The Nomination Committee

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

- identify and recommend suitable committee members and candidates for directorship of the Company and its subsidiaries;
- 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;
- assess the effectiveness of the Board as a whole including its size, composition and the contribution of each individual director; and
- ensure an appropriate framework and plan for succession of the Board and Senior Management.

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 (Dr) Philip Ting Ding Ing	Member	Independent, Non-Executive Director
Datuk Fong Joo Chung	Member	Non-Independent, Non-Executive Director

c. Remuneration Committee

The Remuneration Committee was established to provide assistance to the Board in establishing and recommending the remuneration package for the Executive Directors and Independent Directors. The Remuneration Committee also assists in the establishment and recommendation of remuneration structure and policy for the Group Chief Executive Officer, Executive Directors and Senior Management. The 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	Non-Independent, Non-Executive Director
Tan Sri Datuk (Dr) Omar bin Abdul Rahman	Member	Non-Independent, Non-Executive Director
Efeida binti Mohd Effendi	Member	Non-Independent, Executive Director
Dato' Chew Kong Seng @ Chew Kong Huat	Member	Senior Independent, Non-Executive Director

6. Directors' Training

The Directors are encouraged to participate in seminars and conferences to keep abreast with the relevant changes and developments in order to discharge their duties more effectively.

Below are the training programmes and seminars which some of the Directors attended during the financial year under review:

- ISO 9001:2000 Quality Awareness Training Course;
- Exchange Traded Fund (FTSE Asean 40);
- The 3rd National Utilities Summit 2006;
- National Accountants Conference 2006;
- Labuan IOFC – The Investment Route to Asia;
- Seminar Kebangsaan “Abdullah Ahmad Badawi”;
- 50th Merdeka Expo;
- Inspirational Leadership;
- MICPA-BURSA Malaysia Business Forum; and
- Presentation by Ernst & Young on the introduction and implementation of the Financial Reporting Standards in Malaysia.



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.

The Non-Executive Directors are paid yearly fees which are determined by the Board and approved at the Annual General Meeting. 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 2006 are categorised into appropriate components as follows:

Description of Payment	Executive Directors (RM)	Non-Executive Directors (RM)
Salaries / Allowances & other emoluments	756,394	150,000
Fees	94,267	303,000
Defined contribution plan	88,482	-
Estimated money value of benefits-in-kind	56,172	10,625
Total	995,315	463,625

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

Range of Remuneration	Executive Directors	Non-Executive Directors
Below RM 50,000	-	-
RM 50,001 - RM 100,000	1	4
RM 100,001 - RM 150,000	1	-
RM 150,001 - RM 200,000	-	1
RM 200,001 - RM 250,000	-	-
RM 250,001 - RM 300,000	-	-
RM 300,001 - RM 350,000	-	-
Above RM 350,000	1	-
Total	3	5

C. SHAREHOLDERS

1. Communication with Shareholders and Investors

The Company recognises the importance of effective communication with shareholders, investors and 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, the Board has approved a shareholders' communication policy to handle the process of handling queries from its shareholders.

2. Annual General Meeting

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

Shareholders are given ample time to participate in the question and answer sessions pertaining to the business activities of the Group.

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 MASB Approved Accounting Standards in Malaysia.

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 of Internal Control is set out on page 25 and 26.

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 highlights to the attention of the Board 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 will be utilised, inter alia, to acquire additional land bank for future development projects, thus building on its core business of property development.

Part of the proceeds will also be used as general working capital for future phases of the Group's on-going property development projects.

Share Buy-Back

During the financial year under review, there was no share buy-back by the Company.

Options, Warrants or Convertible Securities

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

American Depositary Receipt (ADR) or Global Depositary 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 RM32,530.00.

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

There were no material contracts entered into by the Company and the Group involving Directors' and major shareholders' interests, except for the Undertaking Agreement dated 28 August 2002 (the Undertaking Agreement) between Encorp Berhad, Great Wall Plastic Industries Berhad, Enfari Limited and Lavista Sdn Bhd (Lavista).

The salient features of the Undertaking Agreement are as follows:

- (i) achievement of minimum 25% public shareholding requirement, which was met prior to the Company's listing on 11 February 2003;
- (ii) compensation for shortfall in valuation of Enfari Properties Sdn Bhd (Enfari). Lavista, the major shareholder of the Company, has given an undertaking that the valuation of Enfari as at the date of completion of the acquisition, namely 17 April 2001 (Completion Date), shall not be less than RM230 million (Guaranteed Valuation).

Vide the Undertaking Agreement, the confirmation from the Government of Malaysia on the recoverability of the Extension of Time (EOT) costs in respect of the teachers' quarters housing project shall be obtained no later than 16 May 2003 (Cut Off Date), whereupon the valuation of Enfari to be undertaken by the independent valuer as at the Completion Date, shall be finalized within three (3) months from the above-mentioned confirmation and ascertained for the purpose of determining whether there is any shortfall between the final valuation and the Guaranteed Valuation.

Claims for EOT have been submitted to the Government of Malaysia and a number of meetings have been held since then. During the financial year, the Government of Malaysia has endorsed RM34.92 million of the EOT claims. The provision of RM69.43 million was made on the balance due to the uncertainty of its recoverability. However, the Group is still in negotiation with the Government to recover this amount. On this basis, the Board has, on 26 April 2007, granted Lavista an extension of time and variation to the Undertaking Agreement for a further period of twelve (12) months commencing 16 May 2007 to 15 May 2008 for Lavista to achieve the Guaranteed Valuation, failing which Lavista will compensate for the shortfall.

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 2006.

Members of the Audit Committee

Datuk (Dr) Philip Ting Ding Ing (*Chairman, Independent and Non-Executive Director*)

Datuk (Dr) Zainal Aznam Bin Mohd Yusof (*Member, Independent and Non-Executive Director*)

Tan Sri Datuk (Dr) Omar Bin Abdul Rahman (*Member, Non-Independent and Non-Executive Director*)

Efeida binti Mohd Effendi (*Member, Non-Independent and Executive Director*)

Dato' Chew Kong Seng @ Chew Kong Huat (*Member, Senior Independent, Non-Executive Director*)

(appointed to the Audit Committee on 24 May 2007)

TERMS OF REFERENCE

Policy

The Audit Committee was established to ensure that internal and external audit functions are properly conducted and audit recommendations are being carried out effectively by all subsidiaries within the Group.

Objectives

The objectives of this policy are:

- (a) to comply with Paragraph 15 of the Listing Requirements of Bursa Malaysia Securities Berhad; and
- (b) to relieve the Board of Directors from detailed involvement in the review of the results of internal and external audit activities, and yet to ensure that audit findings are brought up to the highest level for consideration.

COMPOSITION OF THE AUDIT COMMITTEE

Members

The Audit Committee shall be appointed by the Directors from amongst their members (pursuant to a resolution of the Board of Directors) which fulfill the following requirements:

- (a) the Audit Committee shall be composed of no fewer than three (3) members;
- (b) a majority of the Audit Committee shall be Independent Directors; and
- (c) at least one member of the Audit Committee:

- (i) must be a member of the Malaysian Institute of Accountants; or
- (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' working experience and:
 - he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
- (iii) fulfills such other requirements as prescribed by the Exchange.
- (iv) if he is not a member of the Malaysian Institute of Accountants, he must have:
 - a degree/masters/doctorate in accounting or finance and at least three (3) years' post qualification experience in accounting or finance; or
 - at least seven (7) years' experience being a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation.
- (d) No alternate Director shall be appointed as a member of the Audit Committee.

Chairman

The members of the Audit Committee shall elect a Chairman from among their members who is an Independent Director.

FUNCTIONS OF AUDIT COMMITTEE

The functions of the Audit Committee are as follows:

- (1) review the following and report the same to the Board of Directors:
 - (a) with the external auditor, the audit plan;
 - (b) with the external auditor, its evaluation of the system of internal controls;
 - (c) with the external auditor, its audit report;
 - (d) the assistance given by the employees to the external auditor;
 - (e) the adequacy of the scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work;
 - (f) the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
 - (g) the quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on:
 - (i) changes in or implementation of major accounting policy changes;
 - (ii) significant and unusual events; and
 - (iii) compliance with accounting standards and other legal requirements;

- (h) any related party transaction 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) any letter of resignation from the external auditor of the Company; and
 - (j) whether there is reason (supported by grounds) to believe that the Company's external auditor is not suitable for re-appointment; and
- (2) recommend the nomination of a person or persons as external auditor, together with such other functions as may be determined by the Board of Directors.

Authority of the Audit Committee

Wherever necessary and reasonable for the performance of its duties, the Audit Committee shall in accordance with a procedure to be determined by the Board of Directors and at the cost of the Company:

- (a) have the authority to investigate any matter within its terms of reference;
- (b) have the resources which are required to perform its duties;
- (c) have full and unrestricted access to any information pertaining to the Company and the Group;
- (d) have direct communication channels with the external auditor and person(s) carrying out the internal audit function or activity (if any);
- (e) obtain independent professional or other advice; and
- (f) convene meetings with the external auditor, excluding the attendance of the executive Board members, whenever deemed necessary.

Meetings and Reporting Procedures

- (a) The Audit Committee shall meet as often as the Chairman deems necessary but not less than four (4) times a year.
- (b) In order to form a quorum in respect of a meeting of the Audit Committee, the majority of members of the Audit Committee present at the meeting must be Independent Directors.
- (c) The Chairman shall be entitled, where deemed appropriate, to invite any person(s) to meetings of the Audit Committee.
- (d) The Secretary is responsible for:
 - (i) sending out notices of meetings; and
 - (ii) preparing and keeping minutes of meetings.
- (e) The minutes of the Audit Committee meetings are to be extended to the Board of Directors.

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) 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 2006 is as follows:

Name of Director	No. of Meetings Held	Attendance (%)
Datuk (Dr) Philip Ting Ding Ing	4/5	80
Tan Sri Datuk (Dr) Omar bin Abdul Rahman	5/5	100
Datuk (Dr) Zainal Aznam bin Mohd Yusof	4/5	80
Efeida binti Mohd Effendi	2/5	40

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 the overall objectives of the company.
- *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, company policies and guidelines.
- *Recommending Internal Controls*
Recommend appropriate controls to overcome deficiencies and to enhance company operations.
- *Assuring Safeguards*
Evaluate procedures in place to safeguard company'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 of 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 is committed to maintain 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 applicable MASB Approved Accounting Standards in Malaysia Listing Requirements of Bursa Malaysia Securities Berhad 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 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 play an integral part of 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, 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 are reviewed by the Internal Audit Department semi-annually.

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 Group'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 Companies Act, 1965.

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.





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DIRECTORS' REPORT

The directors present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2006.

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
(Loss)/profit for the year	<u>(122,987,595)</u>	<u>952,354</u>
Attributable to:		
Equity holders of the Company	(124,843,193)	952,354
Minority interest	1,855,598	-
	<u>(122,987,595)</u>	<u>952,354</u>

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 other than as disclosed in Note 11, 17 and 18 to the financial statements.

DIVIDENDS

No dividend has been paid or declared by the Company since the date of the last report. The directors do not recommend the payment of any 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 (appointed on 27 April 2006)
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 →			
	1.1.2006	Acquired	Sold	31.12.2006
(a) Direct interest in shares of the Company:				
Datuk (Dr) Ting Ding Ing	569,000	1,709,000	-	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:
- 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 no provision for doubtful debts was necessary; and
 - 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 the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; 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 except as disclosed in Note 11 to the financial statements.

SIGNIFICANT EVENT

The significant event is disclosed in Note 11 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 26 April 2007.

Tan Sri Datuk (Dr) Omar bin Abdul Rahman

Yeoh Soo Ann

**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 pages 36 to 109 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2006 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 26 April 2007.

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 36 to 109 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, 1960.

Subscribed and solemnly declared
by the abovenamed Kee Hock Kee
at Kuala Lumpur in the Federal
Territory on 26 April 2007

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 36 to 109. 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 MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities 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 2006 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. 1846/07/07 (J)
Partner

Kuala Lumpur, Malaysia
26 April 2007

INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

		GROUP		COMPANY	
	Note	2006 RM	2005 RM	2006 RM	2005 RM
Revenue	3	143,125,856	114,545,999	7,248,160	3,695,516
Cost of sales	4	(25,454,531)	(10,067,368)	-	-
Gross profit		117,671,325	104,478,631	7,248,160	3,695,516
Other income	5	3,943,250	27,661,612	229,459	33,065,675
Selling and marketing expenses		(3,362,404)	(1,601,950)	-	-
Administrative expenses		(12,333,517)	(12,197,051)	(5,739,254)	(5,533,177)
Other expenses		(119,839,983)	(13,184,975)	(47,292)	-
Operating (loss)/profit		(13,921,329)	105,156,267	1,691,073	31,228,014
Finance costs	6	(109,948,589)	(107,256,749)	(4,172)	(4,975,600)
Share of profit of an associate		4,064,060	4,895,266	-	-
(Loss)/profit before tax	7	(119,805,858)	2,794,784	1,686,901	26,252,414
Income tax expense	10	(3,181,737)	711,526	(734,547)	-
(Loss)/profit for the year		(122,987,595)	3,506,310	952,354	26,252,414
Attributable to:					
Equity holders of the Company		(124,843,193)	3,594,789	952,354	26,252,414
Minority interest		1,855,598	(88,479)	-	-
		(122,987,595)	3,506,310	952,354	26,252,414
Basic (loss)/earnings per share attributable to equity holders of the Company (sen):					
Basic, for (loss)/profit for the year	12	(55.86)	1.61		

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

BALANCE SHEETS
AS AT 31 DECEMBER 2006

		GROUP		COMPANY	
	Note	2006 RM	2005 RM	2006 RM	2005 RM
ASSETS					
Non-current assets					
Property, plant and equipment	13	5,095,723	5,532,831	160,437	203,994
Land held for property development	14	82,726,648	90,076,556	-	-
Investments in subsidiaries	15	-	-	295,960,000	295,960,000
Investment in an associate	16	-	45,145,364	-	37,908,295
Goodwill on consolidation	17	153,205,572	197,003,142	-	-
Concession income receivables	18	1,106,113,526	1,190,236,794	-	-
		<u>1,347,141,469</u>	<u>1,527,994,687</u>	<u>296,120,437</u>	<u>334,072,289</u>
Current assets					
Property development costs	14	63,734,713	32,702,169	-	-
Trade and other receivables	19	148,236,447	137,902,606	25,748,519	20,204,613
Cash and bank balances	20	53,445,348	67,599,621	3,552,278	8,727,728
		<u>265,416,508</u>	<u>238,204,396</u>	<u>29,300,797</u>	<u>28,932,341</u>
Non-current asset held for sale	11	39,800,000	-	37,908,295	-
		<u>305,216,508</u>	<u>238,204,396</u>	<u>67,209,092</u>	<u>28,932,341</u>
TOTAL ASSETS		<u>1,652,357,977</u>	<u>1,766,199,083</u>	<u>363,329,529</u>	<u>363,004,630</u>

BALANCE SHEETS
AS AT 31 DECEMBER 2006 (CONT'D.)

		GROUP		COMPANY	
	Note	2006 RM	2005 RM	2006 RM	2005 RM
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	25	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 loss)/ retained earnings		(101,338,497)	23,504,696	30,747,081	29,794,727
		<u>225,733,431</u>	<u>350,576,624</u>	<u>357,819,009</u>	<u>356,866,655</u>
Minority interest		1,855,598	-	-	-
Total equity		<u>227,589,029</u>	<u>350,576,624</u>	<u>357,819,009</u>	<u>356,866,655</u>
Non-current liabilities					
Trade payables	23	80,575,341	87,538,067	-	-
Borrowings	21	1,106,156,380	1,155,255,204	-	53,870
Deferred tax liabilities	24	8,983,971	8,979,935	-	-
		<u>1,195,715,692</u>	<u>1,251,773,206</u>	<u>-</u>	<u>53,870</u>
Current liabilities					
Borrowings	21	117,695,719	88,526,690	-	12,104
Trade and other payables	23	109,985,725	74,581,405	5,510,520	6,072,001
Income tax payable		1,371,812	741,158	-	-
		<u>229,053,256</u>	<u>163,849,253</u>	<u>5,510,520</u>	<u>6,084,105</u>
Total liabilities		<u>1,424,768,948</u>	<u>1,415,622,459</u>	<u>5,510,520</u>	<u>6,137,975</u>
TOTAL EQUITY AND LIABILITIES		<u>1,652,357,977</u>	<u>1,766,199,083</u>	<u>363,329,529</u>	<u>363,004,630</u>

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006**

	← ——— Attributable to Equity Holders of the Company ——— →					Minority Interest	Total Equity
	Share Capital		Share Premium		Retained Earnings/ Earnings/ (Accumulated Loss)		
	RM	RM	RM	RM	RM	RM	RM
At 1 January 2005	223,508,536	103,563,392		19,909,907	346,981,835	88,479	347,070,314
Profit/(loss) for the year	-	-		3,594,789	3,594,789	(88,479)	3,506,310
At 31 December 2005	223,508,536	103,563,392		23,504,696	350,576,624	-	350,576,624
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

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

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006**

	Share Capital (Note 25) RM	Non - Distributable Share Premium RM	Distributable Retained Earnings (Note 26) RM	Total Equity RM
At 1 January 2005	223,508,536	103,563,392	3,542,313	330,614,241
Profit for the year	-	-	26,252,414	26,252,414
At 31 December 2005	<u>223,508,536</u>	<u>103,563,392</u>	<u>29,794,727</u>	<u>356,866,655</u>
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	<u>223,508,536</u>	<u>103,563,392</u>	<u>30,747,081</u>	<u>357,819,009</u>

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

CASH FLOW STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
(Loss)/profit before tax	(119,805,858)	2,794,784	1,686,901	26,252,414
Adjustments for:				
Depreciation	593,680	838,310	47,292	51,485
Interest expense	109,948,589	108,536,749	4,172	4,975,600
Loss recognised on remeasurement of non-current asset held for sale	6,022,375	-	-	-
Gain on disposal of ESSB BAIDS	-	(25,304,650)	-	(25,304,650)
Dividend income	-	-	(4,704,235)	(3,136,157)
Provision on the recoverability of EOT	69,426,356	-	-	-
Write back of short term accumulating compensated absences	(3,240)	(25,494)	-	-
Interest income on deposits placed in licensed banks and corporations	(2,256,657)	(1,782,677)	(229,459)	(356,851)
Interest income on late payments from house buyers	(362,527)	-	-	-
Interest income on ESSB BAIDS	-	-	-	(7,404,174)
Share of profit of an associate	(4,064,060)	(4,895,266)	-	-
Write back on interest accrued	-	(1,280,000)	-	-
Deferred expenditure written off	113,633	-	113,633	-
Provision for liquidated and ascertained damages	212,308	-	-	-
(Gain)/loss on disposal of property, plant and equipment	(21,294)	-	18,615	-
Impairment of goodwill on consolidation	43,797,570	-	-	-
Amortisation of goodwill on consolidation	-	12,346,663	-	-
Operating profit/(loss) before working capital changes c/f	103,600,875	91,228,419	(3,063,081)	(4,922,333)

CASH FLOW STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006 (CONT'D.)

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
CASH FLOWS FROM OPERATING ACTIVITIES (CONT'D.)				
Operating profit/(loss) before working capital changes b/f	103,600,875	91,228,419	(3,063,081)	(4,922,333)
Changes in working capital:				
Development expenditure	(23,682,636)	(10,333,350)	-	-
Receivables	5,172,111	26,673,996	(1,309,584)	(897,101)
Operating profit/(loss) after working capital changes	85,090,350	107,569,065	(4,372,665)	(5,819,434)
Corporate shareholder	(799,028)	(655,114)	(50,000)	3,337,443
Payables	29,031,554	102,506,335	924,494	(2,980,168)
Associate	2,258,033	2,256,033	-	(2,000)
Subsidiaries	-	-	(5,389,461)	(17,285,250)
Cash generated from/(used in) operations	115,580,909	211,676,319	(8,887,632)	(22,749,409)
Interest paid	(26,590)	(40,469)	(4,172)	(5,079)
Tax refunded	-	365,326	-	365,326
Income taxes paid	(1,812,500)	(51,124)	-	-
Net cash flow generated from/ (used in) operating activities	113,741,819	211,950,052	(8,891,804)	(22,389,162)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(224,778)	(241,463)	(52,350)	(105,763)
Proceeds from disposal of property, plant and equipment	89,500	-	30,000	-
Purchase of land held for property development	-	(93,971,228)	-	-
Proceeds from disposal of ESSB BAIDS	-	184,833,824	-	184,833,824
Interest received	2,090,980	1,782,677	229,459	356,851
Dividend received	-	-	3,575,219	3,136,157
Net cash flow generated from investing activities	1,955,702	92,403,810	3,782,328	188,221,069

CASH FLOW STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006 (CONT'D.)

	GROUP		COMPANY	
	2006	2005	2006	2005
	RM	RM	RM	RM
CASH FLOWS FROM FINANCING ACTIVITIES				
Redemption of Al-Bai Bithaman Ajil Notes	(129,650,003)	(129,650,000)	-	-
Receipt from Debt Service Reserve Accounts	-	2,904,479	-	2,904,479
Repayment of borrowings	-	(160,000,000)	-	(160,000,000)
Proceeds from the issuance of Al-Bai Bithaman Ajil Notes	-	12,431,493	-	-
Release/(placement) of deposits pledged	23,905,312	(20,730,363)	135,966	(3,587,135)
Repayment of hire purchase	(201,791)	(133,991)	(65,974)	(11,145)
Net cash flow (used in)/generated from financing activities	(105,946,482)	(295,178,382)	69,992	(160,693,801)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	9,751,039	9,175,480	(5,039,484)	5,138,106
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	9,392,721	217,241	5,140,593	2,487
CASH AND CASH EQUIVALENTS AT END OF YEAR (NOTE 20)	19,143,760	9,392,721	101,109	5,140,593

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2006

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 to the financial statements. 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 26 April 2007.

2. SIGNIFICANT ACCOUNTING POLICIES

2 Basis of Preparation

The financial statements comply with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities. 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 2006 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) Associate

Associate is an entity in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

Investment in an associate is accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in associate is carried in the consolidated balance sheet at cost adjusted for post-acquisition changes in the Group's share of net assets of the associate. The Group's share of the net profit or loss of the associate is recognised in the consolidated profit or loss. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes. In applying the equity method, unrealised gains and losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associates, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(b) Associate (Cont'd.)

The most recent available audited financial statements of the associate is used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

In the Company's separate financial statements, investment in an associate is stated at cost less impairment losses.

On disposal of such investment, the difference between net disposal proceeds and the carrying amount is included in profit or loss.

(c) 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.

(d) 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.)

(d) 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.

(e) 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.)

(e) 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 stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(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, deposits at call and short term highly liquid investments which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

(ii) Receivables

Receivables are 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.

(iii) Concession Income Receivables

Concession income receivables are 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(g) Financial Instruments (Cont'd.)

(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(e).

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

(vii) Derivative Financial Instruments

Derivative financial instruments are not recognised in the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(h) 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.

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(d).

(i) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(i) Income Tax (Cont'd.)

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 is the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

(j) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(k) 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").

(iii) Termination Benefits

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits as a liability and an expense when it is demonstrably committed to either terminate the employment of current employees according to a detailed plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after balance sheet date are discounted to present value.

(l) Affiliated Companies

Affiliated companies are companies in which certain directors or parties related to the directors have significant interests.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(m) Foreign Currencies

(i) Functional and Presentation Currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

(ii) Foreign Currency Transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(n) 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(e)(ii).

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(n) Revenue Recognition (Cont'd.)

(ii) 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.

(iii) 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.

(iv) Dividend Income

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

(v) Management Fee

Management fees are recognised when services are rendered.

(vi) Rental Income

Rental income is recognised on an accrual basis.

(o) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(o) Non-current Assets (or Disposal Groups) Held for Sale and Discontinued Operation (Cont'd.)

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.

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

The MASB has issued a number of new and revised FRSs and Interpretations that are effective for financial periods beginning on or after 1 January 2006. The new and revised FRSs and Interpretations do not have any significant impact on the financial statements of the Company except for the changes in the accounting policies and their effects as discussed below:

(a) FRS 3: Business Combinations, FRS 136: Impairment of Assets and FRS 138: Intangible Assets

The new FRS 3 has resulted in consequential amendments to two other accounting standards, FRS 136 and FRS 138. In accordance with the transitional provisions, FRS 3 has been applied for business combinations for which the agreement date is on or after 1 January 2006.

Goodwill

Prior to 1 January 2006, goodwill was amortised on a straight-line basis over its estimated useful life of 20 years and at each balance sheet date, the Group assessed if there was any indication of impairment of the cash-generating unit in which the goodwill is attached to. The adoption of FRS 3 and the revised FRS 136 has resulted in the Group ceasing annual goodwill amortisation. Goodwill is now carried at cost less accumulated impairment losses and is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (Cont'd.)

(a) FRS 3: Business Combinations, FRS 136: Impairment of Assets and FRS 138: Intangible Assets (Cont'd.)

Goodwill (Cont'd.)

In accordance with the transitional provisions of FRS 3, the Group has applied the revised accounting policy for goodwill prospectively from 1 January 2006. The transitional provisions of FRS 3 also required the Group to eliminate the carrying amount of the accumulated amortisation at 1 January 2006 amounting to RM49,379,169 against the carrying amount of goodwill. The net carrying amount of goodwill as at 1 January 2006 of RM197,003,142 ceased to be amortised thereafter.

Because the revised accounting policy has been applied prospectively, the change has had no impact on amounts reported for 2005 or prior periods. This change has no impact on the Company's financial statements.

(b) FRS 5: Non-Current Assets Held for Sale and Discontinued Operation

Prior to 1 January 2006, non-current assets (or disposal groups) held for sale were neither classified nor presented as current assets or liabilities. There were no differences in the measurement of non-current assets (or disposal groups) held for sale and those for continuing use. Upon the adoption of FRS 5, non-current assets (or disposal groups) held for sale are classified as current assets (and current liabilities, in the case of non-current liabilities included within disposal groups) and are stated at the lower of carrying amount and fair value less costs to sell.

Prior to 1 January 2006, the Group would have recognised a discontinued operation at the earlier of the date the Group enters into a binding sale agreement and the date the Board of Directors have approved and announced a formal disposal plan. FRS 5 requires a component of an entity to be classified as a discontinued operation when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations, is part of a single co-ordinated major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale. The principal impact of this change in accounting policy is that a discontinued operation is recognised by the Group at a later point than it would be under the previous accounting policy due to the stricter criteria in FRS 5.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (Cont'd.)

(b) FRS 5: Non-Current Assets Held for Sale and Discontinued Operation (Cont'd.)

The Group has applied FRS 5 prospectively in accordance with the transitional provisions. However, as required by FRS 5, certain comparatives of the Group have been re-presented in current financial year as assets held for sale. The effects on the consolidated balance sheets as at 31 December 2006 and consolidated income statements for the year ended 31 December 2006 are set out in Note 2.3(d)(i) and Note 2.3(d)(ii) respectively. This change has no impact on the Company's income statements for the year ended 31 December 2006.

(c) FRS 101: Presentation of Financial Statements

Prior to 1 January 2006, minority interest at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and equity. Upon the adoption of the revised FRS 101, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the year. A similar requirement is also applicable to the statement of changes in equity. The revised FRS 101 also requires disclosure, on the face of the statement of changes in equity, total recognised income and expenses for the year, showing separately the amounts attributable to equity holders of the Company and to minority interest.

Prior to 1 January 2006, the Group's share of taxation of an associate accounted for using the equity method was included as part of the Group's income tax expense in the consolidated income statement. Upon the adoption of the revised FRS 101, the share of taxation of associate accounted for using the equity method are now included in the share of profit or loss reported in the consolidated income statement before arriving at the Group's profit or loss before tax.

The effects on the consolidated balance sheets as at 31 December 2006 and consolidated income statements for the year ended 31 December 2006 are set out in Note 2.3(d)(i) and Note 2.3(d)(ii) respectively. These changes in presentation has no impact on the Company's financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (Cont'd.)

(d) Summary of effects of adopting new and revised FRSs on the current year's financial statements

The following tables provide estimates of the extent to which each of the line items in the balance sheets and income statements for the year ended 31 December 2006 is higher or lower than it would have been had the previous policies been applied in the current year.

(i) Effects on balance sheets as at 31 December 2006

Description of Change	Increase/(Decrease)		Total RM
	FRS 5	FRS 101	
	Note 2.3(b) RM	Note 2.3(c) RM	
Group			
Non-current asset held for sale	(6,022,375)	-	(6,022,375)
Retained earnings	(6,022,375)	-	(6,022,375)
Total equity	-	1,855,598	1,855,598

(ii) Effects on income statements for the year ended 31 December 2006

Description of Change	Increase/(Decrease)		Total RM
	FRS 5	FRS 101	
	Note 2.3(b) RM	Note 2.3(c) RM	
Group			
Share of profit of an associate	-	(428,260)	(428,260)
Loss before tax	-	(428,260)	(428,260)
Income tax expense	-	(428,260)	(428,260)
Loss for the year	(6,022,375)	-	(6,022,375)
Loss per share:			
Basic, for loss for the year (sen)	(0.03)	-	(0.03)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (Cont'd.)

(e) Restatement of comparatives

(i) Effects on income statements for the year ended 31 December 2005

The following comparative amounts have been restated as a result of adopting the new and revised FRSs:

Description of change	Previously Stated	Increase/(Decrease)	Restated
		FRS 101 Note 2.3(c)	
	RM	RM	RM
Group			
Share of profit of an associate	6,223,260	(1,327,994)	4,895,266
Profit before tax	4,122,778	(1,327,994)	2,794,784
Income tax (expense)/ income	(616,468)	(1,327,994)	711,526
Profit for the year	3,506,310	-	3,506,310

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Standards and Interpretations Issued but Not Yet Effective

At the date of authorisation of these financial statements, the following FRSs, amendments 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 117	Leases	1 October 2006
FRS 124	Related Party Disclosures	1 October 2006
FRS 139	Financial Instruments: Recognition and Measurement	Deferred
FRS 6	Exploration for and Evaluation of Mineral Resources	1 January 2007
Amendment to FRS 119 ₂₀₀₄	Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures	1 January 2007
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
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 FRSs, amendments 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 117, 124 and 139.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Significant Accounting Estimates and Judgements

(a) Critical Judgements Made in Applying Accounting Policies

There are no judgements made by management in the process of applying the Group's accounting policies that have the most 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) Provision on the recoverability of concession income receivables

During the financial year, the Government has preliminarily endorsed RM34,915,013 out of the RM104,341,369 of the EOT recognised in previous years. The provision of RM69,426,356 was made on the balance due to the uncertainty of its recoverability. However, the Group is still in negotiation with the Government to recover this amount.

The independent consultant appointed jointly by the Government and the Group to verify the Final Accounts of all sites confirmed via their report dated 28 February, 2006, that the Group has a basis to claim the Additional Works. This was accepted by both parties. Subsequently, a quantity surveyor was appointed to verify the claims in respect of the Additional Works in the Final Accounts. This verification is currently ongoing. The final outcome of the verification may result in potential adjustments, if any, in the quantum of the said claims.

As at 31 December 2006, the carrying amount of concession income receivable was RM1,246,082,501 (2005: RM1,320,377,222).

Further details are disclosed in Note 18 to the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

(ii) Impairment in 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 the 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 amount of goodwill as at 31 December 2006 was RM153,205,572 (2005: RM197,003,142).

Further details are disclosed in Note 17 to the financial statements.

(iii) 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 quantity surveyor 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 judgement, the Group evaluates by relying on the work of engineers, quantity surveyors and architects.

(iv) 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	
	2006	2005	2006	2005
	RM	RM	RM	RM
Concession income from the handover of teachers' quarters	103,449,888	103,755,679	-	-
Dividend income	-	-	4,704,235	3,136,157
Management fees	-	-	2,543,925	559,359
Sales of properties under development	39,675,968	10,790,320	-	-
	<u>143,125,856</u>	<u>114,545,999</u>	<u>7,248,160</u>	<u>3,695,516</u>

4. COST OF SALES

	GROUP	
	2006	2005
	RM	RM
Property development costs (Note 14(b))	<u>25,454,531</u>	<u>10,067,368</u>

5. OTHER INCOME

Other income includes the following:

	GROUP		COMPANY	
	2006	2005	2006	2005
	RM	RM	RM	RM
Interest income on:				
- ESSB BAIDS	-	-	-	7,404,174
- deposits placed in licensed banks and corporations	2,256,657	1,782,677	229,459	356,851
- late payments from house buyers	362,527	-	-	-
Gain on disposal of ESSB BAIDS	<u>-</u>	<u>25,304,650</u>	<u>-</u>	<u>25,304,650</u>

6. FINANCE COSTS

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Interest expense on:				
- hire purchase payables	26,590	40,469	4,172	5,079
- term loan	-	4,970,521	-	4,970,521
- Al-Bai Bithaman Ajil notes	109,921,999	103,525,759	-	-
- trade payables	2,022,743	1,080,598	-	-
Write back on interest accrued	-	(1,280,000)	-	-
	<u>111,971,332</u>	<u>108,337,347</u>	<u>4,172</u>	<u>4,975,600</u>
Less: Interest capitalised in qualifying assets Property development costs (Note 14(b))	(2,022,743)	(1,080,598)	-	-
	<u>109,948,589</u>	<u>107,256,749</u>	<u>4,172</u>	<u>4,975,600</u>

7. (LOSS)/PROFIT BEFORE TAX

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

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Employee benefits expenses (Note 8)	6,047,148	5,407,399	3,897,771	3,240,121
Non-executive directors' remuneration (Note 9)	455,400	447,556	453,000	445,156
Auditors' remuneration:	157,260	129,900	72,530	49,600
- statutory audits	95,000	75,300	40,000	30,000
- other services	62,260	54,600	32,530	19,600
Provision on the recoverability of EOT	69,426,356	-	-	-
Depreciation of property, plant and equipment	593,680	838,310	47,292	51,485
Rental of premises	124,048	127,296	213,600	213,600
Rental of equipment	38,527	34,950	10,730	7,800
Loss recognised on remeasurement of non-current asset held for sale (Note 11)	6,022,375	-	-	-
Impairment of goodwill on consolidation	43,797,570	-	-	-
Amortisation of goodwill on consolidation	-	12,346,663	-	-
Deferred expenditure written off	113,633	-	113,633	-
Provision for liquidated and ascertained damages	212,308	-	-	-
(Gain)/loss on disposal of property, plant and equipment	(21,294)	-	18,615	-

8. EMPLOYEE BENEFITS EXPENSES

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Wages and salaries	5,219,062	4,571,562	3,373,695	2,749,590
Social security costs	31,660	26,372	15,535	13,193
Pension cost - defined contribution plans	478,223	501,393	291,496	300,810
Write back of short term accumulating compensated absences (Note 23)	(3,240)	(25,494)	-	-
Other staff related expenses	321,443	333,566	217,045	176,528
	<u>6,047,148</u>	<u>5,407,399</u>	<u>3,897,771</u>	<u>3,240,121</u>

Included in employee benefits expenses of the Group and of the Company are executive directors' remuneration amounting to RM1,073,543 (2005: RM746,547) and RM939,143 (2005: RM612,147) respectively as further disclosed in Note 9 to the financial statements.

9. DIRECTORS' REMUNERATION

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

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Executive:				
Salaries and other emolument	876,394	596,640	756,394	476,640
Fees	94,267	78,000	94,267	78,000
Defined contribution plan	102,882	71,907	88,482	57,507
	<u>1,073,543</u>	<u>746,547</u>	<u>939,143</u>	<u>612,147</u>
Estimated money value of benefits-in-kind	56,172	55,853	56,172	55,853
	<u>1,129,715</u>	<u>802,400</u>	<u>995,315</u>	<u>668,000</u>

9. DIRECTORS' REMUNERATION (CONT'D.)

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Non-Executive:				
Fees	303,000	294,613	303,000	294,613
Allowance and other emolument	152,400	152,943	150,000	150,543
	<u>455,400</u>	<u>447,556</u>	<u>453,000</u>	<u>445,156</u>
Estimated money value of benefits-in-kind	10,625	21,954	10,625	21,954
	<u>466,025</u>	<u>469,510</u>	<u>463,625</u>	<u>467,110</u>
	<u>1,595,740</u>	<u>1,271,910</u>	<u>1,458,940</u>	<u>1,135,110</u>

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

	Number of Directors	
	2006	2005
Executive directors:		
RM50,001 - RM100,000	1	-
RM100,001 - RM150,000	1	-
RM150,001 - RM200,000	-	1
RM600,001 - RM650,000	-	1
RM800,001 - RM850,000	1	-
	<u>3</u>	<u>2</u>
Non-executive directors:		
Below RM50,000	-	3
RM50,001 - RM100,000	4	3
RM150,001 - RM200,000	1	1
	<u>5</u>	<u>7</u>

10. INCOME TAX EXPENSE

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Current income tax:				
Malaysian income tax	3,171,080	-	734,547	-
Underprovision in prior years	6,621	48,539	-	-
	<u>3,177,701</u>	<u>48,539</u>	<u>734,547</u>	<u>-</u>
Deferred taxation: (Note 24)				
Relating to origination and reversal of temporary differences	-	(756,591)	-	-
Under/(over) provision in prior years	4,036	(3,474)	-	-
	<u>4,036</u>	<u>(760,065)</u>	<u>-</u>	<u>-</u>
Total income tax expense	<u>3,181,737</u>	<u>(711,526)</u>	<u>734,547</u>	<u>-</u>

Domestic current income tax is calculated at the statutory tax rate of 28% (2005: 28%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 27% from the current year's rate of 28%, effective from year of assessment 2007 and to 26% effective from year of assessment 2008. The computation of deferred tax as at 31 December 2006 has reflected these changes.

10. INCOME TAX EXPENSE (CONT'D.)

A reconciliation of income tax (income)/expense applicable to (loss)/profit 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	
	2006 RM	2005 RM	2006 RM	2005 RM
(Loss)/profit before tax	(119,805,858)	2,794,784	1,686,901	26,252,414
Taxation at Malaysian statutory tax rate of 28% (2005: 28%)	(33,545,640)	782,540	472,332	7,350,676
Effects of income not subject to tax	(811,591)	(9,414,662)	-	(9,158,471)
Effects of expenses not se for tax purposes	20,723,511	8,814,764	154,453	1,599,843
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(636,432)	-	-	-
Deferred tax assets not recognised during the year	18,579,169	431,442	107,762	207,952
Effects of share of profit of an associate	(1,137,937)	(1,370,675)	-	-
Under/(over) provided in prior years				
- current taxation	6,621	48,539	-	-
- deferred tax	4,036	(3,474)	-	-
Tax expense/(income) for the year	3,181,737	(711,526)	734,547	-

10. INCOME TAX EXPENSE (CONT'D.)

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Tax savings during the financial year arising from:				
(i) Utilisation of current year tax losses	638,487	1,087,213	638,487	978,042
(ii) Utilisation of previously unrecognised tax losses	544,384	483,076	-	-
Unutilised tax losses carried forward	<u>1,262,120,538</u>	<u>1,198,267,784</u>	<u>1,328,674</u>	<u>1,317,147</u>

11. 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 completed on 22 January 2007.

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

	RM		
Unquoted shares, at cost (Note 16)			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)
Non-current asset held for sale (Note 16)			<u>39,800,000</u>
	Carrying amount immediately before classification	Allocation of remeasurement	Carrying amount as at 31.12.2006
	RM	RM	RM
Current Assets			
Non-current asset held for sale	<u>45,822,375</u>	<u>(6,022,375)</u>	<u>39,800,000</u>

11. NON-CURRENT ASSET HELD FOR SALE (CONT'D.)

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 as at 31.12.2006 RM
Current Assets			
Non-current asset held for sale	37,908,295	-	37,908,295

12. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share amounts are calculated by dividing (loss)/profit 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.

	GROUP	
	2006 RM	2005 RM
(Loss)/profit for the year of the company	(124,843,193)	3,594,789
Weighted average number of ordinary shares in issue	223,508,536	223,508,536
	2006 Sen	2005 Sen
Basic, (loss)/earnings per share	(55.86)	1.61

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

13. PROPERTY, PLANT AND EQUIPMENT

GROUP	Commercial office space RM	Motor vehicles RM	Office equipment, furniture and fittings RM	Office renovation RM	Total RM
At 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	<u>3,756,750</u>	<u>1,543,556</u>	<u>1,680,561</u>	<u>2,434,899</u>	<u>9,415,766</u>
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	<u>507,161</u>	<u>1,340,146</u>	<u>995,314</u>	<u>1,477,422</u>	<u>4,320,043</u>
Net carrying amount					
At 31 December 2006	<u>3,249,589</u>	<u>203,410</u>	<u>685,247</u>	<u>957,477</u>	<u>5,095,723</u>
At 31 December 2005					
Cost					
At 1 January 2005	3,756,750	1,804,382	1,475,023	2,424,649	9,460,804
Additions	-	78,857	152,356	10,250	241,463
At 31 December 2005	<u>3,756,750</u>	<u>1,883,239</u>	<u>1,627,379</u>	<u>2,434,899</u>	<u>9,702,267</u>
Accumulated depreciation and impairment					
At 1 January 2005	356,891	1,401,142	582,635	990,458	3,331,126
Charge for the year (Note 7)	75,135	343,039	176,783	243,353	838,310
At 31 December 2005	<u>432,026</u>	<u>1,744,181</u>	<u>759,418</u>	<u>1,233,811</u>	<u>4,169,436</u>
Net carrying amount					
At 31 December 2005	<u>3,324,724</u>	<u>139,058</u>	<u>867,961</u>	<u>1,201,088</u>	<u>5,532,831</u>

Net book value of motor vehicles under hire purchase arrangement amounted to RM5,747 (2005: RM56,685).

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

COMPANY	Office renovation RM	Motor vehicles RM	Office equipment RM	Total RM
At 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
At 31 December 2005				
Cost				
At 1 January 2005	-	95,509	96,053	191,562
Additions	10,250	-	95,513	105,763
At 31 December 2005	10,250	95,509	191,566	297,325
Accumulated depreciation				
At 1 January 2005	-	25,469	16,377	41,846
Charge for the year (Note 7)	769	19,102	31,614	51,485
At 31 December 2005	769	44,571	47,991	93,331
Net carrying amount				
At 31 December 2005	9,481	50,938	143,575	203,994

Net book value of motor vehicles under hire purchase arrangement in the previous financial year amounted to RM50,938.

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 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	<u>82,726,648</u>	<u>-</u>	<u>82,726,648</u>
Carrying amount at 31 December 2006	<u>82,726,648</u>	<u>-</u>	<u>82,726,648</u>
At 31 December 2005			
At cost			
At 1 January 2005	6,585,938	-	6,585,938
Additions	93,971,228	-	93,971,228
Transfer to property development costs (Note 14(b))	(10,480,610)	-	(10,480,610)
At 31 December 2005	<u>90,076,556</u>	<u>-</u>	<u>90,076,556</u>
Carrying amount at 31 December 2005	<u>90,076,556</u>	<u>-</u>	<u>90,076,556</u>

(b) Property Development Costs

Group			
At 31 December 2006			
Cumulative property development costs			
At 1 January 2006	10,480,610	32,288,927	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	<u>17,830,518</u>	<u>81,426,094</u>	<u>99,256,612</u>

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 2006			
Cumulative costs recognised in income statement			
At 1 January 2006	-	(10,067,368)	(10,067,368)
Recognised during the year (Note 4)	-	(25,454,531)	(25,454,531)
At 31 December 2006	-	(35,521,899)	(35,521,899)
Property development costs at 31 December 2006	17,830,518	45,904,195	63,734,713
At 31 December 2005			
Cumulative property development costs			
At 1 January 2005	-	11,888,209	11,888,209
Costs incurred during the year	-	20,400,718	20,400,718
Transfer from land held for property development (Note 14(a))	10,480,610	-	10,480,610
At 31 December 2005	10,480,610	32,288,927	42,769,537
Cumulative costs recognised in income statement			
At 1 January 2005	-	-	-
Recognised during the year (Note 4)	-	(10,067,368)	(10,067,368)
At 31 December 2005	-	(10,067,368)	(10,067,368)
Property development costs at 31 December 2005	10,480,610	22,221,559	32,702,169

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	
	2006 RM	2005 RM
Interest expense (Note 6)	2,022,743	1,080,598

15. INVESTMENT IN SUBSIDIARIES

	COMPANY	
	2006 RM	2005 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 (%)	
				2006	2005
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 (%)	
				2006	2005

Details of the subsidiaries are as follows:

Subsidiary companies 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 company of Encorp Must Sdn. Bhd.

Must Ehsan Development Sdn. Bhd.	15,000	Malaysia	Property development	70	70
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Subsidiary company of Encorp Construct Sdn. Bhd.

Encorp-L & M Precast Sdn. Bhd.	1	Malaysia	General Contracting	-	55
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15. INVESTMENT IN SUBSIDIARIES (CONT'D.)

Disposal of Investment in A Subsidiary

On 11 September 2006, Encorp Construct Sdn. Bhd., a subsidiary, disposed of its 55% equity interest in a dormant subsidiary, Encorp-L & M Precast Sdn. Bhd. for a total cash consideration of RM1.

The disposal had no significant impact on the Group's financial statements in the current financial year.

16. INVESTMENT IN AN ASSOCIATE

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Unquoted shares, at cost	37,908,295	37,908,295	37,908,295	37,908,295
Share of post acquisition reserves	7,914,080	7,237,069	-	-
Loss recognised on remeasurement of non- current asset held for sale	(6,022,375)	-	-	-
	39,800,000	45,145,364	37,908,295	37,908,295
Non-current asset held for sale (Note 11)	(39,800,000)	-	(37,908,295)	-
	-	45,145,364	-	37,908,295

	GROUP	
	2006 RM	2005 RM
The Group's interest in the associate is analysed as:		
Share of net assets	-	45,145,364
Share of capital commitments (Note 27)	-	5,262,208

16. INVESTMENT IN AN ASSOCIATE (CONT'D.)

Details of the associate are as follow:

Name of Associate	Share Capital RM'000	Country of Incorporation	Equity Interest Held (%)		Principal activities
			2006	2005	
Great Wall Plastic Industries Berhad	80,004	Malaysia	49	49	Manufacturing and marketing of plastic film packaging products

17. GOODWILL ON CONSOLIDATION

	GROUP	
	2006 RM	2005 RM
Cost		
At 1 January	246,382,311	246,382,311
Effects of adopting FRS 3 (Note 2.3(a))	(49,379,169)	-
At 31 December	<u>197,003,142</u>	<u>246,382,311</u>
Accumulated impairment and amortisation		
At 1 January	(49,379,169)	(37,032,506)
Effects of adopting FRS 3 (Note 2.3(a))	49,379,169	-
Impairment loss recognised in profit or loss (Note 7)	(43,797,570)	-
Amortisation recognised in profit or loss (Note 7)	-	(12,346,663)
At 31 December	<u>(43,797,570)</u>	<u>(49,379,169)</u>
Net carrying amount at 31 December	<u>153,205,572</u>	<u>197,003,142</u>

17. 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

	2006 RM	2005 RM
Goodwill - Business Segment		
Property development	44,518,582	45,812,492
Concessionaire	108,686,990	151,190,650
	<u>153,205,572</u>	<u>197,003,142</u>

(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. GDVs for the entire project and the subsequent revisions are extrapolated using the growth rates stated below:

	2006 %	2005 %
Gross margin	36	7
Growth rate	3	3

The value-in-use calculations were arrived at based on the following:

(i) Budgeted gross margin

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.

17. GOODWILL ON CONSOLIDATION (CONT'D.)

(b) Key basis used in value-in-use calculations (Cont'd.)

Property development (Cont'd.)

(iii) Growth rate

The weighted average growth rates used are based on the current encouraging industry prospects and the revenue stream from the current gross development value of the property development projects.

During the current financial year, the Group recognised an impairment loss of RM1,293,910 from the property development segment.

Concessionaire

The recoverable amount of the CGU is determined based on the billings estimate of the concession income receivables 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 18 to the financial statements. The goodwill arising from the concessionaire business segment is allocated as discussed below:

As at 31 December

	2006 RM	2005 RM
Basic	89,775,701	94,033,825
Final Accounts - Additional Works	18,911,289	18,911,289
Extension of Time ("EOT")	-	38,245,536
	<u>108,686,990</u>	<u>151,190,650</u>

As disclosed in Note 2.5(b)(i), during the financial year, the Government has preliminarily endorsed RM34,915,013 of the EOT recognised and a provision was made for the balance of RM69,426,356. This provision has resulted in the goodwill attributable to EOT amounting to RM38,245,536 to be impaired. The Group then further recognised an impairment in goodwill attached to the Basic Works of RM4,258,124. The directors are of the opinion that the goodwill attached to the Final Accounts- Additional Works is not impaired as the verification exercise to the Additional Works is still on-going. The final outcome of the verification exercise may result in potential adjustment, if any, to the carrying amount of goodwill for the financial year.

18. CONCESSION INCOME RECEIVABLES

	2006 RM	GROUP 2005 RM
Concession income receivables accrued:		
- Within 1 year	139,968,975	130,140,428
- More than 1 year and less than 2 years	118,146,800	118,146,800
- More than 2 years and less than 5 years	354,440,400	354,440,400
- More than 5 years	2,224,441,553	2,412,014,709
	<u>2,836,997,728</u>	<u>3,014,742,337</u>
Unearned interest income	(1,465,915,227)	(1,569,365,115)
	<u>1,371,082,501</u>	<u>1,445,377,222</u>
Initial concession payment recognised	(125,000,000)	(125,000,000)
	<u>1,246,082,501</u>	<u>1,320,377,222</u>
Receivable within one year (Note 19)	139,968,975	130,140,428
Receivable after one year	1,106,113,526	1,190,236,794
	<u>1,246,082,501</u>	<u>1,320,377,222</u>

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. As of todate, the Government has only verified and approved the Final Account for 1 site (36 units). For the remaining 108 sites, the Government has based their concession payments on the preliminary cost estimates of each site.

The Group had recognised RM274,872,670 as concession income receivables since financial year ended 31 December 2004. This amount comprises the total claims in relation to the Extension of Time ("EOT") of RM104,341,369 of which a provision of RM69,426,356 was made on its recoverability during the year and the Additional Works in the Final Accounts of RM170,531,301. Details of the provision are elaborated in Note 2.5(b)(i).

The Group's normal trade credit term is 21 (2005: 21) days.

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

19. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Current				
Trade receivables				
Third parties	3,206,631	3,735,832	-	-
Concession income receivable within one year (Note 18)	139,968,975	130,140,428	-	-
Subsidiaries (a)	-	-	22,307,821	18,354,335
	<u>143,175,606</u>	<u>133,876,260</u>	<u>22,307,821</u>	<u>18,354,335</u>
Other receivables				
Amount due from (b)				
- an affiliated company	-	580,000	-	-
- an associate company	1,129,016	-	1,129,016	-
Deposits	1,157,762	1,100,381	3,310	3,310
Prepayments	870,690	1,617,170	50,484	50,359
Tax recoverable	264,208	998,755	2,257,888	1,675,249
Sundry receivables	1,639,165	310,040	-	121,360
	<u>5,060,841</u>	<u>4,606,346</u>	<u>3,440,698</u>	<u>1,850,278</u>
Less: Provision for doubtful debts	-	(580,000)	-	-
Other receivables, net	<u>5,060,841</u>	<u>4,026,346</u>	<u>3,440,698</u>	<u>1,850,278</u>
Total trade and other receivables	<u>148,236,447</u>	<u>137,902,606</u>	<u>25,748,519</u>	<u>20,204,613</u>

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

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

Further details on related party transactions are disclosed in Note 29 to the financial statements.

Other information on financial risks of other receivables are disclosed in Note 30 to the financial statements.

20. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Cash on hand and at banks (a)	2,275,150	3,290,498	101,109	240,595
Deposits with:				
- licensed banks (b)	23,041,859	13,378,204	3,451,169	8,487,133
- a licensed corporation (c)	28,128,339	50,930,919	-	-
Cash and bank balances	53,445,348	67,599,621	3,552,278	8,727,728

(a) Included in the cash at banks of the Group are the followings:

- (i) an amount of RM3,081 (2005: RM27,017) was held by a licensed corporation in trust for the holders of the ESSB BAIDS; and
- (ii) an amount of RM1,428,309 (2005: RM2,270,760) 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 (2005: RM1,191,069) on lien for a bank guarantee granted to the Government and performance bonds.
- (ii) Deposits of RM217,890 (2005: RM200,000) pledged to a bank for credit facilities granted to a subsidiary company, Must Ehsan Development Sdn. Bhd..
- (iii) Designated deposits of RM3,451,169 (2005: RM3,587,135) on lien for settlement of payables in Encorp Systembill Sdn. Bhd. and Encorp Construct Sdn. Bhd..

(c) The deposit of RM28,128,339 (2005: RM50,930,919) 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 30 to the financial statements.

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

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Cash and bank balances	53,445,348	67,599,621	3,552,278	8,727,728
Less: Pledged/designated	(34,301,588)	(58,206,900)	(3,451,169)	(3,587,135)
Cash and cash equivalents	19,143,760	9,392,721	101,109	5,140,593

21. BORROWINGS

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Short Term Borrowings				
Secured:				
Al-Bai Bithaman Ajil Notes payable	117,518,219	88,350,000	-	-
Hire purchase liabilities (Note 22)	177,500	176,690	-	12,104
	<u>117,695,719</u>	<u>88,526,690</u>	<u>-</u>	<u>12,104</u>
Long Term Borrowings				
Secured:				
Al-Bai Bithaman Ajil Notes payable	1,098,108,975	1,147,005,198	-	-
Advance from a contractor	8,000,000	8,000,000	-	-
Hire purchase liabilities (Note 22)	47,405	250,006	-	53,870
	<u>1,106,156,380</u>	<u>1,155,255,204</u>	<u>-</u>	<u>53,870</u>
	<u>1,223,852,099</u>	<u>1,243,781,894</u>	<u>-</u>	<u>65,974</u>
Total Borrowings				
Secured:				
(a) Al-Bai Bithaman Ajil				
Notes are payable:				
- within one year	117,518,219	88,350,000	-	-
- more than one year and less than two years	128,042,192	158,818,219	-	-
- more than two years and less than five years	384,000,000	384,042,192	-	-
- more than five years	2,051,204,198	2,179,204,201	-	-
	<u>2,680,764,609</u>	<u>2,810,414,612</u>	<u>-</u>	<u>-</u>
Less: Finance charges	(1,465,137,415)	(1,575,059,414)	-	-
	<u>1,215,627,194</u>	<u>1,235,355,198</u>	<u>-</u>	<u>-</u>
(b) Advance from a contractor	8,000,000	8,000,000	-	-
Hire purchase liabilities (Note 22)	224,905	426,696	-	65,974
	<u>1,223,852,099</u>	<u>1,243,781,894</u>	<u>-</u>	<u>65,974</u>

21. BORROWINGS (CONT'D.)

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Analysed as follows:				
Due within one year	117,695,719	88,526,690	-	12,104
Due after one year	1,106,156,380	1,155,255,204	-	53,870
	<u>1,223,852,099</u>	<u>1,243,781,894</u>	<u>-</u>	<u>65,974</u>

(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.

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

21. BORROWINGS (CONT'D.)

- (a) (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

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

21. BORROWINGS (CONT'D.)

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

The Notes Series 2 were issued on 30 June 2005 at an issue price of RM12.431 million to third parties.

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 hire purchase and finance lease liabilities are disclosed in Note 30 to the financial statements.

22. HIRE PURCHASE PAYABLES

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Future minimum lease payments:				
Not later than 1 year	162,296	203,228	-	16,224
Later than 1 year and not later than 2 years	72,443	222,193	-	16,224
Later than 2 years and not later than 5 years	-	44,545	-	44,545
Total future minimum lease payment	234,739	469,966	-	76,993
Less: Future finance charges	(9,834)	(43,270)	-	(11,019)
Present value of finance lease liabilities	224,905	426,696	-	65,974

22. HIRE PURCHASE PAYABLES (CONT'D.)

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Analysis of present value of finance lease liabilities:				
Not later than 1 year	177,500	176,690	-	12,104
Later than 1 year and not later than 2 years	47,405	209,200	-	13,064
Later than 2 years and not later than 5 years	-	40,806	-	40,806
	224,905	426,696	-	65,974
Less: Amount due within 12 months (Note 21)	(177,500)	(176,690)	-	(12,104)
Amount due after 12 months (Note 21)	47,405	250,006	-	53,870

The weighted average interest rate of the hire purchase payables at the end of the financial year was 4.4% (2005: 4.4%) per annum.

The Group has hire purchase arrangements for motor vehicles as mentioned in Note 13. These leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the specific entity that holds the lease. There are no restrictions placed upon the Group by entering into these leases and no arrangements have been entered into for contingent rental payments.

Other information on financial risks of hire purchase payables are disclosed in Note 30 to the financial statements.

23. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Current				
Trade payables				
Third parties (a)	57,221,053	34,711,438	-	-
Subsidiaries (b)	-	-	704,120	2,140,095
	57,221,053	34,711,438	704,120	2,140,095

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

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Other payables				
Amounts due to: (c)				
- affiliated companies	384,955	31,718	291,327	4,783
- corporate shareholders	584,446	1,383,474	3,287,443	3,337,443
Advance payment (d)	12,635,000	12,635,000	-	-
Sundry payables	2,207,842	1,504,541	261,923	133,600
Provision for defect liability (e)	537,400	537,400	-	-
Accruals for construction costs	5,237,853	5,862,337	-	-
Provision for short-term accumulating compensated absences (f)	94,499	97,739	57,433	57,433
Accruals	13,511,516	10,158,498	908,274	398,647
Interest accrual (g)	420,000	420,000	-	-
Provision for liquidated and ascertained damages	212,308	-	-	-
Progress billings	16,885,853	7,214,260	-	-
Deposits from buyers	53,000	25,000	-	-
	<u>52,764,672</u>	<u>39,869,967</u>	<u>4,806,400</u>	<u>3,931,906</u>
	<u>109,985,725</u>	<u>74,581,405</u>	<u>5,510,520</u>	<u>6,072,001</u>

Non-current

Trade payables

Third parties	80,575,341	87,538,067	-	-
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- (a) Save and except for an amount of RM31,207,397 (2005: RM21,893,829) 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 (2005: 21 days).
- (b) The amounts due to subsidiaries are unsecured, interest-free and have no fixed terms of repayment.
- (c) Amounts due to the affiliated companies and corporate shareholders are non-interest bearing and are repayable on demand. The amounts are unsecured and are to be settled in cash.

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

(d) Advance payment is in respect of amount received from Government for the earlier mentioned concession. The payment received will be utilised for the settlement of concession income receivables, subject to agreement with Government.

(e) The movement of provision for defect liability is as follows:

	GROUP	
	2006 RM	2005 RM
At beginning of year	537,400	550,000
Utilisation of allowance during the year	-	(12,600)
At the end of year	<u>537,400</u>	<u>537,400</u>

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

(f) The movement of provision for short-term accumulating compensated absences is as follows:

	GROUP	
	2006 RM	2005 RM
At beginning of year	97,739	65,800
Recognised in income statement		
- Provision made during the year	-	57,433
- Unutilised amount reversed during the year (Note 8)	(3,240)	(25,494)
At the end of year	<u>94,499</u>	<u>97,739</u>

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

Further details on related party transactions are disclosed in Note 29 to the financial statements.

Other information on financial risks of other payables are disclosed in Note 30 to the financial statements.

24. DEFERRED TAXATION

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
At 1 January	8,979,935	9,740,000	-	-
Recognised in income statement (Note 10)	4,036	(760,065)	-	-
At 31 December	8,983,971	8,979,935	-	-
Presented after appropriate offsetting as follows:				
Deferred tax assets	(326,528,553)	(333,226,502)	(31,357)	(39,481)
Deferred tax liabilities:				
Subject to income tax	335,512,524	342,206,437	31,357	39,481
	8,983,971	8,979,935	-	-

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 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
At 1 January 2005	343,318,000	133,482	343,451,482
Recognised in the income statement	(1,252,000)	6,955	(1,245,045)
At 31 December 2005	342,066,000	140,437	342,206,437

24. DEFERRED TAXATION (CONT'D.)

Deferred tax assets of the Group:

	Tax Losses and Unabsorbed Capital Allowances RM
At 1 January 2006	(333,226,502)
Recognised in the income statement	6,697,949
At 31 December 2006	<u>(326,528,553)</u>
At 1 January 2005	(333,711,482)
Recognised in the income statement	484,980
At 31 December 2005	<u>(333,226,502)</u>

Deferred tax liabilities of the Company:

	Accelerated Capital Allowances RM
At 1 January 2006	39,481
Recognised in the income statement	(8,124)
At 31 December 2006	<u>31,357</u>
At 1 January 2005	31,461
Recognised in the income statement	8,020
At 31 December 2005	<u>39,481</u>

Deferred tax assets of the Company:

	Tax Losses and Unabsorbed Capital Allowances RM
At 1 January 2006	(39,481)
Recognised in the income statement	8,124
At 31 December 2006	<u>(31,357)</u>
At 1 January 2005	(31,461)
Recognised in the income statement	(8,020)
At 31 December 2005	<u>(39,481)</u>

24. DEFERRED TAXATION (CONT'D.)

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

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Tax losses and unabsorbed capital allowances	1,262,012,255	1,198,358,917	1,552,410	1,487,327
Others	2,022,699	1,594,833	377,215	57,433

The availability of the unutilised tax losses and unabsorbed capital allowances for offsetting against future taxable profits of the respective subsidiaries are subject to no substantial changes in shareholdings of the respective subsidiaries under Section 44(5A) and 5(B) of Income Tax Act, 1967.

25. SHARE CAPITAL

	Number of Ordinary Shares of RM1 Each		Amount	
	2006	2005	2006 RM	2005 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 a ordinary resolution passed in a general meeting held on 28 June 2006, 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 2006.

26. RETAINED EARNINGS

As at 31 December 2006, the Company has sufficient tax credit under Section 108 of the Income Tax Act 1967 to frank the payment of dividends amounting to RM453,000 (2005: RM453,000) out of its retained profits. If the balance of the retained earnings of approximately RM30,294,000 were to be distributed as dividends prior to there being sufficient tax credit, the Company would have Section 108 shortfall of approximately RM8,179,000 (2005: RM8,216,000).

27. CAPITAL COMMITMENTS

	GROUP	
	2006 RM	2005 RM
Commitment to subscribe for 5,000,000 ordinary shares of RM1 each in Must Ehsan Development Sdn. Bhd., a subsidiary company	-	5,000,000
Commitment to increase cost of investment in Must Ehsan Development Sdn. Bhd.	13,288,668	12,768,000
	<u>13,288,668</u>	<u>17,768,000</u>
Share of capital commitments of an associate (Note 16):		
Capital expenditure approved and contracted for	-	87,808
Capital expenditure approved but not contracted for	-	5,174,400
	<u>-</u>	<u>5,262,208</u>
Total capital commitments	<u>13,288,668</u>	<u>23,030,208</u>

The commitment to increase the cost of investment in Must Ehsan Development Sdn. Bhd. arose under the terms of a Joint Venture Agreement ("JVA") between the Group and a Joint Venture ("JV") partner. The terms of the said JVA giving rise to the capital commitment previously are being renegotiated.

28. CONTINGENT LIABILITIES AND MATERIAL LITIGATIONS

	GROUP	
	2006 RM	2005 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

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

The directors are of the opinion that the likelihood of the above claims crystallising are 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.

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

- (i) a claim of RM7.7 million (2005: 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 case was heard on 6 March 2006. However, the continued hearings were postponed on 10 July and 11 December 2006 respectively. The Court has yet to fix a new hearing date 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 Encorp Construct Sdn. Bhd. ("ECSB") and its contractor in respect of claims arising from the Teachers' Quarters Project undertaken by the contractor. The claims amounting to approximately RM5 million comprise claims due to the late delivery of the site to the contractor, claims for extension of time and head office costs which ECSB is disputing. At the same time, ECSB is pursuing its counter claim against the contractor. The arbitration proceeding has been fixed for continued hearing from 3 to 7 December 2007.

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

29. RELATED PARTY DISCLOSURES

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	
	2006 RM	2005 RM	2006 RM	2005 RM
Management fees charged to subsidiaries: (i)				
- Encorp Construct Sdn. Bhd.	-	-	(720,000)	(180,000)
- Encorp Systembilt Sdn. Bhd.	-	-	(1,440,000)	(180,000)
- Must Ehsan Development Sdn. Bhd.	-	-	(383,925)	-
- Encorp Must Sdn. Bhd.	-	-	-	(199,359)

29. RELATED PARTY DISCLOSURES (CONT'D.)

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Rental payable to:				
- Encorp Construct Sdn. Bhd. (ii)	-	-	213,600	213,600
Purchase of land from PKNS	-	93,971,228	-	-
Sales of properties under development to a person who is connected to a director (iii)	(277,750)	(222,200)	-	-
Sales of properties under development to two directors of a subsidiary (iv)	(368,852)	-	-	-

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

Information regarding outstanding balances arising from related party transactions as at 31 December 2006 are disclosed in Notes 19 and 23 to the financial statements.

30. 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.

30. FINANCIAL INSTRUMENTS (CONTD.)

(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:

At 31 December 2006									
Group									
Fixed rate									
Al-Bai Bithaman Aji Notes	21	9.17	117,518,219	45,427,073	49,788,587	54,353,992	59,339,957	889,199,366	1,215,827,194
Hire purchase payables	21	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
At 31 December 2005									
Group									
Fixed rate									
Al-Bai Bithaman Aji Notes	21	9.16	88,350,000	97,339,136	45,427,074	49,788,588	54,353,992	900,096,408	1,235,355,198
Hire purchase payables	21	4.40	176,690	209,200	40,806	-	-	-	426,696
Floating rate									
Cash and bank balances	20	3.09	64,309,123	-	-	-	-	-	64,309,123
Trade payables	23	7.75	21,893,829	-	-	-	-	-	21,893,829
Company									
Fixed rate									
Hire purchase payables	21	4.40	12,104	13,064	40,806	-	-	-	65,974
Floating rate									
Cash and bank balances	20	3.00	8,487,133	-	-	-	-	-	8,487,133

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 Aji 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.

30. 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 18 to the financial statements. 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.

30. FINANCIAL INSTRUMENTS (CONT'D.)

(f) Fair Values

The aggregate net fair values of financial liabilities which are not carried at fair value at the balance sheet date of the Group and Company are represented as follow:

	GROUP		COMPANY	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
At 31 December 2006				
Financial Liabilities				
Secured				
borrowings (Note 21)	1,215,627,194	1,127,128,550	-	-
Hire purchase				
payables (Note 21)	224,905	221,927	-	-
At 31 December 2005				
Financial Liabilities				
Secured				
borrowings (Note 21)	1,235,355,198	1,491,510,094	-	-
Hire purchase				
payables (Note 21)	426,696	420,925	65,974	63,648

(i) Amount due from Holding Company

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 on the balance sheet of the Group.

(iii) Unsecured Borrowings

The carrying amounts of unsecured borrowings approximate its fair value as it does not attract interest and not repayable within the next 12 months.

31. 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 is organised into three major 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, property construction and general contracting activities.

(iii) 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.

31. 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:

31 December 2006	Investment Holding RM	Concessionaire RM	Property Development RM	Eliminations RM	Total RM
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)

31. SEGMENT INFORMATION (CONT'D.)

Business Segment (Cont'd.)

31 December 2006 (Cont'd.)

Assets	Investment Holding 2006 RM	Concessionaire 2006 RM	Property Development 2006 RM	Eliminations 2006 RM	Total 2006 RM
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					<u>1,652,357,977</u>
Liabilities					
Segment liabilities	19,857,093	64,781,685	162,628,828	(56,706,541)	190,561,065
Unallocated liabilities	8,000,000	1,225,650,879	557,004	-	1,234,207,883
Total liabilities					<u>1,424,768,948</u>
Other segment information					
Capital expenditure	52,350	1,450	170,978	-	224,778
Depreciation	47,292	474,585	71,803	-	593,680
Amortisation of goodwill	-	-	-	-	-
Impairment of goodwill recognised in profit or loss	-	-	-	43,797,570	43,797,570
Other significant non-cash expenses:					
- Provision on the recoverability of EOT	-	69,426,356	-	-	69,426,356

31. 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 2005 RM	Concessionaire 2005 RM	Property Development 2005 RM	Eliminations 2005 RM	Total 2005 RM
31 December 2005					
Revenue					
Sales to external customers	-	103,755,679	10,790,320	-	114,545,999
Inter-segment sales	3,894,874	-	-	(3,894,874)	-
Total revenue	3,894,874	103,755,679	10,790,320	(3,894,874)	114,545,999
Results					
Segment results	(1,850,557)	97,465,116	(1,869,700)	(15,675,918)	78,068,941
Interest expense	(3,695,600)	(110,965,323)	-	7,404,174	(107,256,749)
Interest income	7,761,024	1,388,122	37,704	(7,404,174)	1,782,676
Gain on disposal of ESSB BAIDS	25,304,650	-	-	-	25,304,650
Share of profit of associate	4,895,266	-	-	-	4,895,266
(Loss)/profit before tax					2,794,784
Income tax income					711,526
(Loss)/profit for the year					<u>3,506,310</u>

31. SEGMENT INFORMATION (CONT'D.)

Business Segment (Cont'd.)

	Investment Holding	Concessionaire	Property Development	Eliminations	Total
	2005 RM	2005 RM	2005 RM	2005 RM	2005 RM
31 December 2005 (Cont'd.)					
Assets					
Segment assets	396,218,206	1,404,467,841	134,862,613	(215,493,695)	1,720,054,965
Investment in associate	45,145,364	-	-	-	45,145,364
Unallocated assets	1,787,833	89,045	-	(878,124)	998,754
Total assets					<u>1,766,199,083</u>
Liabilities					
Segment liabilities	20,391,395	66,289,234	138,035,114	(62,596,271)	162,119,472
Unallocated liabilities	8,065,973	1,245,415,079	21,935	-	1,253,502,987
Total liabilities					<u>1,415,622,459</u>
Other segment information					
Capital expenditure	105,763	14,613	121,087	-	241,463
Depreciation	51,485	757,354	29,471	-	838,310
Amortisation of goodwill	-	-	-	12,346,663	12,346,663

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 31.12.2006 (RM'000)	Year of acquisition
PT No 574, Daerah Petaling, Selangor, Level 18, Wisma SunwayMas, No. 1, Jln 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	8.5	3,250	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).	814,748	N/A	N/A	57,220	2000
PB1, Kota Damansara Town Centre, Selangor Darul Ehsan.	Commercial land held for property development.	176,496	N/A	N/A	39,102	2000



ANALYSIS OF SHAREHOLDINGS

AS AT 11 MAY 2007

Size of Holdings	No. of shareholders	%	No. of Shares	% of Shareholdings
1 - 99	68	1.92	775	0.00
100 - 1,000	377	10.63	324,114	0.15
1,001 - 10,000	2,578	72.66	9,820,015	4.39
10,001 - 100,000	459	12.94	13,311,996	5.96
*100,001 - 11,175,425	63	1.77	47,703,600	21.34
**11,175,426 and above	3	0.08	152,348,036	68.16
TOTAL	3,548	100.00	223,508,536	100.00

* less than 5% of issued shares

** 5% and above of issued shares



SUBSTANTIAL SHAREHOLDERS

The substantial shareholders and their shareholdings in Encorp Berhad as at 11 May 2007 as per the Register of Substantial Shareholders are as follows:

Name of Substantial Shareholders	Notes	Direct		Indirect	
		No. of Shares	%	No. of Shares	%
Lavista Sdn. Bhd.		73,636,036	32.95	-	-
Tan Sri Datuk (Dr) Omar bin Abdul Rahman	1	-	-	73,636,036	32.95
Datuk Ramli bin Shamsudin	1	-	-	73,636,036	32.95
Efeida binti Mohd Effendi	2	-	-	73,636,036	32.95
Dasar Untung Sdn. Bhd.		59,000,000	26.40	-	-
Sarawak Enterprise Corporation Berhad	3	-	-	59,000,000	26.40
Multi-Purpose Holdings Berhad	4	-	-	59,000,000	26.40
Casi Management Sdn. Bhd.	5	-	-	59,000,000	26.40
Dato' Surin Upatkoon	6	-	-	59,000,000	26.40
Lim Tiong Chin	6	-	-	59,000,000	26.40

Note:

- Deemed interest by virtue of their substantial shareholdings in Lavista Sdn. Bhd. held by them in trust.
- Deemed substantial interest by virtue of the substantial shareholding in Lavista Sdn. Bhd. held by her and persons connected to her.
- Deemed indirect interest by virtue of Section 6A(4) of the Companies Act, 1965 held through its wholly-owned subsidiary company, Dasar Untung Sdn. Bhd.
- Deemed indirect interest by virtue of Section 6A(4) of the Companies Act, 1965 held through Sarawak Enterprise Corporation Berhad, an associated company of Multi-Purpose Holdings Berhad.
- Deemed indirect interest by virtue of Section 6A(4) of the Companies Act, 1965 held through Multi-Purpose Holdings Berhad.
- Deemed indirect interest by virtue of Section 6A(4) of the Companies Act, 1965 held through their shareholdings in Casi Management Sdn. Bhd.

DIRECTORS' SHAREHOLDINGS

Name of Directors	Notes	Shareholdings			
		Direct		Indirect	
		No. of Shares	%	No. of Shares	%
Efeida binti Mohd Effendi	a	-	-	73,636,036	32.95
Datuk (Dr) Philip Ting Ding Ing		2,278,000	1.02	-	-
Datuk Fong Joo Chung		-	-	-	-
Dato' Chew Kong Seng @ Chew Kong Huat		-	-	-	-
Datuk (Dr) Zainal Aznam bin Mohd Yusof		-	-	-	-
Tan Sri Datuk (Dr) Omar bin Abdul Rahman	b	-	-	73,636,036	32.95
Yeoh Soo Ann		-	-	-	-
Datuk Ramli bin Shamsudin	b	-	-	73,636,036	32.95

Note:

- a By virtue of the substantial shareholding in Lavista Sdn. Bhd. held by her and persons connected to her.
- b By virtue of their substantial shareholdings in Lavista Sdn. Bhd. held by them in trust.

LIST OF 30 LARGEST SECURITIES ACCOUNT HOLDERS

AS AT 11 MAY 2007

No	Name	No of Shares	% of Shareholdings
1.	LAVISTA SDN BHD	73,636,036	32.95
2.	DASAR UNTUNG SDN BHD	59,000,000	26.40
3.	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD <i>Pledged Securities Account for Molpan Holdings Sdn Bhd</i>	19,712,000	8.82
4.	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD <i>Public Smallcap Fund</i>	5,298,300	2.37
5.	A.A. ANTHONY NOMINEES (ASING) SDN BHD <i>Magnum (Guernsey) Limited</i>	5,026,000	2.25
6.	ROBIN LO BING	5,000,000	2.24
7.	HDM NOMINEES (TEMPATAN) SDN BHD <i>Pledged Securities Account for Oh Kim Sun</i>	3,616,800	1.62
8.	MERIT ICON SDN BHD	2,980,000	1.33
9.	DATUK (DR) PHILIP TING DING ING	2,278,000	1.02
10.	CIMSEC NOMINEES (ASING) SDN BHD <i>CIMB Bank for Sam San Tuan</i>	1,630,000	0.73
11.	WONG POI KIEN	1,626,900	0.73
12.	MAYBAN NOMINEES (TEMPATAN) SDN BHD <i>Pledged Securities Account for Chew Pok Oi</i>	1,521,600	0.68
13.	MAYBAN NOMINEES (TEMPATAN) SDN BHD <i>Mayban Trustees Berhad for Public Aggressive Growth Fund</i>	1,413,500	0.63
14.	MAYBAN SECURITIES NOMINEES (TEMPATAN) SDN BHD <i>Pledged Securities Account for Shaiha Binti Mahmud @ Mohd Ali</i>	1,353,000	0.61
15.	LIM PECK HOON	1,173,600	0.53

No	Name	No of Shares	% of Shareholdings
16.	CHING CHOOI KUAN	1,116,700	0.50
17.	WONG KUI TOH	1,059,000	0.47
18.	KIU CHIONG CHIN	837,200	0.37
19.	LAU KUENG SUONG	765,700	0.34
20.	AZLIZA BINTI AHMAD TAJUDDIN	712,000	0.32
21.	CHING CHOOI SIM	658,600	0.29
22.	SBB NOMINEES (TEMPATAN) SDN BHD <i>Kumpulan Wang Amanah Pencen</i>	645,200	0.29
23.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD <i>Pledged Securities Account for Tan Siong An</i>	561,400	0.25
24.	EE BENG YEE	531,500	0.24
25.	HUANG JAY CHIA-YI	465,200	0.21
26.	MAYBAN NOMINEES (TEMPATAN) SDN BHD <i>Pledged Securities Account for Lim Kuan Yew</i>	405,000	0.18
27.	NG WEI SIM	380,400	0.17
28.	RHB NOMINEES (TEMPATAN) SDN BHD <i>RHB Asset Management Sdn Bhd for Kumpulan Wang Simpanan Pekerja</i>	338,000	0.15
29.	GOH KEAT HIN	321,500	0.14
30.	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD <i>Pledged Securities Account for Azliza Binti Ahmad Tajuddin</i>	288,000	0.13
TOTAL		194,351,136	86.95

NOTICE OF AGM

ENCORP BERHAD
(Company No. 506836 -X)
(Incorporated in Malaysia)

NOTICE IS HEREBY GIVEN THAT the Seventh Annual General Meeting of ENCORP BERHAD will be held on **Thursday, 28 June 2007**, at **2.30p.m.** at **Entebar 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 2006 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 2006. (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 re-elect the following Directors who retire in accordance with Article 81 of the Articles of Association of the Company:

(a) Datuk (Dr) Philip Ting Ding Ing (Resolution 4)
(b) Datuk Fong Joo Chung (Resolution 5)
- 5.** 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 6)
- 6.** **As Special Business:**
To consider and, if thought fit, to pass the following ordinary resolutions and special resolution:

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 7)

Ordinary Resolution 2

- Approval to transact with Director pursuant to Section 132E of the Companies Act, 1965 (Datuk (Dr) Philip Ting Ding Ing)

"THAT pursuant to Section 132E of the Companies Act, 1965, authority be and is hereby given for Must Ehsan Development Sdn. Bhd., the developer of The Strand, Damansara commercial development and a 70% owned subsidiary of Encorp Must Sdn. Bhd. (which in turn is a wholly-owned subsidiary of the Company), to sell one (1) unit of shop office located at The Strand, Damansara to Datuk (Dr) Philip Ting Ding Ing, an Independent Non-Executive Director of the Company, to be jointly held with Datuk Ting Heng Peng, for a gross cash consideration of RM3,022,100.00 and net cash consideration of RM2,508,343.00 (after taking into account the preferential discount rate of 17% for members of the Board).

(Resolution 8)

Ordinary Resolution 3

- Approval to transact with Director and person connected to Director pursuant to Section 132E of the Companies Act, 1965 (Efeida binti Mohd Effendi and Siew Kiong Ngyou)

"THAT pursuant to Section 132E of the Companies Act, 1965, authority be and is hereby given for Must Ehsan Development Sdn. Bhd., the developer of The Strand, Damansara commercial development and a 70% owned subsidiary of Encorp Must Sdn. Bhd. (which in turn is a wholly-owned subsidiary of the Company), to sell one (1) unit of shop office located at The Strand, Damansara to Efeida binti Mohd Effendi, an Executive Director of the Company, to be jointly held with Siew Kiong Ngyou, the sister of Datuk (Dr) Philip Ting Ding Ing, for a gross cash consideration of RM3,024,000.00 and net cash consideration of RM2,509,920.00 (after taking into account the preferential discount rate of 17% for members of the Board).

(Resolution 9)

Ordinary Resolution 4

- Approval to transact with person connected to Director pursuant to Section 132E of the Companies Act, 1965 (Datin Sri Tiara Jacqueline Eu binti Abdullah)

"THAT pursuant to Section 132E of the Companies Act, 1965, authority be and is hereby given for Must Ehsan Development Sdn. Bhd., the developer of The Strand, Damansara commercial development and a 70% owned subsidiary of Encorp Must Sdn. Bhd. (which in turn is a wholly-owned subsidiary of the Company), to sell one (1) unit of shop office located at The Strand, Damansara to Datin Sri Tiara Jacqueline Eu binti Abdullah, the spouse to the father of Efeida binti Mohd Effendi, an Executive Director of the Company, for a gross cash consideration of RM2,820,700.00 and net cash consideration of RM2,623,251.00 (after taking into account a special discount of 7%).

(Resolution 10)

Ordinary Resolution 5
- 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 share holders 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 11)

7.

Special Resolution

- Proposed Amendments to the Articles of Association of the Company

"THAT the proposed amendments, modifications, additions or deletions to the Articles of Association of the Company as set out in Appendix I of the Circular to Shareholders dated 6 June 2007 be and are hereby approved and adopted AND THAT, the Board of Directors be and is hereby authorised to give effect to the said amendments, modifications, additions or deletions."

(Resolution 12)

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
6 June 2007

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. Approval to transact with Directors pursuant to Section 132E of the Companies Act, 1965

The above Ordinary Resolutions 2, 3 and 4 if passed, will authorise the Company and its subsidiaries to dispose to its Directors or connected persons, non-cash assets which may fall within the definition of the "requisite value".

3. Proposed Renewal of Authority for Share-Buy Back

The proposed adoption of Ordinary Resolution 5 is intended to renew the authority granted by the shareholders of the Company at the Annual General Meeting held on 28 June 2006. 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.

4. Proposed Amendments to the Articles of Association of the Company

The proposed adoption of the Special Resolution will bring the Company's Articles of Association in line with the amendments made to the Listing Requirements of Bursa Malaysia Securities Berhad, where applicable, and to enhance administrative efficiency.

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 are 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 THE NOTICE OF AGM

The Directors standing for re-election at the Seventh Annual General Meeting of the Company to be held on **Thursday, 28 June 2007**, at 2.30p.m. at Entebat Room, First Floor, Hilton Kuching, Jalan Tunku Abdul Rahman, 93748 Kuching, Sarawak are as follows:

1. Tan Sri Datuk (Dr) Omar bin Abdul Rahman (Section 129(6) of the Companies Act, 1965)
2. Datuk (Dr) Philip Ting Ding Ing (Article 81 of the Articles of Association)
3. Datuk Fong Joo Chung (Article 81 of the Articles of Association)

Their particulars can be found on page 5,7 and 8 of the Annual Report. Their shareholdings in the Company are stated on 113 of the Annual Report.

ENCORP BERHAD
(Company No. 506836 -X)
(Incorporated in Malaysia)

PROXY FORM

I / We _____ NRIC No. _____
of _____
being a member / members of the above mentioned Company, hereby appoint _____
of _____
or failing him/her, _____
or failing him / her the Chairman of the Meeting as
my / our proxy to vote for me / us and on my / our behalf at the Seventh Annual General Meeting of the Company, to be held on **Thursday, 28 June 2007** at **2.30 pm** at **Entebar Room, First Floor, Hilton Kuching, Jalan Tunku Abdul Rahman, 93748 Kuching, Sarawak** and at any adjournment thereof.

ORDINARY BUSINESS

For Against

Resolution 1	To receive the Audited Financial Statements for the financial year ended 31 December 2006 together with the Directors' Report and Auditors' Report thereon.		
Resolution 2	To approve the Directors' Fees for the financial year ended 31 December 2006.		
Resolution 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.		
Resolution 4	To re-elect Datuk (Dr) Philip Ting Ding Ing who shall retire in accordance with Article 81 of the Company's Articles of Association.		
Resolution 5	To re-elect Datuk Fong Joo Chung who shall retire in accordance with Article 81 of the Company's Articles of Association.		
Resolution 6	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.		

AS SPECIAL BUSINESS:

Resolution 7	Ordinary Resolution - Authority to allot shares pursuant to Section 132D of the Companies Act, 1965.		
Resolution 8	Ordinary Resolution - Approval to transact with Director pursuant to Section 132E of the Companies Act, 1965 (Datuk (Dr) Philip Ting Ding Ing).		
Resolution 9	Ordinary Resolution - Approval to transact with Director and person connected to Director pursuant to Section 132E of the Companies Act, 1965 (Efeida binti Mohd Effendi and Siew Kiong Ngyou).		
Resolution 10	Ordinary Resolution - Approval to transact with person connected to Director pursuant to Section 132E of the Companies Act, 1965 (Datin Sri Tiara Jacqueline Eu binti Abdullah).		
Resolution 11	Ordinary Resolution - Proposed renewal of authority for share buy-back.		
Resolution 12	Special Resolution - Proposed Amendments to the Articles of Association of the Company.		

(Please indicate with a '✓' or 'X' in the appropriate spaces how you wish to cast your vote. If you do not indicate how you wish your proxy to vote on any Resolution, the proxy will vote as he thinks fit or, at his discretion, abstain from voting.)

No. of Shares	
---------------	--

Dated this _____ day of _____ 2007

Signature/Seal

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 are 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

Level 18, Wisma SunwayMas
No. 1, Jalan Tengku Ampuan Zabedah C9/C
Section 9
40100 Shah Alam
Selangor Darul Ehsan, Malaysia

Tel: +6 03 5891 8777

Fax: +6 03 5891 8779

www.encorpbhd.com.my