2003 ANNUAL REPORT

ENCORP BERHAD

(508836 -X)

ENCORP BERHAD

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ENCORP

BERHAD

BOARD OF DIRECTORS

Dato' Mohamad Nor bin Mohamad	*Chairman, Non-Independent, Executive Director*
Datuk (Dr) Ting Ding Ing	*Independent Director, Non-Executive Director*
Efeida binti Mohd Effendi	*Non-Independent, Executive Director*
Datuk Fong Joo Chung	*Non-Independent, Non-Executive Director*
Dato' Chew Kong Seng @ Chew Kong Huat	*Non-Independent, Non-Executive Director*
Mohd Ezra Effendi bin Mohd Effendi Norwawi	*Non-Independent, Non-Executive Director*
Datuk Dr Zainal Aznam bin Mohd Yusof	*Independent, Non-Executive Director*
Tan Sri Datuk Dr Omar bin Abdul Rahman	*Independent, Non-Executive Director*
Yeoh Soo Ann	*Non-Independent, Executive Director*

AUDIT COMMITTEE

Datuk (Dr) Ting Ding Ing	*Chairman*
Efeida binti Mohd Effendi	*Member*
Datuk Dr Zainal Aznam bin Mohd Yusof	*Member*
Tan Sri Datuk Dr Omar bin Abdul Rahman	*Member*

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

Datuk Fong Joo Chung	*Chairman*
Efeida binti Mohd Effendi	*Member*
Tan Sri Datuk Dr Omar bin Abdul Rahman	*Member*

COMPANY SECRETARIES

Darmawatti binti Dahari	*(LS 02757)*
Chua Siew Chuan	*(MAICSA 0777689)*

REGISTERED OFFICE

Level 2, B-59 Taman Sri Sarawak Mall,
Jalan Tunku Abdul Rahman,
93100 Kuching, Sarawak

Tel: 082-428626 Fax : 082-423626

REGISTRAR

Securities Services Holdings Sdn. Bhd.
Level 7, Menara Millenium,
Jalan Damanlela,
Pusat Bandar Damansara,
Damansara Heights,
50490 Kuala Lumpur

Tel : 03-2084 9000 Fax : 03-2094 9940

BANKERS

RHB Bank Berhad

Bumiputra Commerce Bank Berhad

AUDITORS

Ernst & Young

SOLICITORS

Zaid Ibrahim & Co

Zul Rafique & Partners

Azam-Malek & Soh

STOCK EXCHANGE LISTING

Main Board Bursa Malaysia Securities Berhad *(Listed on 11 February 2003)*

BURSA MALAYSIA SECURITIES BERHAD STOCK NUMBER

ENCORP 6076

ENCORP MISSION

Creating Value for all its stakeholders

ENCORP CORE VALUES

Superior Quality

Everything that Encorp does or provides for internal and external 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 for the organization.

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

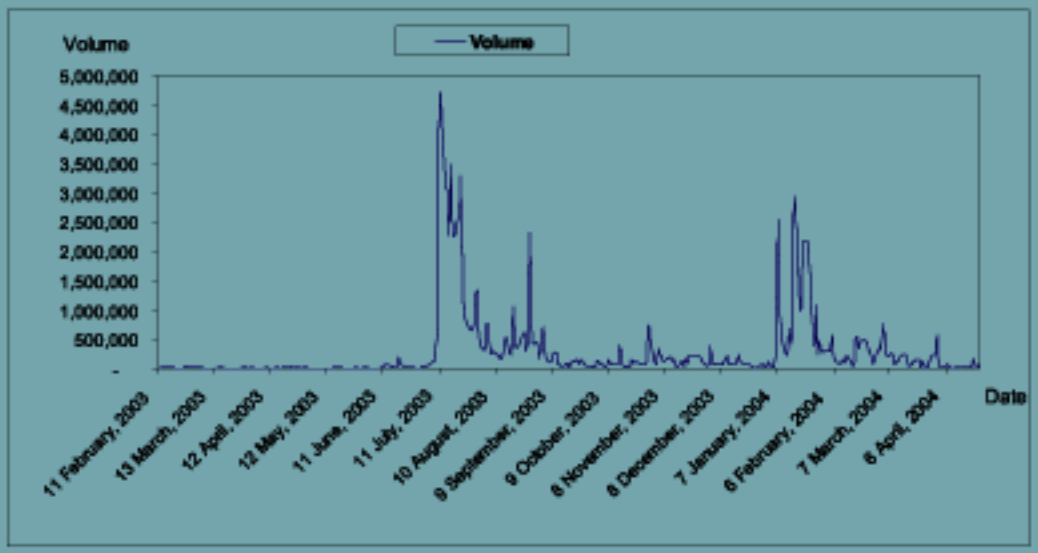
People are central to the success of Encorp – we create a dynamic and inspiring environment for their growth.

Group Financial Highlights	2003 (RM'000)	2002 (RM'000) (as restated)
Revenue	567,273	861,179
Profit before taxation	13,359	19,324
Taxation	(8,325)	(120)
Profit after taxation	5,034	19,204
Profit attributable to shareholders	5,034	19,204
Paid-up capital	223,509	223,509
Shareholders' funds	400,591	395,556
Total net tangible assets	229,572	214,623
Earnings per share (sen) *	2.25	12.79
Net tangible assets per share	1.03	0.96

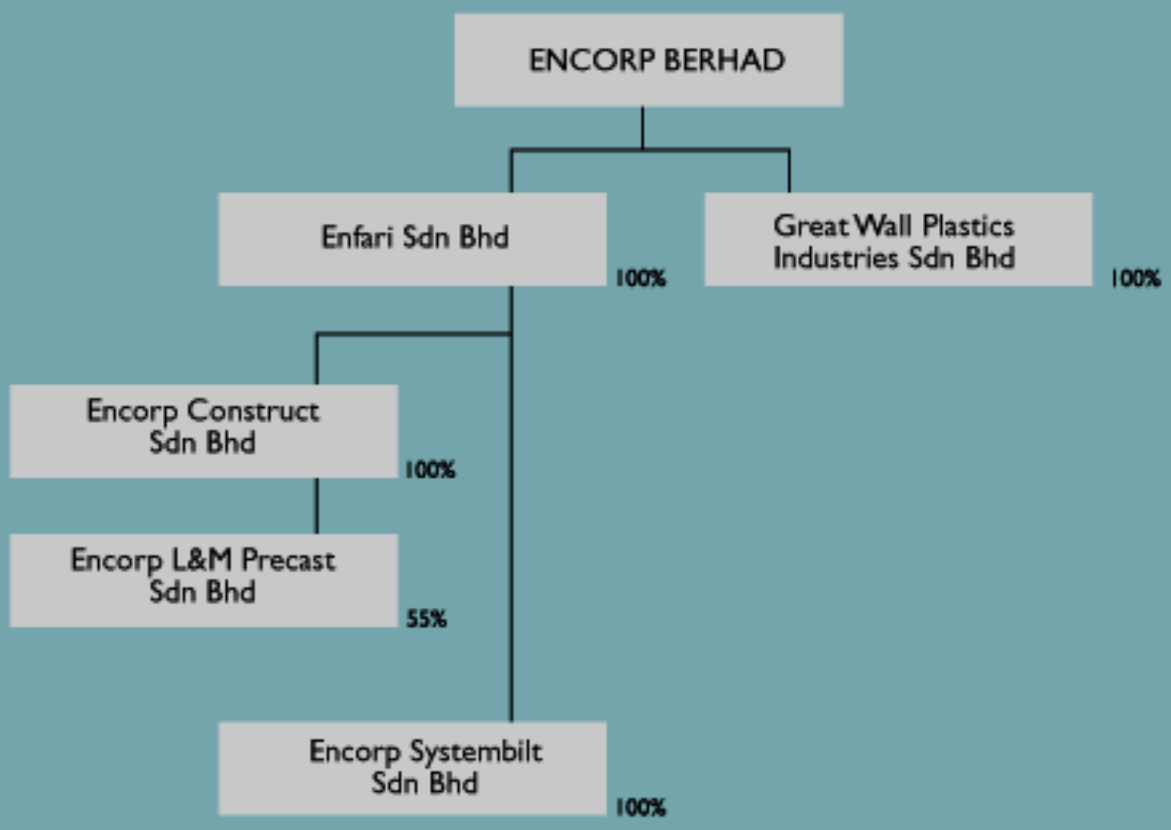
* Based on weighted average number of shares issued during the financial year.

ENCORP BERHAD

	11 February '03 to 31 December '03	1 January '04 to 23 April '04
Highest Traded - RM	1.43	1.44
Lowest Traded - RM	0.68	0.97

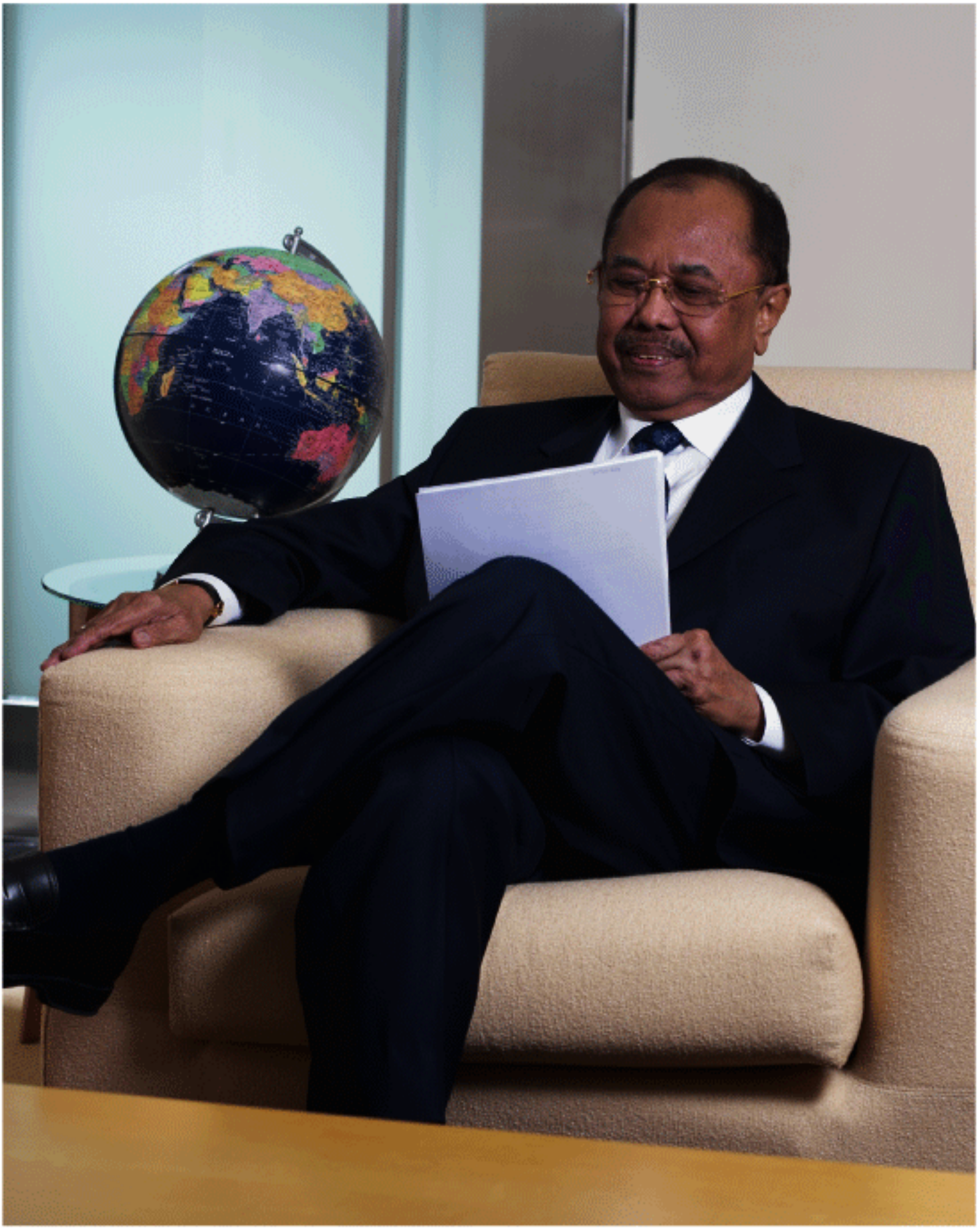


Corporate Structure as at 26 April 2004



Subsidiary Company	Percentage		Principal Activity	Place of incorporation
	2002	2001		
Enfari Sdn Bhd	100%	100%	Investment holding	Malaysia
Great Wall Plastic Industries Berhad	100%	-	Manufacturing & marketing of plastic film packaging products	Malaysia
Encorp Systembilt Sdn Bhd	100%	100%	Deisgn, Construct & Complete 10,000 units of apartments as teacher's quarters	Malaysia
Encorp Construct Sdn Bhd	100%	100%	Property construction	Malaysia
Encorp L&M Precast Sdn Bhd	55%	55%	General contracting - dormant	Malaysia

BOARD OF DIRECTORS



DATO' MOHAMAD NOR BIN MOHAMAD

Chairman
Non-Independent, Executive Director

Dato' Mohamad Nor (Malaysian, aged 72) was appointed to the Board on 16 April 2001, is the Chairman of Encorp Berhad.

Having had distinguished roles spanning in both private and public sectors, the former Senator was the Chairman of Lembaga Padi & Beras Negara, Bank Utama Malaysia Berhad and Utama Banking Group Berhad. He also had served as a member on the boards of SEDC Trengganu as well as SEDC Sarawak to name a few.

Dato' Mohamad Nor is a fellow of the Institute of Chartered Accountants in England and Wales. He was a founding partner of the accounting firm, Hanafiah Raslan & Mohamad in 1964, and held senior positions in the firm, culminating as Chairman in 1990 until his retirement from practice in 1994.

At present, Dato' Mohamad Nor is also the director of DRB-Hicom Berhad, MK Land Holdings Berhad, a council member of Malaysian Institute Development Board (MIDA) and a member of the Board of Trustee for Malaysian University of Science and Technology (MUST).

He is deemed interested in the Company by virtue of his 50% shareholding in Lavista Sdn Bhd, a major shareholder of Encorp Berhad. He has no family relationship with any Director and/or major shareholder, and does not have any conflict of interest with the Company. Dato' Mohamad Nor has not been convicted of any offence over the last 10 years.

ENCORP
BERHAD

DATUK (DR) TING DING ING

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

Datuk (Dr) Ting, (Malaysian, aged 52) was appointed to the Board of Encorp Berhad on 16 April 2001.

A chartered accountant by profession, Datuk (Dr) Ting began his career in Touche Ross & Co. in Australia in 1974, before joining Hanafiah Raslan & Mohamad/Arthur Anderson & Co in Malaysia in 1976 where he served in various capacities for 13 years. Datuk (Dr) Ting was also the Group Managing Director of conglomerate Cahya Mata Sarawak Berhad (1994-1998), and Chief Executive Officer of Sarawak Securities, Sarawak's first stock-broking company.

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

Other than the 569,000 shares held by him in the Company, he does not have any other interest in the Company. He has no family relationship with any Director and/or major shareholder, and had no conflict of interest with the Company. Datuk (Dr) Ting has not been convicted of any offence over the last 10 years.

EFEIDA BINTI MOHD EFFENDI

Non-Independent, Executive Director
Member of the Remuneration Committee
Member of the Audit Committee

Efeida (Malaysian, aged 31) was appointed to the Board of Encorp Berhad on 16 April 2001.

She is also the Executive Director of the Centre For Advanced Design (CENFAD), a leading art and design education establishment. She is a director of Encorp Systembilt Sdn Bhd, Encorp Construct Sdn Bhd, Encorp Must Sdn Bhd, Must Ehsan Development Sdn Bhd and Natseven TV Sdn Bhd, operator of Malaysian television station, ntv7. She holds no other directorships in any other public listed company.

A Bachelor of Fine Arts degree holder from the Parsons School of Design, New York, she has carved her niche in leading architectural firms in New York before returning to Malaysia.

She is a major shareholder of the Company by virtue of her relationship with the beneficial owner of Lavista Sdn Bhd, a major shareholder of Encorp Berhad. She is the sister to Mohd Ezra Effendi bin Mohd Effendi Norwawi. Efeida has not been convicted of any offence over the last 10 years.

DATUK FONG JOO CHUNG

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

Datuk Fong, (Malaysian, aged 54), 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. Preceding to this, he was in private practice (1971 – 1992), and has 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), and Chairman of Inquiry Committee (1991-1992), and a 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).

He is currently a director of Sarawak Enterprise Corporation Berhad as well as several private limited companies.

Datuk Fong does not have any family relationship with any Director and/or major shareholder and has no conflict of interest with the Company. Datuk Fong has not been convicted of any offence over the last 10 years.

CHAIRMAN'S STATEMENT

Dear Shareholders,

Welcome to Encorp Berhad's 2003 Annual Report. On behalf of the Board of Directors, I am pleased to present the Report for your Company for the past year. In a snapshot, 2003 was a year of significant change for Encorp Berhad in which the foundations have been laid towards refocusing of the Company to property development and construction management.

For the financial year 2003, Encorp Berhad reported a revenue of RM567.27 million from the Group's businesses of property development, construction management and plastics manufacturing. This translated into a profit before tax of RM13.36 million for the year.

It has been more than a year since Encorp Berhad was listed on the Main Board of Bursa Malaysia Securities Berhad. . Though we are able to achieve a commendable performance in our operation, we will continue to endeavour to enhance on shareholders' value as the market becomes more aware of the kind of returns we can generate based on our strength and business prospects in property development and construction management. Among the highlights of 2003 were the corporate restructuring exercise, the completion of the teachers' housing projects and future projects that the Group will undertake.

Encorp Berhad as an entity, came about following a corporate restructuring exercise that involved a reverse take-over of the listing status of Great Wall Plastic Industries Berhad (GWPI). This exercise was the initial stage of an overall plan to create a leading organization with two core businesses in property development and construction management.

We have decided on these two areas of focus to take advantage of the current economic environment and an analysis of our own strengths. Our country's economic growth continues to be on an uptrend. There is increased consumer purchasing power and changes in the demographic trends indicating further progress of the property development industry. Coupled with the support from the Government through its various stimulus and incentive packages and allocations for development and housing projects in the 8th Malaysia Plan, the future of the property and construction sectors remains bright.

Looking at the positive external environment, Encorp Berhad is well-positioned to take advantage of these plus factors based on our track-record and the management's capability built over the year in undertaking construction management. This led to a further streamlining of the Company's operations and non-core activities.

Corporate Restructuring

Encorp Berhad is currently working on the proposed acquisition of two parcels of land totaling 253 acres through the purchase of a 100% equity interest in Encorp Must Sdn Bhd for a total consideration of RM45.96 million which was announced in 28 October 2003. To-date, we have received approvals from all relevant authorities for the proposed acquisition. Our next step is to seek shareholders' approval. The proposed acquisition will pave the way for Encorp to strengthen our property arm and enhance the Company's earnings through the development of two prime and strategically located landbanks in Klang Valley, located at Section U12 Shah Alam and another at Kota Damansara. Hence enabling Encorp to venture into the property development sector.

Based on recent economic reports and projections, it is anticipated that there will be continuous improvement in the property sector. This is further enhanced by anticipated improvements in the overall economic growth prospects, consumer purchasing power and changes in demographic trends and the Government's stimulus package which accentuates the property related incentives such as the low transaction costs and change in the interest rate regime (lower mortgage rates and larger quantum of financing). Encorp Berhad is seeking to leverage on the positive growth outlook, the incentives offered and the fact that the Government has reported that they will maintain uptrend in expenditures in the Property and Construction sector.

The proposed acquisition of Encorp Must Sdn Bhd will be made possible by the proposed disposal of Encorp Berhad's 51% stake in GWPI. The remaining 49% of GWPI, which Encorp Berhad will continue to hold, will enable us to capitalise on the future income stream of GWPI even after its disposal.

Plastics Manufacturing

For the year 2003, GWPI recorded a profit before tax of RM7.66 million. GWPI's focus on higher value-added products, increased production efficiency and quality, has maintained the company as one of the country's largest integrated plastics packaging films manufacturers.

Construction Management

The big news for Encorp's construction management division in 2003 was the completion of the Teachers' Housing project. Physical works of all 10,000 units of housing, located in 109 sites in 9 states all over Malaysia, were completed. Of this number, 9,680 units had been officially handed over to our client, the Ministry of Education Malaysia..At the time of my writing this letter, the remaining units have been handed over, marking the end of this challenging project.

Overall, the completion of the project has brought a great sense of pride to our team for several reasons. These include having successfully undertaken a project of such magnitude, developing and using a new and adaptable pre-fabrication technology, and creating more opportunities for Bumiputera entrepreneurs, contractors and suppliers with the award of about RM1 billion worth of contracts. More importantly, Encorp Berhad is proud to have contributed to nation-building by fulfilling the Government's vision to provide teachers with quality accommodation.

The successful completion of the teachers' housing project now means that Encorp Berhad can leverage on the experience gained in construction management and to use it as a platform to undertake similar construction and development projects in the future. This is an important differentiation point for Encorp Berhad, and one that we will continue to develop further.

Although the Teachers' Housing project is completed, Encorp Berhad will continue to reap long-term benefits from the stable income stream of repayments by the Government for the next 26 years, through the concession which was awarded in 1998. This "comfort" of sustainable earnings will allow Encorp Berhad to pursue future business options to improve our earnings base.

Financials

The drop in the Groups' 2003 revenue was mainly attributed to a lower concession income as fewer units of teacher's quarters were handed over to the Government of Malaysia during the year. The decrease in profit before tax was mainly due to higher finance costs for the current financial year as borrowing costs attributed to the teachers' quarters that have been handed over were charged out to the income statement.

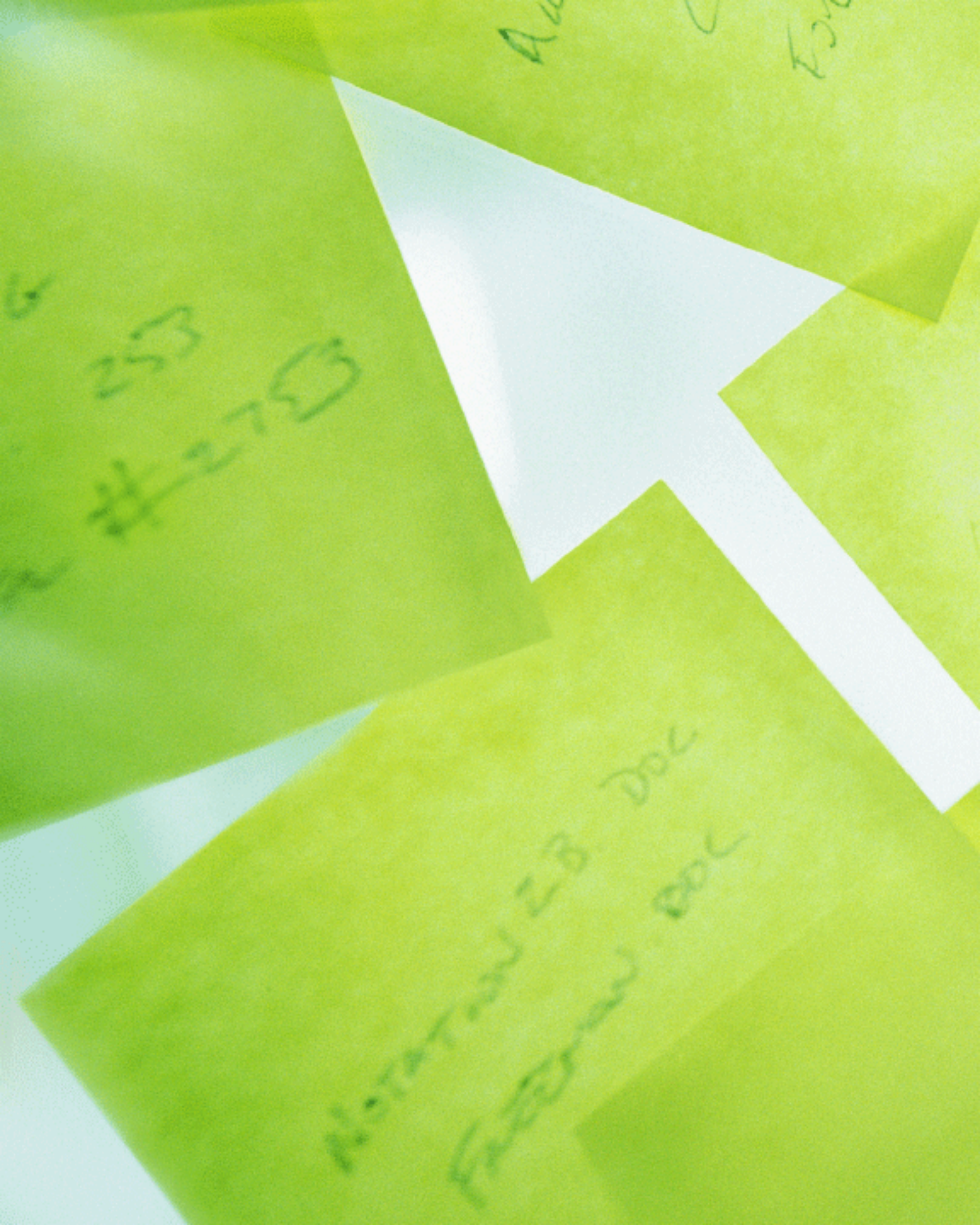
Appreciation

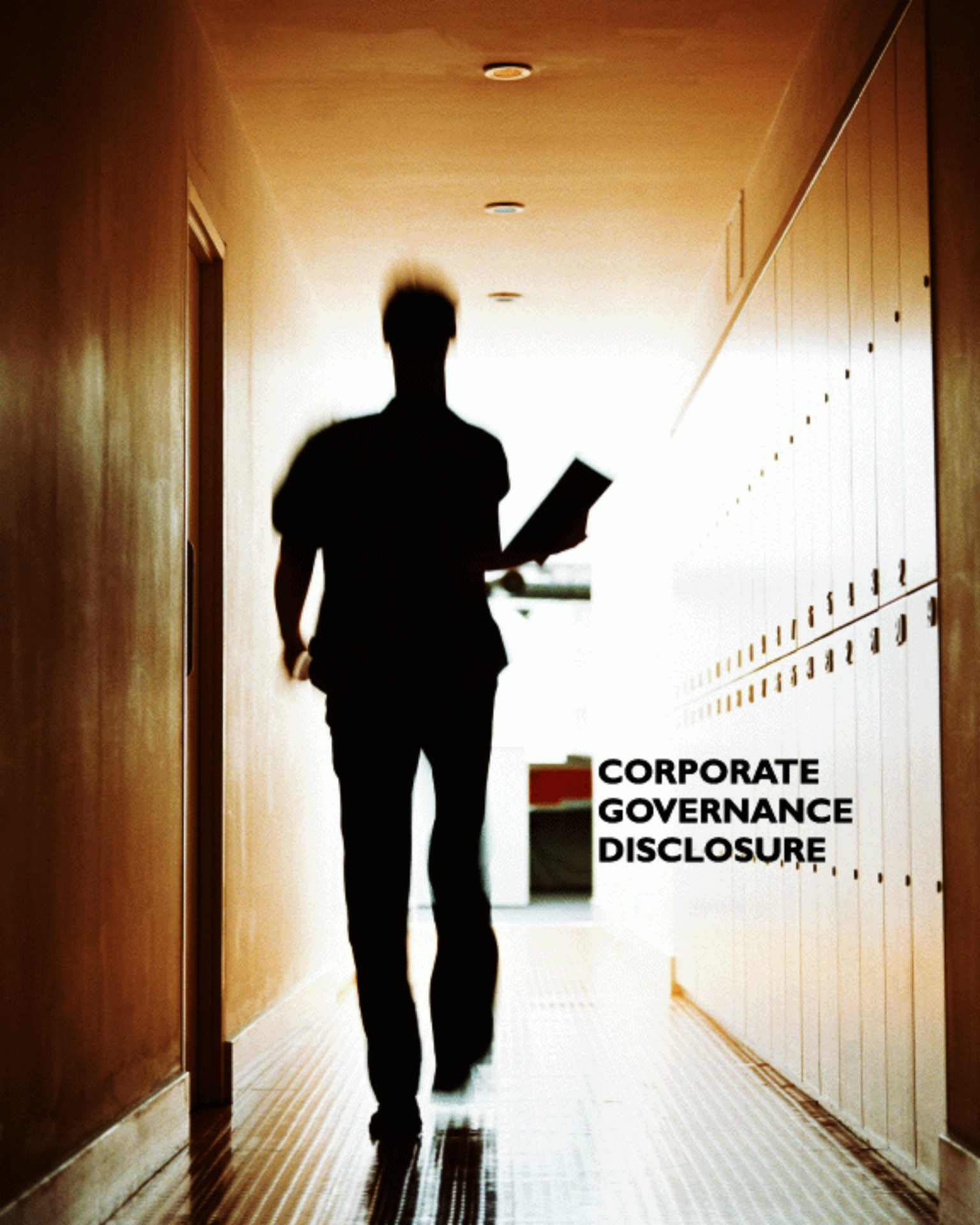
In ending, the past year of challenging business environment, completion of the teachers' housing project and working through the corporate restructuring has been an exciting year for the team at Encorp. All the hard work has put our company on a firmer footing for great things ahead.

I would like to say "Thank You" to the Board of Directors for their wise guidance and direction on strategies for our Group and to the Management and employees of the Group for their commitment towards the success of any project or goal they put their minds to. And finally, I would like to thank you, the shareholders, for your trust in our team. We look forward to your continued support.

Last year, I told shareholders that our aim is to create a name for Encorp Berhad as a market leader in the industries in which we operate. The foundations have been set, and "the wheels have been set in motion", so to speak. As the Encorp Berhad team is focused on succeeding in this goal, we look forward to greater times ahead.

Dato' Mohammad Nor bin Mohammad
Chairman





CORPORATE GOVERNANCE DISCLOSURE

The Board of Directors recognises the importance of good corporate governance and is fully committed to adopt the principles and best practices of corporate governance embodied in the Malaysian Code on Corporate Governance (the Code) in achieving the high standards of corporate governance throughout the Group, with the best interest of all stakeholders in mind.

The Board of Directors has, to the best of their ability, complied with the best practices and principles set out in Part 2 of the Code throughout the financial year ended 31 December 2003. Below are details of how the Group has applied the principles and best practices in the following four (4) areas:

1. Directors;
2. Directors Remuneration;
3. Shareholders; and
4. Accountability and Audit.

1. BOARD OF DIRECTORS

Composition of the Board – Board Balance

The Board has nine (9) members, comprising three (3) Executive Directors, six (6) Non-Executive Directors of whom three (3) are independent. This complies with the Bursa Malaysia Berhad's Listing Requirement.

All Directors have vast experience in various fields and possess the necessary skills in exercising independent judgement on the issues of strategy, performance, resources and standards of conduct.

The three (3) independent directors provide independent views as well as advice. The clear division of responsibility within the Board is to ensure that the interests of the Group, shareholders, employees, customers, suppliers and other business associates are being safeguarded. No individual or small group of individuals can dominate the Board's decision making.

Five (5) board meetings and an annual general meeting were held during the financial year ended 31 December 2003. A summary of attendance of the Board for the financial year ended 31 December 2003 is as follows:

Name of Director	# of Meetings Attended	Attendance (%)
Dato' Mohamad Nor bin Mohamad	6/6	100
Dato' Ahmad Fuad bin Haji Md Ali (Resigned on 25 September 2003)	3/3	100
Datuk Fong Joo Chung	5/6	83
Datuk (Dr) Ting Ding Ing	6/6	100
Efeida binti Mohd Effendi	5/6	83
Chew Kong Seng @ Chew Kong Huat	4/6	67
Mohd Ezra Effendi bin Mohd Effendi Norwawi	5/6	83
Datuk Dr Zainal Aznam bin Mohd Yusof (appointed on 21 April 2003)	3/4	75
Tan Sri Datuk Dr Omar bin Abdul Rahman (appointed on 17 June 2003)	2/2	100
Yeoh Soo Ann (appointed on 18 November 2003)	N/A	N/A

Board Responsibilities

The Board has full control over the business and affairs of the Company and the Group. This includes responsibility for determining the overall strategic direction and development of the Group.

To assist the Board to carry out their duties and responsibilities, the Board has established the following committees to carry out specific roles and responsibilities in compliance with the Code.

The Audit Committee

The Audit Committee was set up with the objective to assist the Board in fulfilling its responsibilities relating to the financial reporting of the Company and its subsidiaries. The members, terms and reference of the Audit Committee is set out on page 50.

The Nomination Committee

The Nomination Committee has been assigned with the responsibility for proposing new nominees for the Board as well as recommending to the Board, directors to fill the seats on Board Committees. The Committee will also deliberate on the proposed re-election of retiring directors. In addition, the Committee will evaluate and recommend to the Board for approval the appointment, promotion, transfer, termination of the Chief Executive Officer, Executive Directors and Senior Management Team reporting to the Managing Director/ Chief Executive Officer.

The Committee also assesses the effectiveness of the Board as a whole and the contribution of each individual director. They will ensure that the training needs of the directors are reviewed on a regular basis and to establish appropriate plans for succession at Board level as well as at Senior Management level.

The Committee is to meet at least once a year. During the financial year ended 31 December 2003, four (4) Nomination Committee meetings were held.

The members of the Nomination Committee are as follows:

Name	Designation	Directorship
Datuk Dr Zainal Aznam bin Mohd Yusof (appointed on 21 April 2003)	Chairman	Independent, Non-Executive Director
Datuk Fong Joo Chung	Member	Non-Independent, Non-Executive Director
Datuk (Dr) Ting Ding Ing	Member	Independent, Non-Executive Director

The Remuneration Committee

The Remuneration Committee is responsible to establish and recommend individual remuneration package and benefits for each of the Directors and as well as the remuneration structure and policy for the Chief Executive Officer, Executive Directors and Senior Management Team of the Company. The Committee is to ensure that a strong link is maintained between the level of remuneration and individual performance against agreed targets as set by Management. The Committee is also responsible to review and recommend to the Board the new Employees Shares Option Scheme and/or amendments to the existing Scheme and to consider other matters as referred to the Committee by the Board.

3. SHAREHOLDERS

Dialogue with Shareholders and Investors

The Company recognizes the importance of effective communication with shareholders, investors and public in general. In this respect, the Company keeps shareholders, investor and the public informed by announcements, release of quarterly financial results, annual report, circulars and through Annual General Meeting.

Annual General Meeting

The Annual General Meeting is the principal forum for dialogue with shareholders. The notice of Annual General Meeting and Annual Reports are sent out to shareholders at least twenty-one (21) days before the meeting. Detail of any special business are included in an explanatory statement together with the notice of Annual General Meeting to provide full understanding and evaluation of the matters involved.

Shareholders are given ample time to participate in the questions and answers session pertaining to the business activities of the Group.

4. ACCOUNTABILITY AND AUDIT

Financial Reporting

The Directors aim to present a balanced and understandable assessment of the Group financial position and prospects. The financial statements for each financial year and quarterly results are prepared in accordance with the Companies Act, 1965 and the approved accounting standards.

The Audit Committee assists the Board in the scrutinizing information for disclosure to ensure accuracy, adequacy and completeness.

Internal Control

The Board of Encorp Berhad recognizes the pivotal role of a strong internal control system in keeping the Group on course toward its goals of maximising shareholder 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 the management.

The effectiveness of the Company's system of internal controls is reviewed periodically by the Audit Committee.

The Group's Statement of Internal Control is set out on page 55.

Relationship with the Auditors

Through the Audit Committee, the Group has established a transparent and appropriate relationship with the Group's Auditors in seeking professional advice and ensuring compliance with the law and regulations.

The External Auditors also highlight to the attention of the Board of any material deficiency pertaining to the system of internal control and compliance issues of the Company.

Remuneration Procedures

The Remuneration Committee recommends to the Board the remuneration package for each Executive Director. The Executive Directors will abstain from deliberation and voting on decisions in respect of their own remuneration. It is the ultimate responsibility of the entire Board to approve the remuneration package of these Directors.

Remuneration Package

Except for Non-Executive directors who are paid yearly fees which are determined by the Board and approved in the Annual General Meeting, the remuneration package of the Executive Directors is recommended by the Remuneration Committee in accordance with the Company's policy and the practice of other companies within the industry.

The aggregate remuneration of Directors for the financial year ended 31 December 2003 are categorised into appropriate component as follows:

In RM'000	Executive Directors	Non-Executive Directors
Salaries and other remunerations	253	244
Fees	49	171
Bonus & Incentive	-	-
Benefit in Kind	4	4
Total	306	419

The number of Directors whose remuneration falls into each successive band of the following:

Range of Remuneration	Executive Directors	Non-Executive Directors
Below RM50,000	1	6
RM50,001 – RM100,000	1	-
RM100,001 – RM150,000	-	-
RM150,001 – RM200,000	-	1
RM200,001 – RM250,000	-	-
RM250,001 – RM300,000	1	-
RM300,001 – RM350,000	-	-
Total	**3**	**7**

Statement of Compliance with Best Practice of the Code.

The Company is committed to achieving standards of corporate governance throughout the Group and to the highest level of integrity and ethical standards in all its business dealings. The Board considers that it has complied after the financial year with the best practices as set out in the Code.

ADDITIONAL COMPLIANCE INFORMATION

To comply with the Bursa Malaysia Berhad's Requirements, the following information is provided.

Share Buybacks

During the financial year, there were no share buy backs by the company.

Options, Warrants or Convertible Securities

During the financial year ended 31 December 2003, the Company did not issue any options, warrants and convertible securities.

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

During the financial year ended 31 December 2003, 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

There were no non-audit fees paid payable to the external auditors for the financial year, except as disclosed in the following:

Auditors	Services	Amount Paid (RM)
Ernst & Young	Professional Services in connection with the review of quaterly financial statements.	4,000
	Professional Services in connection with the review of profit and cash flow forecasts and projections for the proposed acquisition of 100% equity interest in Encorp Must Sdn Bhd and the proposed disposal of 51% equity interest in Great Wall Plastic Industries Berhad	150,000
	Professional Services in connection with tax planning.	4,000
	Grand Total	**158,000**

The Company had, in a submission to the Securities Commission pursuant to a corporate proposal involving the Scheme of Arrangement between Great Wall Plastic Industries Berhad and its Shareholders and Encorp Berhad, reported a projected Group Profit After Taxation of RM43.45 million for the financial year ended 31 December 2003.

The profit projection was also set out in the Explanatory Statement to Shareholders dated 30 August 2002.

The audited profit after taxation for the year ended 31 December 2003 of RM5.03 million represents a deviation of RM38.42 million as compared to the profit projection. The deviation was mainly due to the following reasons

(i) Change in the accounting estimate of amortisation of Goodwill arising from acquisition of subsidiary from a period of 30 years to 20 years as recommended in MASB ED 28, Goodwill.

(ii) Effects arising from the adoption of MASB 27, Borrowing costs as well as change in the basis of recognition of concession income, interest income and concession expenditures.

(iii) Effects arising from the delay in the handover schedule of the teacher's quarter project and the approval of final accounts. This shortfall in profit was mainly caused by timing differences which will be recouped in the future years.

Profit Guarantee

No profit guarantee was given by the Company for the financial year ended 31 December 2003.

Material Contracts

There were no material contracts by the Company and the Group involving Directors' and major shareholders' interests, except for the Undertaking Agreement dated 28 August 2002 entered between Great Wall Plastic Industries Bhd, Encorp Berhad, Enfari Limited and Lavista Sdn Bhd whereby Enfari Sdn Bhd (a subsidiary of the Company) and Lavista Sdn Bhd (major shareholder of the Company) irrevocably undertake to compensate for the shortfall in the valuation of Enfari Sdn Bhd which is RM230 million for the Proposed Acquisition which was completed on 17 April 2001.

The salient features of the Undertaking Agreement entered between the vendor of Enfari Sdn Bhd and Encorp Berhad involving the Proposed Acquisition are as follows:

(i) the valuation of Enfari as at the date of completion of the Acquisition, 17 April 2001 ('Completion Date'), shall not be less than RM230 million.

(ii) the confirmation from the Government on the recoverability of the Extension of Time (EOT) costs shall be obtained no later than 16 May 2003, whereupon the valuation of Enfari to be undertaken by the Independent Valuer as at Completion Date as above, shall be finalised 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. The commitment by the shareholders on the valuation of Enfari Sdn Bhd has since been extended for a further twelve (12) months pursuant to the approval granted via the Directors' Circular Resolution dated 21 April 2003.

Utilization of Proceeds raised from Corporate Proposal

No proceeds raised from Corporate Proposal were utilized by the Company for the financial year ended 31 December 2003.

Related Party Transactions

There were no other related party transactions during the financial year ended 31 December 2003 except as disclosed in the Financial Statements.

Revaluation of Landed Properties

The Company does not have a revaluation policy on landed properties.

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 2003.

Members of the Audit Committee

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

Terms of Reference

POLICY

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

OBJECTIVES

The objectives of this policy are:

(a) to comply with Chapter 15 of the Listing Requirements of the Bursa Malaysia;

(b) to relieve the full Board of Directors from detailed involvement in the review of the results of internal and external audit activities, and yet 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 fulfils 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:

(aa) he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or

(bb) 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) fulfils such other requirements as prescribed by Bursa Malaysia Berhad.

(iv) if he is not a member of the Malaysian Institute of Accountants, he must have:

(aa) a degree/masters/doctorate in accounting or finance and at least three(3) years' post qualification experience in accounting or finance; or

(bb) 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 shall be 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, his evaluation of the system of internal controls;

(c) with the external auditor, his 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;

any letter of resignation from the external auditors of the Company; and

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 auditors,

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;

(d) have direct communication channels with the external auditors 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 auditors, excluding the attendance of the executive members of the Audit Committee, 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 Audit Committee meeting minutes 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 were summarized as follows:-

- Reviewed the unaudited financial results and the announcement 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 requirement
- Reviewed the audit reports together with the external auditors.
- 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 Management.
- To discuss with the external auditors the audit plan and scope for the year as well as the audit procedures to be followed.

Name	# of meetings held	attendance (%)
Dato' Ahmad Fuad bin Haji Md Ali (Resigned on 25 September 2003)	3/3	100
Datuk (Dr) Ting Ding Ing	5/5	100
Efeida binti Mohd Effendi	5/5	100
Datuk Dr Zainal Aznam bin Mohd Yusof (appointed on 21 April 2003)	2/3	67
Tan Sri Datuk Dr Omar bin Abdul Rahman (appointed on 18 November 2003)	N/A	N/A

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 controls. The Internal Audit function covers and is not confined to the following:

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

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

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

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

- **Providing Assurance on Compliance**
  Provide assurance on compliance with statutory requirements, laws, 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 Requirement of the Bursa Malaysia. The Board of Directors is committed to maintain a sound system of internal control to safeguard shareholders' investments and the Group's assets.

Responsibility

The Board of Directors acknowledges the importance of sound internal controls and risk management practices towards achieving good corporate governance. The Board 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 obsolete assurance against material misstatement or loss.

Existing Control

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

1. There is an organization structure that defines lines of responsibility and delegation of authority.
2. Key functions such as finance, corporate and legal matters are controlled centrally.
3. There is strategic planning and annual budgeting process. The Board reviews and approves the annual budgets.
4. Actual performance is being monitored against budget on a monthly basis. Any major variances need to be investigated and explained.
5. The Audit Committee will review the quarterly results to ensure the financial results are prepared in accordance with the applicable approved accounting standards 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.
7. The Executive Committee (EXCO) comprises four (4) members involving 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.

Further Efforts

The Board of Directors has set up the internal audit department to assure the adequacy and integrity of the internal control system is in place and to assist the Audit Committee to carry out its duties and responsibilities.

A Risk Management Department was set up during the year to ensure continuing assessment of significant risks for the Group. An enterprise risk management framework has been approved after the financial year end by the Board. The risk assessment exercise was carried out for the holding company and will be rolled out to the other subsidiaries of the group.

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 Director's Responsibility

This statement is prepared as required by Paragraph 15.27(a) of the Listing Requirement of the KLSE.

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

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 that disclose with reasonable accuracy the financial position of the Group and the Company; and which enable the financial statements comply with the Companies Act, 1965

The Directors have general responsibilities 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.

DATO' CHEW KONG SENG @ CHEW KONG HUAT

Non-Independent, Non-Executive Director

Dato' Chew, (Malaysian, aged 66) was appointed to the Board of Encorp Berhad on 2 December 2002.

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

He is a Fellow of the Institute of Chartered Accountants in England and Wales, member of the Malaysian Institute of Certified Public Accountants and member of the Malaysian Institute of Accountants.

Dato' Chew is currently a director of Petronas Gas Berhad, Petronas Dagangan Berhad, Industrial Concrete Products Berhad, Jaya Jusco Stores Berhad, Hong Leong Properties Bhd, PBA Holdings Bhd, Sarawak Enterprise Corporation Berhad and several private limited companies in Malaysia.

Dato' Chew has no family relationship with any Director and/or major shareholder, nor any conflict of interest with the Company. He has not been convicted of any offence over the last 10 years.

MOHD EZRA EFFENDI BIN MOHD EFFENDI NORWAWI

Non-Independent, Non-Executive Director

Mohd Ezra, (Malaysian, aged 26) was appointed to the Board of Encorp Berhad on 28 January 2003, and assumed the position of Group Chief Executive Officer of Encorp Berhad on an acting capacity on 1 May 2003. Ezra relinquished the position on 28 October 2003 and remained as Non-Executive Director.

Mohd Ezra is currently the Executive Chairman of Encorp Systembilt Sdn Bhd, a director of Encorp Construct Sdn Bhd as well as several other private limited companies. He holds no other directorships in any other public listed company.

He graduated with a Bachelors of Arts (Honours) degree in Business Studies from the University of the West of England, Bristol.

He is deemed interested in the Company by virtue of his relationship with beneficial owner of Lavista Sdn Bhd, a major shareholder of Encorp Berhad. He is the brother to Efeida binti Mohd Effendi. He has not entered into any transaction which has a conflict of interest with the Company. Mohd Ezra has not been convicted of any offence over the last 10 years.

DATUK DR. ZAINAL AZNAM BIN MOHD YUSOF

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

Datuk Dr Zainal Aznam, (Malaysian, aged 60) joined the Board of Encorp Berhad on 21 April 2003.

Datuk Dr Zainal Aznam has long been involved in various leading economic research and policy development departments and panels 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), Advisor in Economics at Bank Negara Malaysia, and spent nearly 20 years in the Economic Planning Unit (EPU) of the Prime Minister's Department.

Datuk Dr Zainal Aznam has also been active in the academic field, serving on boards and teams at Harvard University, Keio University, Koreo Institute for International Economic Policy. He was a Visiting Scholar at the Harvard Institute for International Development (HIID), Harvard University. Currently, Datuk Dr. Zainal Aznam is involved in panels at Universiti Kebangsaan Malaysia and University of Malaya, and is an Adjunct Professor at Universiti Utara Malaysia.

He has a Bachelor of Science degree in Economics from Queen's University, Northern Ireland, a Masters degree in Development Economics from University of Leicester and a Doctorate in Economics from Oxford University, UK.

Datuk Dr Zainal Aznam's current directorships in public-listed companies include HSBC Bank Malaysia Berhad, Kinta Kellas Berhad and Permodalan BSN Berhad.

Datuk Dr Zainal Aznam has no family relationship with any Director and/or major shareholder, nor any conflict of interest with the Company. He has not been convicted of any offence over the last 10 years.

TAN SRI DATUK DR OMAR BIN ABDUL RAHMAN

Independent, Non-Executive Director
Member of the Audit Committee
Member of the Remuneration Committee

Tan Sri Datuk Dr Omar (Malaysian, aged 71) was appointed to the Board on 17 April 2003.

A graduate in Veterinary Science from the University of Sydney, Australia and a Doctorate in Philosophy from Cambridge University, UK, he started his professional career in 1960 in veterinary research. In 1984, he was appointed the Science Adviser in the Prime Minister's Department and in the capacity, he served on a number of national committees including the National Development Planning Committee, the National Council for Scientific Research and Development, the National Information Technology Council and the National Telecommunication Council among some of the notable positions in the area of science, research and policy.

On the international scene, he 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), the Founding Fellow of the Islamic Academy of Sciences and a Fellow of the Third World Academy of Sciences.

He is currently a director of Encorp Berhad and the Chairman of the Board of Kotra Industries Berhad and a trustee of the Malaysian University of Science and Technology (MUST). He is also the Executive Chairman of Kumpulan Modal Perdana Sdn Bhd.

Tan Sri Datuk Dr Omar does not have any family relationship with any Director and/or major shareholder and has no conflict of interest with the Company. Tan Sri Datuk Dr Omar has not been convicted of any offence over the last 10 years.

YEOH SOO ANN

Non-Independent, Executive Director

Yeoh, (Malaysian, aged 43) joined the Board of Encorp Berhad on the 18 November 2003 and appointed as the Group Chief Executive Officer in an acting capacity on 18 November 2003.

Yeoh is a member of the member of the Malaysian Institute of Certified Public Accountants and the Malaysia Institute of Accountants since 1988. He has worked in public accounting firms both in audit and consultancy capacity for more than 12 years. This includes Ernst & Young London and PriceWaterhouseCoopers in Malaysia. During his tenure with the public accounting firm he was involved with the public accounting firms, he was involved with companies such as Thorn Group, Sime Darby and Kuok Group in Malaysia.

Prior to joining the Encorp Group, he was an Executive Director – Finance of FACB Industries Incorporated Berhad, a public company listed on the KLSE.

Yeoh has no family relationship with any Director and/or major shareholder, nor any conflict of interest with the Company. He has not been convicted of any offence for the last 10 years.

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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 2003.

PRINCIPAL ACTIVITIES

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

The principal activities of the subsidiaries are disclosed in Note 4 to the financial statements.

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

FINANCIAL RESULTS

	GROUP (RM)	COMPANY (RM)
Profit/(loss) before taxation	13,359,622	(296,976)
Taxation	(8,325,368)	(147,266)
Profit/(loss) for the year	5,034,254	(444,242)

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the Consolidated Statement of Changes in Equity.

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.

DIRECTORS

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

Dato' Mohamad Nor bin Mohamad
Datuk Fong Joo Chung
Datuk Dr Ting Ding Ing
Efeida binti Mohd Effendi
Dato' Chew Kong Seng @ Chew Kong Huat
Mohd Ezra Effendi bin Mohd Effendi Norwawi
Datuk Dr Zainal Aznam bin Mohd Yusof (Appointed on 21.04.2003)
Tan Sri Datuk Dr Omar bin Abdul Rahman (Appointed on 17.06.2003)
Yeoh Soo Ann (Appointed on 18.11.2003)
Dato' Ahmad Fuad bin Haji Md Ali (Resigned on 25.09.2003)

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, other than as may arise from the share options to be granted pursuant to the Employee Share Options Scheme.

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 as shown in Note 21 to the financial statements or the fixed salary of a full-time employee of the Company) 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 25 to the financial statements.

DIRECTORS' INTERESTS

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			
	At 1 January 2003	Bought	Sold	At 31 December 2003
a) Direct interest in shares of Corporate Shareholder				
Lavista Sdn Bhd				
Efeida binti Mohd Effendi	1	-	-	1
Dato' Mohamad Nor bin Mohamad	50,000*	-	-	50,000*
* These shares are held in trust.				
b) Direct interest in shares of the Company:				
Datuk Dr Ting Ding Ing	569,000		-	569,000
Deemed interest in shares of the Company:				
Efeida binti Mohd Effendi	143,504,536	-	(68,800,000)	74,704,536
Dato' Mohamad Nor bin Mohamad	143,504,536**	-	(68,800,000)	74,704,536 **

** By virtue of shares of Lavista Sdn. Bhd. held in trust by the Director.

By virtue of the relationship with the shareholder of Lavista Sdn Bhd, Efeida binti Mohd Effendi, Mohd Ezra Effendi bin Mohd Effendi Norwawi is deemed interested in shares of the Company to the extent the shareholder has an interest.

SIGNIFICANT EVENTS

a) *Transfer of Listing Status*

On 9 December 2002, Great Wall Plastic Industries Berhad (GWPI) became a wholly owned subsidiary of the Company pursuant to the Scheme of Arrangement where the entire issued and fully paid up capital of GWPI were exchanged for new ordinary shares of RM1 each in the Company on the basis of one new ordinary share of RM1 each in the Company for every one existing ordinary share of RM1 each in GWPI.

Bursa Malaysia Securities Berhad (Bursa Malaysia) , on 11 February 2003, delisted GWPI from the Official List of Bursa Malaysia.

On 11 February 2003, the entire issued and paid up capital of the Company comprising 223,508,536 ordinary shares of RM1 each had been listed on Bursa Malaysia in place of GWPI, in accordance with the transfer of the listing status of GWPI to the Company.

b) *Proposed Acquisition of EMSB and Proposed Disposal of GWPI*

The Company had on 28 October 2003 announced the following proposals, which involve, inter-alia,

(i) Proposed acquisition of 100% equity interest in Encorp Must Sdn Bhd (EMSB), which is an investment holding and property project management company and its sole investment is its 70% equity interest in Must Ehsan Development Sdn Bhd (MEDSB), from Encorp Group Sdn Bhd (EGSB) for RM45.96 million where; RM45 million shall be paid for and on behalf of the Company by Megastart Sdn Bhd (Megastart) and RM0.96 million shall be paid in cash within 12 months from the date of completion of the Proposed Disposal of GWPI (Proposed Acquisition of EMSB); and

(iii) Proposed disposal of 51% equity interest in GWPI to Megastart for RM45 million which consideration shall be satisfied by Megastart assuming the Company's obligation to pay RM45 million to EGSB pursuant to the Proposed Acquisition of EMSB (Proposed Disposal of GWPI).

(collectively referred to as the Proposals)

Securities Commission (SC) had on 29 January 2004 granted their approval for a waiver to the Company exempting the Company from its obligations to acquire the remaining shares in MEDSB not owned by the Company upon completion of the Proposed Acquisition of EMSB under Practice Note 2.9.6 of the Malaysian Code on Take-overs and Mergers, 1998.

Ministry of International Trade and Industry (MITI) had on 19 February 2004 approved the Proposed Disposal of GWPI.

On 18 March 2004, Foreign Investment Committee (FIC) had also approved the Proposed Acquisition of EMSB.

Following the receipt of SC's, MITI's and FIC's approval, the Proposed Acquisition of EMSB and Proposed Disposal of GWPI remain conditional upon the approval being obtained from the shareholders of the Company at an Extraordinary General Meeting (EGM) to be convened.

The above Proposals are expected to be completed in the second quarter of year 2004.

c) Proposed Private Placement

On 13 February 2004, the Company announced its proposal to implement a private placement of up to 22,350,853 new ordinary shares of RM1 each in the Company, representing up to 10% of the existing issued and paid-up capital of the Company (Proposed Private Placement), to placees to be identified at an issue price to be determined later. Depending on the number of placement shares to be issued and the issue price, the gross proceeds arising from the Proposed Private Placement will be primarily used for the working capital of the Company and to acquire further land bank to enhance the earnings of the Group in the property development sector. The Proposed Private Placement requires the approvals of the following authorities:

(i) SC
(ii) SC on behalf of the FIC
(iii) MITI
(iv) Bursa Malaysia for the listing and quotation for the placement shares

The applications to the relevant authorities for the Proposed Private Placement are expected to be submitted within three months from 13 February 2004.

OTHER STATUTORY INFORMATION

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

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

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

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

(i) the amount written off for bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; and

(ii) the values attributed to 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, except as disclosed in the financial statements; 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.

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

DATO' MOHAMAD NOR BIN MOHAMAD

YEOH SOO ANN

Kuala Lumpur, Malaysia
Date: 22 April 2004

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

We, DATO' MOHAMAD NOR BIN MOHAMAD 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 64 to 99 are drawn up in accordance with applicable Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2003 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

DATO' MOHAMAD NOR BIN MOHAMAD

YEOH SOO ANN

Kuala Lumpur, Malaysia
Date: 22 April 2004

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

I, SIM GEOK LING, 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 64 to 99 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
SIM GEOK LING at Kuala Lumpur in the Federal Territory
on 22 April 2004.

Before me,
Commissioner for Oaths
Soh Ah Kau
No. W315

SIM GEOK LING

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

We have audited the accompanying financial statements set out on pages 64 to 99. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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 Approved Accounting Standards in Malaysia so as to give a true and fair view of:

   (i) the financial position of the Group and of the Company as at 31 December 2003 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.

We have considered the financial statements and the auditors' reports thereon of the subsidiaries as indicated in Note 4 to the financial statements, being financial statements which have been included in the consolidated financial statements.

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 material to the consolidated financial statements and did not include any comment required to be made under Section 174(3) of the Act.

ERNST & YOUNG
AF: 0039
Chartered Accountants

Dato' Nordin Baharuddin
No. 837/03/06 (J)
Partner

Kuala Lumpur, Malaysia
22 April 2004

BALANCE SHEETS
AS AT 31 DECEMBER 2003

	note	GROUP 2003 RM	GROUP 2002 RM As Restated	COMPANY 2003 RM	COMPANY 2002 RM
PROPERTY, PLANT AND EQUIPMENT	3	125,797,955	125,585,972	112,855	-
INVESTMENT IN SUBSIDIARIES	4	-	-	327,363,868	330,004,000
GOODWILL	5	171,018,931	180,933,071	-	-
CONCESSION EXPENDITURE	6	302,647,128	578,195,691	-	-
CONCESSION INCOME RECEIVABLES	7	909,141,244	633,015,618	-	-
CURRENT ASSETS					
Inventories	8	15,980,397	15,974,195	-	-
Trade receivables	9	157,743,393	122,099,303	-	-
Other receivables	10	610,004	2,435,596	17,206	58,250
Tax recoverable		483,140	131,020	394,095	-
Amount due from holding company	11	-	2,556,043	-	-
Amount due from corporate shareholder	12	1,300,629	-	-	-
Amount due from subsidiaries	13	-	-	964,968	-
Deposits, cash and bank balances	14	119,857,396	114,445,750	51,419	2
		295,974,959	257,641,907	1,427,688	58,252
CURRENT LIABILITIES					
Short term borrowings	15	133,821,449	115,800,000	-	-
Trade payables		135,653,226	112,874,583	-	-
Other payables	16	75,795,025	56,384,618	2,379,261	722,450
Hire purchase payables	17	189,645	227,887	10,185	-
Amount due to subsidiaries	13	-	-	-	2,457,714
Provision for taxation		1,077,683	126,538	-	-
		346,537,028	285,413,626	2,389,446	3,180,164
NET CURRENT LIABILITIES		(50,562,069)	(27,771,719)	(961,758)	(3,121,912)
		1,458,043,189	1,489,958,633	326,514,965	326,882,088

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

BALANCE SHEETS
AS AT 31 DECEMBER 2003

	note	GROUP 2003 RM	GROUP 2002 RM As Restated	COMPANY 2003 RM	COMPANY 2002 RM
FUNDS EMPLOYED:					
Share capital	18	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
Reserve on consolidation		47,824,897	47,824,897	-	-
Retained profit/ (Accumulated losses)		25,693,712	20,659,458	(634,082)	(189,840)
Shareholders' funds		400,590,537	395,556,283	326,437,846	326,882,088
DEFERRED AND LONG TERM LIABILITIES					
Long term borrowings	15	1,036,351,274	1,080,821,534	-	-
Deferred taxation	19	20,545,295	12,932,145	-	-
Hire purchase payables	17	556,083	648,671	77,119	-
		1,057,452,652	1,094,402,350	77,119	-
		1,458,043,189	1,489,958,633	326,514,965	326,882,088

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

INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003

	note	GROUP 2003 RM	GROUP 2002 RM As Restated	COMPANY 2003 RM	COMPANY 2002 RM
Revenue	20	567,273,021	861,178,721	3,093,430	-
Cost of sales		(453,155,717)	(776,249,201)	-	-
Gross profit		114,117,304	84,929,520	3,093,430	-
Other operating income		836,012	609,239	-	-
Administrative expenses		(11,023,441)	(3,343,869)	(3,380,357)	(53,506)
Other operating expenses		(15,033,923)	(13,576,220)	(8,389)	-
Profit/(loss) from operations		88,895,952	68,618,670	(295,316)	(53,506)
Finance costs		(75,536,330)	(49,294,411)	(1,660)	-
Profit/(loss) before taxation	21	13,359,622	19,324,259	(296,976)	(53,506)
Taxation	22	(8,325,368)	(120,027)	(147,266)	-
Profit/(loss) for the year		5,034,254	19,204,232	(444,242)	(53,506)
Basic/diluted earnings per share (Sen)	23	2.25	12.79		

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2003

		← Non-distributable			→ Distributable	
	note	Share Capital RM	Share Premium RM	Reserve on Consolidation RM	Retained Profit RM	Total RM
At 1 January 2002		75,528,703	173,471,299	-	1,455,226	250,455,228
Profit for the year						
- As previously reported		-	-	-	7,610,762	7,610,762
- Prior year adjustment	27	-	-	-	11,593,470	11,593,470
As restated		-	-	-	19,204,232	19,204,232
Bonus issue of shares	18	67,975,833	(67,975,833)	-	-	-
Issue of shares	18	80,004,000	-	-	-	80,004,000
Net loss not recognised in the income statement:						
- Write off of corporate exercise expenses		-	(1,932,074)	-	-	(1,932,074)
Reserve arising on acquisition of a subsidiary		-	-	47,824,897	-	47,824,897
At 31 December 2002		223,508,536	103,563,392	47,824,897	20,659,458	395,556,283
At 1 January 2003						
- As previously reported		223,508,536	103,563,392	47,824,897	9,065,988	383,962,813
- Prior year adjustment	27	-	-	-	11,593,470	11,593,470
As restated		223,508,536	103,563,392	47,824,897	20,659,458	395,556,283
Profit for the year		-	-	-	5,034,254	5,034,254
At 31 December 2003		223,508,536	103,563,392	47,824,897	25,693,712	400,590,537

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2003

	note	Share Capital RM	Share Premium RM	Accumulated Losses RM	Total RM
At 1 January 2002		75,528,703	173,471,299	(136,334)	248,863,668
Bonus issue of shares		67,975,833	(67,975,833)	-	-
Issue of shares		80,004,000	-	-	80,004,000
Net loss not recognised in the income statement: - Write off of corporate exercise expenses		-	(1,932,074)	-	(1,932,074)
Loss for the year		-	-	(53,506)	(53,506)
At 31 December 2002		223,508,536	103,563,392	(189,840)	326,882,088
At 1 January 2003		223,508,536	103,563,392	(189,840)	326,882,088
Loss for the year		-	-	(444,242)	(444,242)
At 31 December 2003		223,508,536	103,563,392	(634,082)	326,437,846

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

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(loss) before taxation	13,359,622	19,324,259	(296,976)	(53,506)
Adjustments for:				
Depreciation	11,665,175	1,600,940	8,389	-
Interest expenses	75,536,330	49,294,411	1,660	-
Property, plant and equipment written off	-	5,115	-	-
Gain on disposal of property, plant and equipment	(25,911)	(68,999)	-	-
Dividend income	-	-	(1,933,430)	-
Provision for doubtful debts	102,223	34,470	-	-
Write back of provision for doubtful debts	(32,427)	-	-	-
Amortisation of concession expenditure	359,683,441	768,683,809	-	-
Interest income	(578,878)	(609,239)	-	-
Amortisation of goodwill on consolidation	9,914,140	12,702,493	-	-
Operating profit/(loss) before working capital changes	469,623,715	850,967,259	(2,220,357)	(53,506)
Changes in working capital:				
Concession expenditure	(68,942,449)	(240,382,617)	-	-
Inventories	(6,202)	(4,014,521)	-	-
Receivables	(309,919,280)	(811,963,536)	41,044	(3,750)
Holding company	-	(840,464)	-	-
Corporate shareholder	1,255,414	-	-	-
Payables	43,325,061	26,304,947	1,656,811	(556,130)
Subsidiaries	-	-	(3,422,682)	613,386
Cash generated from/(used in) operations	135,336,259	(179,928,932)	(3,945,184)	-
Corporate exercise expenses	-	(1,932,074)	-	-
Interest paid	(1,019,517)	(195,522)	(1,660)	-
Income taxes (paid)/refund	(193,363)	252,048	(1,568,079)	-
Net cash flow generated from/(used in) operating activities	134,123,379	(181,804,480)	(5,514,923)	-

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

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003 (Continued...)

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(13,485,511)	(146,013)	(35,781)	-
Proceeds from disposal of property, plant and equipment	634,069	69,000	-	-
Interest received	1,906,425	2,652,133	-	-
Dividend received	-	-	5,600,280	-
Acquisition of subsidiary company, net of cash and cash equivalents acquired	-	9,495,528	-	-
Net cash (used in)/generated from investing activities	(10,945,017)	12,070,648	5,564,499	-
CASH FLOWS FROM FINANCING ACTIVITIES				
Drawdown of term loan	2,600,000	-	-	-
Proceeds from issuance of long term borrowing	-	189,500,000	-	-
Repayment of borrowings	(120,646,186)	(71,900,000)	-	-
Cash and bank balances and deposits pledged	(7,042,345)	-	-	-
Release of deposits pledged	-	64,513,269	-	-
Hire purchase payables	(220,530)	(75,954)	1,841	-
Net cash (used in)/generated from financing activities	(125,309,061)	182,037,315	1,841	-
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(2,130,699)	12,303,483	51,417	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	12,410,307	106,824	2	2
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	10,279,608	12,410,307	51,419	2

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

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003 (Continued...)

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Cash and cash equivalents comprise the following:				
Cash deposits placed with:				
- licensed banks	24,802,765	36,989,890	-	-
- financial institution	77,876,939	63,419,900	-	-
Cash and bank balances	17,177,692	14,035,960	51,419	2
Bank overdraft	(500,000)	-	-	-
	119,357,396	114,445,750	51,419	2
Less: Cash and bank balances and Deposits pledged	(109,077,788)	(102,035,443)	-	-
	10,279,608	12,410,307	51,419	2

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

1. CORPORATE INFORMATION

The Company's principal activities are investment holding and provision of general management support service.

The principal activities of the subsidiaries are described in Note 4 to the financial statements.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of 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 Masalam, No 1, Jalan Tengku Ampuan Zabedah C9/C, Section 9, 40100 Shah Alam, Selangor.

The number of employees in the Group and the Company at the end of the financial year were 483 (2002: 522) and 24 (2002: Nil) respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 22 April 2004.

2. SIGNIFICANT ACCOUNTING POLICIES

a) *Basis of Preparation*

The financial statements of the Group and of the Company have been prepared under the historical cost convention and comply with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia.

During the financial year ended 31 December 2003, the Group and the Company adopted the following new Malaysian Accounting Standards Board (MASB) Standards for the first time:-

MASB 28 - Discontinuing Operations
MASB 29 - Employees Benefits

The adoption of MASB 28 and MASB 29 have not given rise to any adjustments to the opening balances of retained profits of the prior and current year or to changes in comparatives.

b) *Basis of Consolidation*

The consolidated financial statements include the financial statements of the Company and all its subsidiaries. Subsidiaries are those companies in which the Group has a long term equity interest and where it has the power to exercise control over the financial and operating policies so as to obtain benefits therefrom.

Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of subsidiaries are measured at their fair values at the date of acquisition and these values are reflected in the consolidated balance sheet. The difference between the cost of an acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition is included in the consolidated balance sheet as goodwill or negative goodwill arising on consolidation.

Intragroup transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets, together with any unamortised balance of goodwill and exchange differences which were not previously recognised in the consolidated income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

c) *Goodwill*

Goodwill represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

Goodwill is stated at cost less accumulated amortisation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(o). Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

Goodwill is amortised on a straight-line basis over its estimated useful life of 20 years.

d) *Investments in Subsidiaries*

The Company's investments in subsidiaries are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(o).

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is recognised in the income statement.

e) *Property, Plant and Equipment and Depreciation*

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(o).

The freehold land of a subsidiary has not been revalued since it was first revalued in 1995. The Directors have not adopted a policy of regular revaluations of such assets. As permitted under the transitional provisions of IAS 16 (Revised): Property, Plant and Equipment, this asset continues to be stated at its 1995 valuation.

Freehold land is not depreciated. Depreciation of other 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:

	%
Factory buildings and warehouse	2
Commercial office space	2
Plant, machinery and equipment	7.5 - 10
Motor vehicles	20
Office equipment, furniture and fittings	10 - 20
Office renovation	10

Upon the disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and the net carrying amount is recognised in the income statement.

f) *Concession Expenditure and Borrowing Costs*

Concession expenditure comprise costs incurred in relation to the construction of 10,000 units of teachers' quarters. Costs comprise direct building cost and related expenditure common to the whole project including interest incurred relating to financing of the expenditure.

Borrowing costs attributable to the construction of the quarters during the period when activities necessary to prepare the quarters for its intended use are in progress, are capitalised as a component of the cost of the concession expenditure. Such capitalisation ceases when the quarters are ready for its intended use.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

g) *Inventories*

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Cost of finished goods and work-in-progress includes direct materials, direct labour, other direct costs and appropriate production overheads. Net realisable value represents the estimated selling price less all costs to completion and costs to be incurred in marketing, selling and distribution.

h) *Cash and Cash Equivalents*

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

i) *Leases*

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incident to ownership. All other leases are classified as operating leases.

Assets acquired by way of hire purchase 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.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represents the difference between the total leasing commitments and the fair value of the asset acquired, are recognised as an expense in the income statement 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 leased assets is consistent with that for depreciable property, plant and equipment as described in Note 2(e).

j) *Provision for Liabilities*

Provision for liabilities 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 obligations, 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, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

k) *Income Tax*

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

Deferred tax is provided for using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. 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 on the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited 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 negative goodwill.

l) *Employee Benefits*

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. 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, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

(iii) Equity compensation benefits

The Encorp Berhad Employee Share Option Scheme ("ESOS") allows the Groups' employees to acquire shares of the Company. No compensation cost of obligation is recognised. When the options are exercised, equity is increased by the amount of the proceeds received.

m) *Revenue Recognition*

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

(i) Sale of goods

Revenue relating to sale of goods is recognised net of sales taxes and discounts upon the transfer of risks and rewards.

(ii) Dividend Income

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

(iii) Concession income

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

Pursuant to the Privatisation Agreement, the concession income is payable by the Government from the completion and handover of each cluster of the teachers' quarters up to the end of the concession period ("the residual concession period"). Accordingly, the Company is compensated in the form of interest as a result of the extended repayment period. Interest income is earned over the residual concession period as described in Note 2(m)(iv).

(iv) Interest Income

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

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

(v) Management fee

Management fee is recognised as and when the services are performed.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

n) *Foreign Currencies*

Transactions in foreign currencies are initially recorded in Ringgit Malaysia at rates of exchange ruling at the date of the transaction. At each balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at that date. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition and non-monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined.

All exchange rate differences are taken to the income statement.

The principal closing rates used for every unit of foreign currency ruling at the balance sheet date used are as follows:

	2003 RM	2002 RM
1 US Dollar	3.80	3.80
1 Singapore Dollar	2.23	2.19
1 Brunei Dollar	2.23	-
100 Thai Baht	9.59	-

o) *Impairment of Assets*

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows.

An impairment loss is recognised as an expense in the income statement immediately. Reversal of impairment losses recognised in prior years is recorded when the impairment losses recognised for the asset no longer exist or have decreased.

p) *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, 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 charged directly to 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) Trade and Other Receivables

Trade and other 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.

(ii) Concession Income Receivable

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

(iii) Trade and Other Payables

Trade and other payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(iv) 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.

(v) 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(e).

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

3. PROPERTY, PLANT AND EQUIPMENT

GROUP	Freehold land RM	Factory buildings and warehouse RM	Commercial office space RM	Plant machinery and equipment RM	Motor vehicles RM	Office equipment, furniture and fittings RM	Office renovation RM	Total 2003 RM	Total 2002 RM
COST									
At 1 January 2003	9,260,070	40,919,955	3,756,750	116,256,953	6,444,808	6,847,920	2,421,449	185,907,905	9,162,796
Arising from acquistion of subsidiary	-	-	-	-	-	-	-	-	176,790,920
Additions	-	173,639	-	11,820,874	345,509	145,294	-	12,485,316	146,013
Disposals/write offs	-	-	-	(471,973)	(250,000)	(4,840)	-	(726,813)	(191,824)
At 31 December 2003	9,260,070	41,093,594	3,756,750	127,605,854	6,540,317	6,988,374	2,421,449	197,666,408	185,907,905
ACCUMULATED DEPRECIATION									
At 1 January 2003	-	3,288,494	206,621	47,681,934	4,253,233	4,385,665	505,986	60,321,933	1,254,299
Arising from acquistion of subsidiary	-	-	-	-	-	-	-	-	57,653,402
Charge for the year	-	820,871	75,135	8,867,693	761,346	897,984	242,146	11,665,175	1,600,940
Disposals/write offs	-	-	-	(117,611)	-	(1,044)	-	(118,655)	(186,708)
At 31 December 2003	-	4,109,365	281,756	56,432,016	5,014,579	5,282,605	748,132	71,868,453	60,321,933
NET BOOK VALUE									
At 31 December 2003	9,260,070	36,984,229	3,474,994	71,173,838	1,525,738	1,705,769	1,673,317	125,797,955	-
At 31 December 2002	9,260,070	37,631,461	3,550,129	68,575,019	2,191,575	2,462,255	1,915,463	-	125,585,972
Depreciation charged for year 2002	-	68,295	68,873	721,987	337,365	182,453	221,967	-	1,600,940

(i) Net book value of property, plant and equipment under hire purchase and finance lease instalment amounted to RM863,725 (2002: RM1,089,759).

(ii) During the year, the Group acquired property, plant and equipment with an aggregate cost of RM12,485,316 of which RM85,463 were acquired by means of hire purchase arrangements.

3. PROPERTY, PLANT AND EQUIPMENT (Continued...)

Company

Cost	*Motor vehicles RM*	*Office equipment RM*	*Total 2003 RM*	*Total 2002 RM*
At 1 January 2003	-	-	-	-
Additions	95,509	25,735	121,244	-
At 31 December 2003	95,509	25,735	121,244	-
Accumulated Depreciation				
At 1 January 2003	-	-	-	-
Charge for the year	6,367	2,022	8,389	-
At 31 December 2003	6,367	2,022	8,389	-
Net Book Value				
At 31 December 2003	89,142	23,713	112,855	-
At 31 December 2002	-	-	-	-
Depreciation charged for year 2002	-	-	-	-

Net book value of property, plant and equipment under hire purchase arrangement amounted to RM89,142 (2002: RMNil).

During the year, the Company acquired property, plant and equipment with an aggregate cost of RM121,244 of which RM85,463 were acquired by means of hire purchase arrangements.

4. INVESTMENT IN SUBSIDIARIES

	COMPANY 2003 RM	*COMPANY 2002 RM*
Unquoted shares, at cost		
At 1 January	330,004,000	250,000,000
Add: Acquisition during the year	-	80,004,000
Less: Pre-acquisition dividend received	(2,640,132)	-
At 31 December	327,363,868	330,004,000

The above current year unquoted shares relates to Enfari Sdn. Bhd. and Great Wall Plastic Industries Berhad.

4. INVESTMENT IN SUBSIDIARIES (Continued...)

Details of the subsidiaries are as follows:

Name of Company	Country Incorporation	Equity Interest Held (%) 2003	2002	Principal activities
Enfari Sdn. Bhd.	Malaysia	100	100	Investment holding
Great Wall Plastic Industries Berhad	Malaysia	100	100	Manufacturing and marketing of plastic film packaging products
Subsidiary companies of Enfari Sdn. Bhd.				
Encorp Systembilt Sdn. Bhd.	Malaysia	100	100	Concessionaire to build and transfer teachers' quarters to the Government of Malaysia
Encorp Construct Sdn. Bhd.	Malaysia	100	100	Property construction
Subsidiary company of Encorp Construct Sdn. Bhd.				
Encorp-L & M Precast Sdn. Bhd.	Malaysia	55	55	General contracting

5. GOODWILL

	GROUP 2003 RM	2002 RM
At 1 January	180,933,071	193,635,564
Less: Amortisation	(9,914,140)	(12,702,493)
At 31 December	171,018,931	180,933,071

The goodwill is amortised through the income statement over a period not exceeding 20 years (2002: 20 years).

6. CONCESSION EXPENDITURE

	GROUP 2003 RM	2002 RM
Concession expenditure	1,430,105,839	1,349,644,451
Accumulated amortisation	(1,127,458,711)	(771,448,760)
	302,647,128	578,195,691

6. CONCESSION EXPENDITURE (Continued...)

Included in concession expenditure incurred during the year are:	GROUP 2003 RM	GROUP 2002 RM
Accretion in value of Al-Bai Bithaman Ajil Notes	16,534,448	28,414,943
Staff costs (Note a)	1,899,289	3,033,559
Consultancy fees paid to a former Director of a subsidiary company	-	294,000
Rental of office equipment	7,700	7,750
Directors' remuneration and allowances *		
- the Company	190,132	256,879
- a subsidiary company	470,400	425,600
Interest income from fixed deposit	(1,342,017)	(667,209)

* Included in Directors' remuneration and allowances capitalised are Directors' salaries, pension costs-defined contribution plans and rental of motor vehicles of RM540,000 (2002: RM500,000), RM64,800 (2002: RM52,600) and RM55,732 (2002: RM122,479) respectively.

Although the construction of certain teachers' quarters have been completed, the Group still has several outstanding contractual claims on this project which are currently at various stages of negotiation concerning the value of variations and claims based on circumstances envisaged in the original contracts but which are pending approval by the Government. As at 31 December 2003, concession expenditure includes costs incurred relating to variation orders amounting to approximately RM145,396,000 (2002: RM51,715,000).

The Directors recognise that there are uncertainties associated with these claims which concern both the value of settlement and also the timing of ultimate settlement. They have also reviewed this matter in detail, having regard to all known factors of this time in determining the operating profit for the period ended 31 December 2003 and are of the opinion that the amount recognised in concession expenditure is reasonable.

	GROUP 2003 RM	GROUP 2002 RM
a) Wages and salaries	1,680,498	2,761,365
Social security costs	14,024	18,470
Pension cost - defined contribution plans	204,767	253,724
	1,899,289	3,033,559

7. CONCESSION INCOME RECEIVABLES

	GROUP	
	2003	2002
Concession income receivables accrued:	RM	RM
- Within 1 year	133,651,499	99,550,205
- More than 1 year and less than 2 years	114,375,216	76,435,116
- More than 2 years and less than 5 years	343,125,648	229,305,348
- More than 5 years	2,349,480,715	2,284,622,813
	2,940,633,078	2,689,913,482
Unearned interest income	(1,776,840,335)	(1,873,172,659)
	1,163,792,743	816,740,823
Initial concession payment recognised (Note 16)	(121,000,000)	(84,175,000)
	1,042,792,743	732,565,823
Receivable within one year (Note 9)	133,651,499	99,550,205
Receivable after one year	909,141,244	633,015,618
	1,042,792,743	732,565,823

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

The Group's normal trade credit term is 21 days (2002: 21 days).

8. INVENTORIES

	GROUP	
	2003	2002
At cost:	RM	RM
Consumable stores	1,139,577	2,098,816
Raw materials	11,103,090	11,536,572
Work-in-progress	1,339,897	650,341
Finished goods	2,397,833	1,688,466
	15,980,397	15,974,195

9. TRADE RECEIVABLES

	GROUP	
	2003	2002
	RM	RM
Trade receivables	24,289,139	22,725,143
Less: Provision for doubtful debts	(197,245)	(176,045)
	24,091,894	22,549,098
Concession income receivables within one year (Note 7)	133,651,499	99,550,205
	157,743,393	122,099,303

9. TRADE RECEIVABLES (Continued...)

Included in concession income receivables within one year is an amount of RM114,375,216 (2002: RM76,435,116), being progress billings in respect of completed units of teachers' quarters which have yet to be raised to the Government of Malaysia.

Save and except for concession income receivable from the Government of Malaysia, the Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

10. OTHER RECEIVABLES

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Sundry receivables	345,083	148,100	-	-
Prepayments	185,370	220,951	11,216	58,250
Deposits	79,551	2,066,545	5,990	-
	610,004	2,435,596	17,206	58,250

Included in sundry receivables of the Group is an amount of RM170,139 (2002: RM36,139) due from affiliated companies. Affiliated companies comprise companies related to Directors, Dato' Mohamad Nor bin Mohamad, Efeida binti Mohd Effendi and Mohd Ezra Effendi bin Mohd Effendi Norwawi, by virtue of them being Directors and/or shareholders of the companies.

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

11. AMOUNT DUE FROM HOLDING COMPANY

The amount due from holding company in prior year was unsecured, interest free and has no fixed terms of repayment.

12. AMOUNT DUE FROM CORPORATE SHAREHOLDER

The amount due from corporate shareholder, Lavista Sdn Bhd, is unsecured, interest free and has no fixed terms of repayment.

13. AMOUNT DUE FROM/(TO) SUBSIDIARIES

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

14. DEPOSITS, CASH AND BANK BALANCES

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Cash deposits placed with:				
- licensed banks (a)	24,802,765	36,989,890	-	-
- financial institution (b)	77,876,939	63,419,900	-	-
Cash and bank balances	17,177,692	14,035,960	51,419	2
	119,857,396	114,445,750	51,419	2

a) The deposits with licensed banks amounting to RM363,736 (2002: RM989,890) are on lien for a bank guarantee granted to the Government and performance bonds, while another RM21,439,029 (2002: RM36,000,000) of cash deposits are placed in an escrow account pursuant to a credit facility granted to an affiliated company.

b) The deposit of RM77,876,939 (2002: RM63,419,900) is held by the financial institution in trust for the holders of the Al-Bai Bithaman Ajil Notes.

c) Included in the cash and bank balances is an amount of RM9,398,084 (2002: RM1,625,653) held by the financial institution in trust for the holders of the Al-Bai Bithaman Ajil Notes.

The weighted average effective interest rates during the financial period and the average maturities of deposits as at 31 December 2003 were as follows:

	GROUP	
	Weighted Average Interest Rates %	Average Maturities Days
Licensed banks	2.81	25
Financial institution	2.90	23

15. BORROWINGS

Total Borrowings	GROUP	
	2003 RM	2002 RM
Secured		
(i) Al-Bai Bithaman Ajil Notes are payable:		
- within one year	129,696,713	112,600,000
- more than one year and less than two years	129,650,000	129,696,713
- more than two years and less than five years	416,510,414	418,118,218
- more than five years	1,498,736,201	1,626,778,397
	2,174,593,328	2,287,193,328
Less: Finance charges	(1,012,870,341)	(1,103,967,714)
	1,161,722,987	1,183,225,614
(ii) Bank term loans are payable:		
- within one year	3,624,736	3,200,000
- more than one year and less than five years	4,325,000	10,195,920
(iii) Bank overdraft	500,000	-
	1,170,172,723	1,196,621,534

15. BORROWINGS (Continued...)

Short Term Borrowings	GROUP 2003 RM	GROUP 2002 RM
Secured		
Al-Bai Bithaman Ajil Notes payable	129,696,713	112,600,000
Bank term loans payable	3,624,736	3,200,000
Bank overdraft	500,000	-
	133,821,449	115,800,000
Long Term Borrowings		
Secured		
Al-Bai Bithaman Ajil Notes payable	1,032,026,274	1,070,625,614
Bank term loans payable	4,325,000	10,195,920
	1,036,351,274	1,080,821,534
Analysed as follows:		
Due within one year	133,821,449	115,800,000
Due after one year	1,036,351,274	1,080,821,534
	1,170,172,723	1,196,621,534

The secured Al-Bai Bithaman Ajil Notes (Notes) were issued by a subsidiary company to finance the planning, design, construction and completion of 10,000 units of teachers' quarters for the Government of Malaysia. The Notes were undertaken in three 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	Aggregate Face Value of Secondary Notes
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.

All Notes are secured by the assignment of the contract Concession Payments and the deposit with a financial institution, and a negative pledge on all assets of a subsidiary company.

Meanwhile, the secured bank term loans are covered by negative pledge over the entire assets of a subsidiary and corporate guarantee by the Company. Interest is charged at 1% (2002: 1%) per annum above the base lending rate and cost of funds, as applicable.

16. OTHER PAYABLES

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Initial concession payment received in advance (i)	4,000,000	40,825,000	-	-
Advance payment (ii)	28,000,000	-	-	-
Sundry payables	5,258,561	8,671,188	1,572,742	722,150
Provision for defect liability	3,449,300	-	-	-
Amount due to a related party	929,974	2,422,564	300,000	-
Provision for employee benefits	178,283	-	110,123	-
Accruals	33,978,907	4,465,866	396,396	300
	75,795,025	56,384,618	2,379,261	722,450

(i) The initial concession payment received from the Government of Malaysia is in connection with the construction of 10,000 units of teachers' quarters. These payments will be recognised in the income statement upon the completion and handover of each unit of the teachers' quarters to the Government of Malaysia. The initial concession payment account is as follows:

	GROUP	
	2003 RM	2002 RM
Initial concession payment received	125,000,000	125,000,000
Less: Total revenue recognised to date (Note 7)	(121,000,000)	(84,175,000)
	4,000,000	40,825,000

The amounts are unsecured, interest free and has no fixed terms of repayment.

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

Included in sundry payables of the Group and the Company are amounts due to affiliated companies, amounting to RM2,281,125 (2002: RM1,234,737) and RM1,123,922 (2002: RM463,248) respectively.

Amount due to a related party represents amount owing to a person connected to the Directors of the Company.

17. HIRE PURCHASE PAYABLES

	GROUP		COMPANY	
Minimum lease payments:	2003 RM	2002 RM	2003 RM	2002 RM
Not later than 1 year	244,519	296,496	16,224	-
Later than 1 year and not later than 2 years	188,844	296,496	16,224	-
Later than 2 years and not later than 5 years	427,261	435,274	48,672	-
Later than 5 years	28,322	33,349	28,322	-
	888,946	1,061,615	109,442	-
Less: Finance charges	(143,218)	(185,057)	(22,138)	-
Present value of finance lease liabilities	745,728	876,558	87,304	-
Present value of finance lease liabilities:				
Not later than 1 year	189,645	227,887	10,185	-
Later than 1 year and not later than 2 years	143,802	165,076	11,145	-
Later than 2 years and not later than 5 years	385,500	450,389	39,193	-
Later than 5 years	26,781	33,206	26,781	-
	745,728	876,558	87,304	-
Analysed as:				
Due within 12 months	189,645	227,887	10,185	-
Due after 12 months	556,083	648,671	77,119	-
	745,728	876,558	87,304	-

The hire purchase and lease payables bear interest ranging from 3.65% to 5.15% (2002: 3.65% to 5.15%) per annum.

18. SHARE CAPITAL

	Number of Ordinary Shares of RM1 Each		Amount	
	2003	2002	2003 RM	2002 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	223,508,536	75,528,703	223,508,536	75,528,703
Bonus issue	-	67,975,833	-	67,975,833
Issued during the year	-	80,004,000	-	80,004,000
At 31 December	223,508,536	223,508,536	223,508,536	223,508,536

On 21 October 2002, the issued and paid up share capital of the Company was increased from RM75,528,703 to RM143,504,536 by way of a 9 for 10 bonus issue of 67,975,833 new ordinary shares of RM1 each capitalised out of share premium.

On 9 December 2002, the issued and paid up share capital of the Company was further increased from RM143,504,536 to RM223,508,536 by the issuance of 80,004,000 new ordinary shares of RM1 each at an issue price of RM1 per share as consideration for the acquisition of the entire issued and paid up share capital of Great Wall Plastic Industries Berhad.

19. DEFERRED TAXATION

	GROUP		COMPANY	
	2003 RM	2002 RM As restated	2003 RM	2002 RM
At 1 January	12,932,145	3,085,830	-	-
Arising from acquisition of subsidiary	-	10,438,221	-	-
Transfer from/(to) income statement (Note 22)	7,613,150	(591,906)	-	-
At 31 December	20,545,295	12,932,145	-	-

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:

	Concession Expenditure RM	Progress Billings RM	Accelerated Capital Allowances RM	Total RM
At 1 January 2003	163,911,924	221,615,000	11,772,081	397,299,005
Recognised in the income statement	(79,022,777)	97,015,000	1,397,267	19,389,490
At 31 December 2003	84,889,147	318,630,000	13,169,348	416,688,495

19. DEFERRED TAXATION (Continued...)

Deferred Tax Assets of the Group:

	Tax Losses and Unabsorbed Capital Allowances RM
At 1 January 2003	(384,366,860)
Recognised in the income statement	(11,776,340)
At 31 December 2003	(396,143,200)

Deferred Tax Liabilities of the Company:

	Accelerated Capital Allowances RM
At 1 January 2003	-
Recognised in the income statement	3,251
At 31 December 2003	3,251

Deferred Tax Assets of the Company:

	Tax Losses and Unabsorbed Capital Allowances RM
At 1 January 2003	-
Recognised in the income statement	(3,251)
At 31 December 2003	(3,251)

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

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Tax Losses and Unabsorbed Capital Allowances	968,153	-	2,349	-

The unabsorbed capital allowances and unused tax losses are available indefinitely for offset against future taxable profits of the Company and subsidiary in which those items arose. Deferred tax assets have not been recognised in respect of these items as they may not be used to offset taxable profits of other subsidiaries in the Group.

20. REVENUE

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Concession income from the handover of teachers' quarters	357,037,746	815,163,900	-	-
Dividend income	-	-	1,933,430	-
Management fees	-	-	1,160,000	-
Interest income	96,332,324	36,826,826	-	-
Invoiced value of goods sold less returns and discount allowed	113,902,951	9,187,995	-	-
	567,273,021	861,178,721	3,093,430	-

21. PROFIT/(LOSS) BEFORE TAXATION

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
a) The profit/(loss) before taxation is stated after charging/(crediting):-				
Auditors' remuneration				
- auditors of the Company				
- current year	79,500	47,633	18,000	15,000
- under provision in prior year	8,950	10,000	3,000	10,000
Non-Executive Directors' remuneration (Note b)	502,990	115,625	407,690	-
Provision for doubtful debts	102,223	34,470	-	-
Depreciation of property, plant and equipment	11,665,175	1,600,940	8,389	-
Property, plant and equipment written off	-	5,115	-	-
Rent of premises	57,103	342,616	213,600	-
Rent of equipment	11,670	8,950	-	-
Amortisation of goodwill on consolidation	9,914,140	12,702,493	-	-
Amortisation of concession expenditure	359,683,441	768,683,809	-	-
Interest expense:				
- hire purchase	65,637	106,989	1,660	-
- term loan	890,281	88,143	-	-
- bank overdraft	17,483	390	-	-
- Al-Bai Bithaman Ajil notes	74,562,929	49,098,889	-	-
Realised loss on foreign exchange	7,006	-	-	-
Staff costs (Note c)	13,418,815	2,704,750	1,550,520	-
Provision for employee benefits	178,283	-	110,123	-

21. PROFIT/(LOSS) BEFORE TAXATION (Continued...)

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Dividend income received from subsidiary	-	-	(1,933,430)	-
Fixed deposit income	(578,878)	(609,239)	-	-
Gain on disposal of property, plant and equipment	(25,911)	(68,999)	-	-
Rental income	(135,600)	-	-	-
Realised gain on foreign exchange	-	(14,554)	-	-
Write back of provision for doubtful debts	(32,427)	-	-	-

b) Directors' remuneration

Directors of the Company				
Executive:				
- fees	49,250	-	49,250	-
- emoluments	252,803	259,350	239,232	-
- benefits-in-kind	3,633	41,863	3,633	-
	305,686	301,213	292,115	-
Non-Executive:				
- fees	171,250	-	160,750	-
- emoluments	243,690	110,292	242,690	-
- benefits-in-kind	4,250	-	4,250	-
	419,190	110,292	407,690	-
Other Directors				
Executive:				
- emoluments	417,384	51,210	-	-
- benefits-in-kind	17,400	1,394	-	-
	434,784	52,604	-	-
Non-Executive:				
- fees	16,500	5,333	-	-
- emoluments	67,300	-	-	-
	83,800	5,333	-	-
Total	1,243,460	469,442	699,805	-

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
b) Directors' remuneration (contd.)				
Analysis excluding benefits-in-kind:				
Total executive Directors' remuneration excluding benefits-in-kind	719,437	310,560	288,482	-
Total non-executive Directors' remuneration excluding benefits-in-kind	498,740	115,625	403,440	-
Total Directors' remuneration excluding benefits-in-kind	1,218,177	426,185	691,922	-
c) Wages and salaries	10,660,185	2,340,557	1,269,655	-
Social security costs	117,782	7,582	6,289	-
Pension cost - defined contribution plans	1,188,975	281,681	149,543	-
Other staff related expenses	1,451,873	74,930	125,033	-
	13,418,815	2,704,750	1,550,520	-

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

	Number of Directors	
Executive Directors:	2003	2002
Below RM50,000	1	-
RM50,001-100,000	1	-
RM200,001-250,000	-	1
RM250,001-300,000	1	-
RM300,001-350,000	-	1
	3	2

21. PROFIT/(LOSS) BEFORE TAXATION (Continued...)

	Number of Directors	
	2003	2002
Non-executive Directors:		
Below RM50,000	6	2
RM100,001-150,000	-	1
RM150,001-200,000	1	-
	7	3

22. TAXATION

Tax expense for the year:

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Malaysian taxation				
- current year	714,097	543,199	147,266	-
- under provision in prior year	-	168,734	-	-
Overprovision of Real Property Gain Tax	(1,879)	-	-	-
Deferred taxation (Note 19)	7,613,150	(591,906)	-	-
	8,325,368	120,027	147,266	-

Domestic income tax is calculated at the Malaysian statutory tax rate of 28% (2002: 28%) of the estimated assessable profit for the year.

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

	GROUP		COMPANY	
	2003 %	2002 % As restated	2003 %	2002 %
Profit/(loss) before taxation	100.00	100.00	100.00	100.00
Taxation at Malaysian statutory tax rate of 28% (2002: 28%)	28.00	28.00	28.00	28.00
Expenses not deductible for tax purposes	27.08	24.48	(76.80)	(28.00)
Effects of changes in tax computation	-	(52.73)	-	-
Deferred tax assets not recognised during the year	7.25	-	(0.79)	-
(Over)/underprovided in prior years				
- Real Property Gain Tax	(0.01)	-	-	-
- Current taxation	-	0.87	-	-
Tax expense for the year	62.32	0.62	(49.59)	-

22. TAXATION (Continued...)

Tax losses are analysed as follows:

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Tax savings recognised during the year arising from:				
Utilisation of current year tax losses	1,761,878	-	1,761,878	-
Unutilised tax losses carried forward	1,414,081,000	1,368,845,000	-	-

Unabsorbed capital allowances are analysed as follows:

Tax savings recognised during the year arising from:				
Utilisation of current year capital allowances	15,321,825	9,609,342	-	-
Utilisation of unabsorbed capital allowances brought forward from previous years	3,549,218	8,503,607	-	-
Unabsorbed capital allowances carried forward	734,001	3,894,214	20,001	-

Subject to the agreement of the tax authorities, the Group has unabsorbed reinvestment allowances of RM90.2 million (2002: RM82.0 million) available for utilisation against future taxable profits.

23. BASIC/DILUTED EARNINGS PER SHARE

Basic/diluted earnings per share is calculated by dividing the net profit for the year by the weighted average number of ordinary shares in issue during the financial year held by the Company.

	GROUP	
	2003 RM	2002 RM
Net profit for the year (RM)	5,034,254	19,204,232
Weighted average number of ordinary shares in issue	223,508,536	150,171,536
Basic earnings per share (sen)	2.25	12.79

24. COMMITMENTS

	GROUP	
	2003 RM	2002 RM
Capital expenditure approved and contracted for	-	8,149,144
Capital expenditure approved but not contracted for	1,698,283	-

25. SIGNIFICANT RELATED PARTY TRANSACTIONS

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Management fees charged to subsidiary:				
- Encorp Construct Sdn. Bhd.	-	-	870,000	-
- Great Wall Plastic Industries Berhad	-	-	290,000	-
Rental payable to Encorp Construct Sdn. Bhd.	-	-	213,600	-
Rental income receivable from an affiliated company, Must Ehsan Development Sdn. Bhd.	135,600	-	-	-
Fee paid to a company owned by a Director for services rendered	105,000	-	105,000	-

The Directors of the Company are of the opinion that the above transactions have been entered into in the normal course of business and have been established under terms that are not materially different from those obtainable in transactions with unrelated parties.

26. CONTINGENT LIABILITIES AND MATERIAL LITIGATION

	GROUP	
	2003 RM	2002 RM
Contingent liabilities:		
a) Corporate guarantee and debenture given by Enfari Sdn. Bhd. for bank credit facilities extended to its subsidiary company	-	10,850,000
b) Corporate guarantee given by Enfari Sdn. Bhd. to a contractor for construction cost of its subsidiary company	-	72,000,000
c) Corporate guarantee given by Enfari Sdn. Bhd. to a licensed bank for overdraft and term loan facilities extended to its subsidiary company	-	3,100,000

	GROUP	
	2003 RM	2002 RM
Material litigation:		
Claim by a third party against two subsidiary companies, for loss and damage arising from construction works on its land.	7,703,686	6,959,598

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

27. PRIOR YEAR ADJUSTMENT

a) *Change in basis of computation for tax payables*

The prior year adjustment is in respect of change in the basis of computation for tax payables of a subsidiary.

b) *Prior year adjustment*

The change in the basis of computation for tax payable of a subsidiary has been applied retrospectively and certain comparatives have been restated to conform with this change. The effects of change in basis of computation for tax payables are as follows:

	GROUP	
	2003 RM	2002 RM
Effects on retained profits		
At 1 January, as previously reported	9,065,988	1,455,226
Effects of change in basis of tax computation	11,593,470	-
At 1 January, as restated	20,659,458	1,455,226
Effects on net profit for the year		
Net profit for the year	5,034,254	-
Net profit before changes in basis of tax computation, as previously reported	-	7,610,762
Effects of change in basis of tax computation	-	11,593,470
Net profit for the year	5,034,254	19,204,232

Comparative amounts as at 31 December 2002 have been restated as follows:

	Previously Reported RM	Adjustments RM	Restated RM
Deferred taxation	24,525,615	(11,593,470)	12,932,145
Net profit for the year	7,610,762	11,593,470	19,204,232

28. SEGMENT INFORMATION

Business Segment

The Group is organised into four major business segments:

(i) *Investment holding*

This segment refers to investment holding companies of the Group.

(ii) *Manufacturing*

This segment refers to manufacturing and marketing of plastic film packaging products.

28. SEGMENT INFORMATION (Continued...)

(iii) *Construction*

This segment refers to property construction and general contracting activities.

(iv) *Others*

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

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.

	Investment Holding		Manufacturing		Construction		Others*		Eliminations		Consolidated	
	2003 RM	2002 RM	2003 RM	2002 RM	2003 RM	2002 RM	2003 RM	2002 RM	2003 RM	2002 RM	2003 RM	2002 RM As restated
REVENUE AND EXPENSES												
Revenue												
External sales	-	-	113,902,951	9,187,995	-	-	453,370,070	849,190,032	-	2,800,694	567,273,021	861,178,721
Inter-segment sales	3,093,430	-	-	-	62,279,048	195,633,516	-	-	(65,372,478)	(195,633,516)	-	-
Total revenue											567,273,021	861,178,721
Results												
Segment results	(383,885)	(59,676)	8,306,604	577,532	(969,382)	(290,238)	97,250,687	87,351,828	(16,098,440)	(19,578,013)	88,439,674	68,809,431
Interest expense	(1,668)	-	(748,694)	(93,059)	(223,847)	(182,463)	(74,562,929)	(49,098,888)	-	-	(75,536,338)	(49,294,411)
Interest income	494,651	686,777	78,597	-	13,638	2,462	-	-	-	-	578,878	809,239
											13,358,622	19,324,259
Taxation											(9,135,368)	(120,027)
Net profit for the year											5,034,254	19,204,232
ASSETS AND LIABILITIES												
Segment assets												
Consolidated total assets	404,066,344	419,729,534	179,248,588	173,461,780	148,613,119	187,453,824	1,433,856,863	1,180,552,531	(352,204,889)	(285,825,413)	1,804,580,217	1,775,372,259
Segment liabilities												
Consolidated total liabilities	28,589,238	44,158,165	48,792,182	45,287,423	150,168,195	186,913,709	1,329,886,752	1,292,208,990	(144,646,687)	(188,744,311)	1,408,989,680	1,379,815,976
OTHER INFORMATION												
Capital Expenditure	121,244	-	12,096,679	38,536	268,380	107,477	-	-	-	-	12,486,316	146,013
Depreciation and amortisation	8,389	-	10,899,162	981,475	743,133	688,630	14,491	18,845	-	-	11,665,175	1,688,940
Amortisation of goodwill on consolidation	-	-	-	-	-	-	-	-	9,914,148	12,702,493	9,914,148	12,702,493
Amortisation of concession expenditure	-	-	-	-	-	-	359,680,441	761,816,389	-	6,867,520	359,680,441	768,683,889

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

29. 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, foreign exchange, liquidity and credit risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is to not engage in speculative transactions.

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.

Meanwhile, surplus funds are placed 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.

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*

In the management of liquidity risk, the Group actively manages its operating cash flows and the availability of funding so as to ensure that all 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*

Credit risks, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored by associating with business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via Group management reporting procedures.

The carrying amount of cash and cash equivalents, trade receivables and other receivables represent the Group's maximum exposure to credit risk in relation to financial assets. No other financial assets carry a significant exposure to credit risk.

As at the balance sheet date, half of the entire trade receivables is due from a single customer and as such the Group is subject to significant concentration of credit risk.

f) *Fair Values*

The aggregate net fair values of financial liabilities which are not carried at fair value on the balance sheet of the Group as at 31 December 2003 are represented as follows:

	Carrying amount RM	Fair value RM
Financial liabilities		
Secured borrowings	1,163,672,723	1,161,033,877

Amount due from holding company

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

Cash and Cash Equivalents, Trade and Other Receivables/Payables

The carrying amounts approximate fair values due to the relatively short term maturity of these financial instruments.

Hire Purchase and Lease Payables, and Unsecured Borrowings

The carrying amounts of hire purchase and lease payables, and unsecured borrowings approximate their fair values.

30. SIGNIFICANT EVENTS

a) *Transfer of Listing Status*

On 9 December 2002, Great Wall Plastic Industries Berhad (GWPI) became a wholly owned subsidiary of the Company pursuant to the Scheme of Arrangement where the entire issued and fully paid up capital of GWPI were exchanged for new ordinary shares of RM1 each in Encorp on the basis of one new ordinary share of RM1 each in the Company for every one existing ordinary share of RM1 each in GWPI.

Bursa Malaysia, on 11 February 2003, delisted GWPI from the Official List of the Bursa Malaysia.

On 11 February 2003, the entire issued and paid up capital of the Company comprising 223,508,536 ordinary shares of RM1 each had been listed on the BMSB in place of GWPI, in accordance with the transfer of the listing status of GWPI to the Company.

b) *Proposed Acquisition of EMSB and Proposed Disposal of GWPI*

The Company had on 28 October 2003 announced the following proposals, which involve, inter-alia,

(i) Proposed acquisition of 100% equity interest in Encorp Must Sdn Bhd (EMSB), which is an investment holding and property project management company and its sole investment is its 70% equity interest in Must Ehsan Development Sdn Bhd (MEDSB), from Encorp Group Sdn Bhd (EGSB) for RM45.96 million where; RM45 million shall be paid for and on behalf of the Company by Megastart Sdn Bhd (Megastart) and RM0.96 million shall be paid in cash within 12 months from the date of completion of the Proposed Disposal of GWPI (Proposed Acquisition of EMSB); and

(ii) Proposed Disposal of 51% equity interest in GWPI to Megastart for RM45 million which consideration shall be satisfied by Megastart assuming the Company's obligation to pay RM45 million to EGSB pursuant to the Proposed Acquisition of EMSB (Proposed Disposal of GWPI).

(collectively referred to as the Proposals)

Securities Commission (SC) had on 29 January 2004 granted their approval for a waiver to the Company exempting the Company from its obligations to acquire the remaining shares in MEDSB not owned by the Company upon completion of the Proposed Acquisition of EMSB under Practice Note 2.9.6 and the Malaysian Code on Take-overs and Mergers, 1998.

Ministry of International Trade and Industry (MITI) had on 19 February 2004 approved the Proposed Disposal of GWPI.

On 18 March 2004, Foreign Investment Committee (FIC) had also approved the Proposed Acquisition of EMSB.

Following the receipt of SC's, MITI's and FIC's approval, the Proposed Acquisition of EMSB and Proposed Disposal of GWPI remain conditional upon the approval being obtained from the shareholders of the Company at an Extraordinary General Meeting (EGM) to be convened.

The above Proposals are expected to be completed in the second quarter of year 2004.

c) *Proposed Private Placement*

On 13 February 2004, the Company announced its proposal to implement a private placement of up to 22,350,853 new ordinary shares of RM1 each in the Company, representing up to 10% of the existing issued and paid-up capital of the Company (Proposed Private Placement), to placees to be identified at an issue price to be determined later. Depending on the number of placement shares to be issued and the issue price, the gross proceeds arising from the Proposed Private Placement will be primarily used for the working capital of the Company and to acquire further land bank to enhance the earnings of the Group in the property development sector. The Proposed Private Placement requires the approvals of the following authorities:

(i) SC
(ii) SC on behalf of the FIC
(iii) MITI
(iv) Bursa Malaysia for the listing and quotation for the placement shares

The applications to the relevant authorities for the Proposed Private Placement are expected to be submitted within three months from 13 February 2004.

31. COMPARATIVE FIGURES

The presentation and classification of items in the current year financial statements have been consistent with the previous financial year except that certain comparative amounts have been adjusted as a result of changes in the basis of tax computation of a subsidiary as disclosed in Note 27 and to conform with current year's presentation.

OPERATIONS REVIEW

Construction Management

ENCORP SYSTEMBILT SDN BHD

2003 was a milestone year of achievement and fulfillment for Encorp Systembilt Sdn Bhd (ESSB) As at end of December 2003, the Company has completed the physical works for 10,000 units of Teachers' Housing for Ministry of Education (MoE). Of this, 9,680 units on 107 sites have been officially handed-over to the MoE, with only residual infrastructure and external utilities and services works to be completed on the remaining 320 units on 2 sites. These sites were completed and handed over to the MoE in February 2004.

The Company is presently completing all remaining covenants of the Privatisation Agreement, including the issuance of Certificates of Fitness (CF) for the respective sites and attending to other operational and administrative matters in line with the completion of the project.

ESSB reported a profit before tax of RM22.79 million for the year, as compared to RM38.25 million in the previous year.

The Teachers' Housing Project – A Success Story

The Teachers' Housing Project was a success in many ways:

(i) It fulfilled the Malaysian Government's Vision, objectives and aspiration to undertake a project of national importance, specifically for teachers in the country;

(ii) It provided the Ministry of Education with modern, efficient and reliable housing, complete with quality finishes, facilities, infrastructure, indirectly providing a community service for teachers throughout the country, to enable them to provide quality education;

(iii) It has led to the development of a new and adaptable prefabricated building technology which can be used with speed and reliability to produce affordable and sustainable public housing, not only in Malaysia but also regionally; and

(iv) It has resulted in the award of approximately RM1 billion worth of contracts to Bumiputra entrepreneurs, contractors and suppliers.

(v) Build a team of professionals that will allow us to venture into construction management for the Group.

Plastics Manufacturing

GREAT WALL PLASTIC INDUSTRIES BERHAD

Great Wall Plastics Industries Berhad (GWPI) is one of the country's largest integrated producers of plastics packaging films, serving both local and regional markets. Its modern state-of-the-art plant is located in Rawang, Selangor Darul Ehsan.

The operating conditions for GWPI, during 2003 were challenging. The Iraq War had an adverse

impact on crude oil prices leading to a substantial increase in the price of resin, a raw material of the plastics business. Unfortunately, this increase in raw material price could not be passed on fully to GWPI's consumers, due to the overall weak market conditions which were very much affected by the outbreak of the Severe Acute Respiratory Syndrome (SARS).

Against this challenging background, GWPI further intensified the rationalisation of its operations. Leveraging on its technical strength and state-of-the-art equipment, the company increased it's focus turned to higher quality value-added items with better margins. The new integrated production system software, installed in 2003, also enabled GWPI to further optimise materials and machine utilisation. This has resulted in higher production efficiency and reduced wastage.

Overall, an improved sales mix of higher value-added products, higher production efficiency and quality, and effective cost management measures, enabled GWPI to record an improvement in profit despite a drop in turnover amidst difficult market conditions.

GWPI registered a profit before tax of RM7.66 million for the year ended 31 December 2003, slightly higher than the profit before tax of RM7.45 million recorded in the previous year. Turnover for 2003 was reduced to RM113.9 million, compared to RM126.6 million in the previous year.

List of Properties as at 31 December 2003

Location	Description and existing use	Land Area (sq.m.)	Build-up (sq.m.)	Age of Buildings (years)	Net Book Value as at 31.12.2003 RM ('000)	Date of valuation
Lot No. 1608, Mukim of Rawang District of Gombak, Selangor Darul Ehsan	Freehold land with four units of single storey detached factory, currently in use for factory operation, one unit of 3 storey office block and 106 units of apartment for workers' lodging	115,983	34,804	6	46,244	23/6/1994
PT No 574, Daerah Petaling, Selangor, Level 18, Wisma Masalam, No 1 Jalan Tengku Ampuan Zabedah C91C, Section 9, 40100 Shah Alam, Selangor Darul Ehsan.	Office building (99 years lease expired on 29/8/2094), currently in use as offices for Encorp Berhad group of companies	N/A	1,505	6.5	3475	N/A

ENCORP BERHAD

Analysis of Shareholdings as at 26 April 2004 (Malaysian and Foreign Combined)

Size of Holdings	# of holders	% of share holders	# of holders	# of issued share capital
Less than 1,000	146	3.54	27,071	0.01
1,000 - 10,000	3,435	83.21	11,549,333	5.17
10,001 - 100,000	460	11.14	12,716,096	5.69
100,001 - less than 5% of issued shares	84	2.03	60,504,036	27.07
5% and above of issued shares	3	0.07	138,712,000	62.06
	4,150	100.00	223,508,536	100.00

List of Directors' Shareholdings as at 26 April 2004

Name	N'tality/Country of corporation	Direct		Indirect	
		# of ordinary shares held	% held	# of ordinary shares held	% held
Shareholders					
Dato' Mohamad Nor bin Mohamad	Malaysian	-	-	73,636,036 (1)	32.94
Datuk Fong Joo Chung	Malaysian	-	-	-	-
Datuk Dr Ting Ding Ing	Malaysian	569,000	0.2546	-	-
Efeida binti Mohd Effendi	Malaysian	-	-	73,636,036 (2)	32.94
Datuk Chew Kong Seng @ Chew Kong Huat	Malaysian	-	-	-	-
Mohd Ezra Effendi bin Mohd Effendi	Malaysian	-	-	-	-
Datuk Dr Zainal Aznam bin Mohd Yusof	Malaysian	-	-	-	-
Tan Sri Datuk Dr Omar bin Abdul Rahman	Malaysian	-	-	-	-
Yeoh Soo Ann	Malaysian	-	-	-	-

(1) *Deemed substantial interest through his 50% shareholdings in Lavista Sdn. Bhd.*

(2) *Deemed substantial interest through the 100% shareholdings by virtue of her relationship with the beneficial owner of Lavista Sdn. Bhd.*

List of 30 Largest Shareholders as at 26 April 2004

Name	No of shares	Percentage
RHB Capital Nominees (Tempatan) Sdn Bhd Pledge Securities Account For Lavista Sdn Bhd	60,000,000	26.84
Dasar Untung Sdn Bhd	59,000,000	26.40
RHB Capital Nominees (Tempatan) Sdn Bhd Pledge Securities Account for Molpan Holdings Sdn Bhd	19,712,000	8.82
HSBC Nominees (Tempatan) Sdn Bhd Pledge Securities Account For Lavista Sdn Bhd	10,931,500	4.89
JB Nominees (Asing) Sdn Bhd Qualifier : Magnum (Guernsey) Limited	5,026,000	2.25
RHB Capital Nominees (Tempatan) Sdn Bhd Pledge Securities Account for Robin Lo Bing	5,000,000	2.24
Merit Icon Sdn Bhd	2,980,000	1.33
Lavista Sdn Bhd	2,704,536	1.21
Mayban Trustees Berhad Qualifier : RHB Dynamic Fund	2,000,000	0.89
RHB Asset Management Sdn Bhd Qualifier : Kumpulan Wang Simpanan Pekerja	1,853,200	0.83
Amanah Raya Berhad Qualifier : Amtotal Return	1,811,600	0.81
Mayban Nominees (Tempatan) Sdn Bhd Qualifier : Mayban Life Assurance Berhad	1,741,900	0.78
Bumiputra-Commerce Trustee Berhad Qualifier : RHB Mudharabah Fund	1,700,000	0.76
Bumiputra-Commerce Trustee Berhad Qualifier : RHB Islamic Growth Fund	1,376,700	0.62
Ching Chooi Kuan	1,046,200	0.47
Mayban Nominees (Tempatan) Sdn Bhd Mayban General Assurance Berhad	1,000,000	0.45
DZ Bank Int Qualifier : Uni EM Fernost Treuhandkonto, Luxembourg	964,500	0.43
Mayban Nominees (Tempatan) Sdn Bhd Qualifier : Mayban Life Assurance Berhad	800,000	0.36
HDM Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Oh Kim Sun	794,900	0.36
Hwang-DBS Asset Management Qualifier : Employees Provident Fund	749,300	0.34

List of 30 Largest Shareholders as at 26 April 2004

Name	No of shares	Percentage
AM Nominees (Tempatan) Sdn Bhd Qualifier : Tabung Amanah Warisan Negeri Johor	728,800	0.33
Azliza binti Ahmad Tajuddin	712,000	0.32
Lau Kueng Suong	708,400	0.32
RHB Asset Management Sdn Bhd Qualifier : Kumpulan Wang Amanah Pencen	645,200	0.29
Mayban Nominees (Tempatan) Sdn Bhd Qualifier : Mayban Life Assurance Berhad	583,400	0.26
Ting Ding Ing	569,000	0.25
Mayban Nominees (Tempatan) Sdn Bhd Pledge Securities Account for Chew Pok Oi	557,000	0.25
HSBC (M) Trustee Berhad Qualifier : Hwang-DBS Dana Izdihar	540,000	0.24
Ee Beng Yee	530,000	0.24
Am Nominees (Asing) Sdn Bhd Qualifier : Axa Affin Assurance Berhad	481,400	0.22

Information of Substantial Shareholders

The substantial shareholders' shareholdings in Encorp based on the Register of Substantial Shareholders as at 26 April 2004 are as follows:

		Direct		Indirect	
Name	N'tality/Country				
Shareholders	of incorporation	# of shares	% held	# of shares	% held
Lavista Sdn Bhd	Malaysia	73,636,036	32.94	-	-
Dato' Mohamad Nor bin Mohamad	Malaysian	-	-	73,636,036 (1)	32.94
Saiful Aznir bin Shahabudin	Malaysian	-	-	73,636,036 (1)	32.94
Efeida binti Mohd Effendi	Malaysian	-	-	73,636,036 (2)	32.94
Dasar Untung Sdn Bhd	Malaysia	59,000,000	26.3972	-	-
Sarawak Enterprise Corporation Bhd	Malaysia	-	-	59,000,000 (3)	26.40
State Financial Secretary of Sarawak	Malaysia	-	-	59,000,000 (4)	26.40
Multi-Purpose Holdings Berhad	Malaysia	-	-	59,000,000 (4)	26.40
Quantum Aspects Sdn Bhd	Malaysia	-	-	59,000,000 (5)	26.40
Lim Tiong Chin	Malaysian	-	-	59,000,000 (6)	26.40
Dimensi Nada Sdn Bhd	Malaysia	-	-	59,000,000 (6)	26.40
Dynamic Icon Sdn Bhd	Malaysia	-	-	59,000,000 (6)	26.40
Datuk Surin Upatkoon	Thai	-	-	59,000,000 (7)	26.40
Dato' Tham Ka Hon	Malaysian	-	-	59,000,000 (7)	26.40
Lim Bian Yong	Malaysian	-	-	59,000,000 (8)	26.40
Tan Heng Kok	Malaysian	-	-	59,000,000 (8)	26.40
Goh Thian Joe	Malaysian	-	-	59,000,000 (8)	26.40
Molplan Holdings Sdn Bhd	Malaysia	19,712,000	8.82		

(1) *Deemed interest by virtue of interest in Lavista Sdn Bhd (Lavista) pursuant to Section 6A of the Act. Dato' Mohamad Nor bin Mohamad and Saiful Aznir bin Shahabudin are holding the shares in Lavista pursuant to a trust agreement dated 15 June 2000 (Trust Agreement) on behalf of Dato' Sri (Dr) Mohd Effendi Norwawi whereunder Dato' Sri (Dr) Mohd Effendi Norwawi transferred the said shares together with the voting rights attached thereto and control and management over the same to Dato' Mohamad Nor bin Mohamad and Saiful Aznir bin Shahabudin. Accordingly, Dato' Sri (Dr) Mohd Effendi Norwawi also has deemed interest in Encorp by virtue of interest in Lavista pursuant to Section 6A of the Act. Mohd Ezra Effendi bin Mohd Effendi Norwawi, who is the son of Dato' Sri (Dr) Mohd Effendi Norwawi, also has deemed interest in Encorp through the interest of the associates (his father, Dato' Sri (Dr) Mohd Effendi Norwawi and his sister, Efeida binti Mohd Effendi) in Lavista pursuant to the Trust Agreement and the family relationship.*

(2) *Deemed substantial by virtue of interest in Lavista pursuant to Section 6A of the Act, Efeida binti Mohd Effendi's interest is through 100% shareholding in Lavista held by her and her associate pursuant to the Trust Agreement. Efeida binti Mohd Effendi is the daughter of Dato' Sri (Dr) Mohd Effendi Norwawi.*

3. *Deemed interest by virtue of interest in Dasar untung Sdn Bhd pursuant to Section 6A of the Act.*
4. *Deemed interest by virtue of interest in Sarawak Enterprise Corporation Berhad pursuant to Section 6A of the Act.*
5. *Deemed interest by virtue of interest in Multi-Purpose Holdings Berhad pursuant to Section 6A of the Act.*
6. *Deemed interest by virtue of interest in Quantum Aspects Sdn Bhd to Section 6A of the Act.*
7. *Deemed interest by virtue of interest in Dynamic Icon Sdn Bhd to Section 6A of the Act.*
8. *Deemed interest by virtue of interest in Dimensi Nada Sdn Bhd to Section 6A of the Act.*

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

NOTICE OF FOURTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Fourth Annual General Meeting of **ENCORP BERHAD** will be held on Thursday, 24 June 2004 at 2:30 p.m. at Hilton Kuching, Jalan Tunku Abdul Rahman, P.O Box 2396, 93748 Kuching Sarawak for the following purposes:-

1. *To receive the Audited Financial Statements for the financial year ended 31 December 2003 together with the Directors' Report and Auditors' Report thereon.* *(Resolution 1)*

2. *To approve the Directors' Fees for the financial year ended 31 December 2003.* *(Resolution 2)*

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

   "That pursuant to Section 129(6) of the Companies Act, 1965, Dato' Mohamad Nor bin Mohamad, 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)*

   "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 4)*

4. *To re-elect the following Directors who shall retire in accordance with Article 81 of the Company's Articles of Association and being eligible, offered themselves for re-election:-*

   (a) Datuk (Dr) Ting Ding Ing; *(Resolution 5)*
   (b) Datuk Fong Joo Chung. *(Resolution 6)*

5. *To re-elect Yeoh Soo Ann, who shall retire in accordance with Article 88 of the Company's Articles of Association and who being eligible, offered himself for re-election.* *(Resolution 7)*

6. *To re-appoint Messrs Ernst & Young as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration.* *(Resolution 8)*

7. *As Special Business:-*

To consider and, if thought fit, to pass the following ordinary and special resolution:-

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

"THAT pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby empowered to issue and allot shares in the Company, at any time 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 10% of the issued share capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company, subject always to the Companies Act, 1965, the Articles of Association of the Company and approval of all relevant regulatory bodies being obtained for such allotment and issues." *(Resolution 9)*

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

By Order of the Board

DARMAWATTI DAHARI (LS 02757)
CHUA SIEW CHUAN (MAICSA 0777689)
Company Secretaries

Kuching
2 June 2004

Explanatory Notes to Special Business:-

The proposed adoption of the Ordinary Resolution 1 is primarily to give flexibility to the Board of Directors to issue and allot shares at any time in their absolute discretion without convening a general meeting.

Notes:

1. A proxy may but need not be a member of the Company and the provisions 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 provisions 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 ANNUAL GENERAL MEETING

The Directors standing for re-election at the Fourth Annual General Meeting of the Company to be held at Kuching, Sarawak on 24 June 2004 at p.m. are as follows:

Name of Directors	Details of Attendance at Board Meetings	Details of Individual Director and other Disclosure Requirements
Dato' Mohamad Nor bin Mohamad (Section 129(6) of the Companies Act, 1965)	Refer to Page 43 of the Annual Report	Refer to Page 11 of the Annual Report
Tan Sri Datuk Dr Omar bin Abdul Rahman (Section 129(6) of the Companies Act, 1965)	Refer to Page 43 of the Annual Report	Refer to Page 25 of the Annual Report
Datuk (Dr) Ting Ding Ing (Article 81 of the Company's Articles of Association)	Refer to Page 43 of the Annual Report	Refer to Page 13 of the Annual Report
Datuk Fong Joo Chung (Artice 81 of the Company's Article of Association)	Refer to Page 43 of the Annual Report	Refer to Page 17 of the Annual Report
Yeoh Soo Ann (Appointed w.e.f. 18.11.2003) (Article 88 of the Company's Articles of Association)	Refer to Page 43 of the Annual Report	Refer to Page 27 of the Annual Report

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Datuk (Dr) Ting Ding Ing (Article 81 of the Company's Articles of Association)	Refer to Page 43 of the Annual Report	Refer to Page 13 of the Annual Report
Datuk Fong Joo Chung (Artice 81 of the Company's Article of Association)	Refer to Page 43 of the Annual Report	Refer to Page 17 of the Annual Report
Yeoh Soo Ann (Appointed w.e.f. 18.11.2003) (Article 88 of the Company's Articles of Association)	Refer to Page 43 of the Annual Report	Refer to Page 27 of the Annual Report

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

PROXY FORM

No. of Shares held

I/We, _____ NRIC No. _____
of (full adresss) _____
being a Member/Members of ENCORP BERHAD, hereby appoint _____
_____ of _____
or failing him, _____ of _____ or
failing him the Chairman of the Meeting as my/our proxy to vote for me/us and on my/our behalf at the Fourth Annual General Meeting of the Company, to be held at Kuching, Sarawak on Thursday, 24 June 2004 at 2:30 p.m. and at any adjournment thereof.

ORDINARY RESOLUTIONS

		FOR	AGAINSTS
1.	To receive the Audited Financial Statements for the financial year ended 31 December 2003 together with the Directors' Report and Auditors' Report thereon.		
2.	To approve the Directors' fees for the financial year ended 31 December 2003.		
3.	To re-elect Dato' Mohamad Nor bin Mohamad, who shall retire pursuant to Section 129(6) of the Companies Act, 1965.		
4.	To re-elect Tan Sri Datuk Dr Omar bin Abdul Rahman, who shall retire in accordance with Section 129(6) of the Companies Act,1965.		
5.	To re-elect Datuk (Dr) Ting Ding Ing, who shall retire in accordance with Article 81 of the Company's Articles of Association.		
6.	To re-elect Datuk Fong Joo Chung, who shall retire in accordance with Article 81 of the Company's Articles of Association.		
7.	To re-elect Yeoh Soo Ann, who shall retire in accordance with Article 88 of the Company's Articles of Association.		
8.	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.		
9.	Ordinary Resolution as regards to Section 132D of the Companies Act, 1965.		

(Please indicate with (✓) how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote as he thinks fit or abstain from voting at his discretion).

As witness my/our hand(s) this—— day of ———— 2004

Signature _____

Notes:

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

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Place
Stamp
Here

Level 2, B-59,
Taman Sri Sarawak,
Jalan Tunku Abdul Rahman.
93100 Kuching, Sarawak.

2003 ANNUAL REPORT

ENCORP

BERHAD

SENIOR MANAGEMENT TEAM

YEOH SOO ANN

Group Chief Executive Officer (Acting)

Yeoh, (Malaysian, aged 43) joined the Board of Encorp Berhad on 18 November 2003. He is currently the Acting Group Chief Executive Officer of Encorp Berhad where he is responsible for leading the Group to greater heights in a constantly evolving and increasingly competitive business environment.

Yeoh had 12 years experience in consultant firms in the UK and Malaysia, serving clients such as Thorn Group, Cornhill and Nabisco Group in the UK, and Sime Darby, Granite and Kuok Group in Malaysia. Following that, Yeoh moved into the corporate sector, with his last appointment prior to joining Encorp Group as Executive Director-Finance of FACB Industries Incorporated Berhad, a public-listed company on the Bursa Malaysia Berhad.

EFEIDA BINTI MOHD EFFENDI

Group Executive Director

A graduate of Fine Arts from the prestigious Parsons School of Design, New York, Efeida worked in leading architectural firms in New York before returning to Malaysia. Upon her return, she became the founding director of the Centre for Advanced Design (CENFAD), a leading art and design college in the country.

Efeida is also a director of Encorp Construct Sdn Bhd, Encorp Must Sdn Bhd, Must Ehsan Development Sdn Bhd and Natseven TV Sdn Bhd, operator of the popular Malaysian television channel, ntv7.

MIHIR KUMAR SEN A/L SUBODH CHANDRA SEN

Group Director – Property Division

MK. Sen, (Malaysian, aged 68) is responsible for setting the overall direction and management of Encorp Berhad's property division which includes the Group's massive land-bank.

MK. Sen graduated with an Economics Degree from University Malaya, Singapore and a Town & Regional Planning Degree from University of Melbourne, Australia. He served the Government as an Assistant Commissioner of Town and Country Planning, and as Chief Planner in City Hall, Kuala Lumpur prior to joining the private sector as General Manager of Petaling Garden Berhad. MK. Sen was also a member of the management and board of Parkways Holdings, Singapore, and had been President of the Housing Developers' Association of Malaysia from 1990 to 1994. MK. Sen's last appointment before joining Encorp was Managing Director of Mid Valley Sdn Bhd, where he remains as a director.

MOHD IBRAHIM MASRUKIN

Group Director – Corporate Affairs

Mohd Ibrahim Masrukin, Malaysian aged 43 joined Encorp Group in January 1997. His current responsibilities include overseeing Human Resource, Government Affairs, Corporate Communications, Business Development and Facilities Management for the Group.

Mohd Ibrahim holds a Bachelors degree in Mathematics and a Masters of Science in Statistics from Southern Illinois University, USA. He had been a consultant with Alexander Proudfoot Inc, prior to joining American Express where he held various managerial positions at the company's Kuala Lumpur office before assuming a regional role at its Singapore office. Since joining Encorp Group, Mohd Ibrahim has held various senior management positions throughout the Group, including Chief Executive Officer for Synchrosound Studios and Vantage View Sdn Bhd.

DARMAWATTI DAHARI

Group Company Secretary & Legal Affairs

Darmawatti Dahari, (Malaysian, aged 50) joined Encorp Berhad in August 2003, and is responsible for legal and company secretarial services for the Group.

An LLB (Hons) graduate from University Malaya, Darmawatti was admitted to the Malaysian Bar in 1994. She has 27 years experience in company secretarial, legal and insurance matters. She began her career in the Government service as a Magistrate and had been the Legal Advisor for the Ministry of Housing & Local Government as well as a Federal Counsel at the Attorney-General's Chambers. Upon leaving the Government service, Darmawatti practiced law, and later joined the corporate sector. Prior to joining Encorp Berhad she was with two public-listed entities, namely Sime UEP Properties Berhad and Malaysia Mining Corporation Berhad.