02 annual report

ENCORP BERHAD

Company No (506836 X)

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logo rationale

A new entry in the global marketplace, Encorp Berhad brings together established resources and fresh innovative thinking to set new standards for excellence and results.

With our focus on 'customer'-oriented service we stand out as a provider of smart solutions for a growing list of clients. Building a reputation based on integrity and performance ensures Encorp Berhad's position as a vital force in today's economic environment.

Representing our commitment to the pursuit of perfection, the Encorp Berhad logo is a refined and sophisticated mark with a touch of elegance, reflecting the high standards we adhere to in our daily operations.

The globe is a symbol of our desire to set new "horizons" as we grow and strengthen, striving to achieve even greater heights.

ENCORP

BERHAD

Company No (506836 X)

corporate information

board of directors

Chairman, Non-Independent, Non-Executive Director	Dato' Mohamad Nor Bin Mohamad
Independent, Non-Executive Director	Dato' Ahmad Fuad Bin Haji Md Ali
Non-Independent, Non-Executive Director	Datuk Fong Joo Chung
Independent, Non-Executive Director	Datuk (Dr.) Ting Ding Ing
Non-Independent, Executive Director	Efeida Binti Mohd Effendi
Non-Independent, Non-Executive Director	Chew Kong Seng @ Chew Kong Huat
Non-Independent, Executive Director (appointed on 28 January 2003)	Mohd Ezra Effendi Bin Mohd Effendi Norwawi
Non-Independent, Executive Director (resigned on 27 January 2003)	Yeoh Soo Ann
Independent, Non-Executive Director (Appointed on 21 April 2003)	Datuk Dr. Zainal Aznam Bin Mohd Yusof

audit committee (established on 23 November 2002)

Chairman, Independent, Non-Executive Director	Dato' Ahmad Fuad Bin Haji Md Ali
Member, Independent, Non-Executive Director	Datuk (Dr.) Ting Ding Ing
Member, Non-Independent, Executive Director	Efeida Binti Mohd Effendi
Member, Independent Non-Executive Director (appointed on 21 April 2003)	Datuk Dr. Zainal Aznam Bin Mohd Yusof

remuneration committee (established on 25 February 2003)

Chairman, Non-Independent, Non-Executive Director	Datuk Fong Joo Chung
Member, Non-Independent, Non-Executive Director	Dato' Mohamad Nor Bin Mohamad
Member, Non-Independent, Executive Director	Efeida Binti Mohd Effendi
Member, Non-Independent, Executive Director	Mohd Ezra Effendi Bin Mohd Effendi Norwawi
Member, Independent, Non-Executive Director	Dato' Ahmad Fuad Bin Haji Md Ali
Member, Independent, Non-Executive Director (appointed on 21 April 2003)	Datuk Dr. Zainal Aznam Bin Mohd Yusof

nomination committee (established on 25 February 2003)

Chairman, Independent, Non-Executive Director	Datuk Ahmad Fuad Bin Haji Md Ali
Member, Non-Independent, Non-Executive Director	Datuk Fong Joo Chung
Member, Independent, Non-Executive Director	Datuk (Dr.) Ting Ding Ing
Member, Independent, Non-Executive Director (appointed on 21 April 2003)	Datuk Dr. Zainal Aznam Bin Mohd Yusof

company secretary

Chua Siew Chuan (MAICSA 0777689)

registered office

Level 2, B-59 Taman Sri Sarawak Mall,
Jalan Tunku Abdul Rahman, 93100 Kuching, Sarawak
Tel: 082-428626 Fax: 082-423626

registrar

Multi-Purpose Holdings Berhad
39th Floor, Menara Multi-Purpose Capital Square,
No 8 Jalan Munshi Abdullah
50100 Kuala Lumpur
Tel: 03-2694 8333 Fax: 03-2694 8571

bankers

RHB Bank Berhad
Bumiputra Commerce Bank Berhad

auditors

Ernst & Young

solicitors

Zaid Ibrahim & Co
Zul Rafique & Partners

stock exchange listing

Main Board Kuala Lumpur Stock Exchange
(Listed on 11 February 2003)

KLSE stock number

ENCORP 6076

group financial highlights

year ended 31 december

RM '000	2002	2001
Revenue	861,179	14,415
Profit before taxation	19,324	2,847
Taxation	(11,713)	(1,375)
Profit after taxation	7,611	1,472
Profit attributable to shareholders	7,611	1,472
Paid-up capital	223,509	75,529
Shareholders' funds	383,963	250,455
Total net tangible assets	203,030	56,819
Earnings per share (sen)*	5.07	1.18
Gross dividend per share (sen)	-	-
Net tangible assets per share	0.91	0.75

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

board of directors' profile

Dato' Mohamad Nor Bin Mohamad
Chairman, Non-Independent, Non-Executive Director
Member of the Remuneration Committee

Dato' Mohamad Nor, aged 71, a Malaysian, is Chairman of Encorp Berhad, having joined the Board on 16 April 2001.

Dato' Mohamad Nor is a fellow of the Institute of Chartered Accountants in England and Wales. He was a founding partner of 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.

A former Senator, Dato' Mohamad Nor has served in distinguished capacities in both the private and public sectors. These include chairmanship of Lembaga Padi & Beras Negara, Bank Utama Malaysia Berhad and Utama Banking Group Berhad, as well as membership on the boards of Terengganu SEDC and Sarawak SEDC, among others.

Currently, Dato' Mohamad Nor is a Non-Executive Director of DRB-Hicom Berhad, MK Land Holdings Berhad and Hicom Berhad, as well as a number of private limited companies.

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 had any convictions for offences over the last 10 years.

Dato' Ahmad Fuad Bin Haji Md. Ali
Independent, Non-Executive Director
Chairman of the Audit Committee
Chairman of the Nomination Committee
Member of the Remuneration Committee

Dato' Ahmad Fuad, aged 50, a Malaysian, was appointed to the Board of Encorp Berhad on 16 April 2001.

He has more than 20 years of extensive experience in finance, accounting, auditing and consultancy. He had a distinguished career in the accounting firm, Hanafiah Raslan & Mohamad from 1978 until his retirement from the firm in 1995. His last appointment was as Office Managing Partner of the firm. Dato' Ahmad Fuad went on to become Executive Chairman of conglomerate Malaysian Plantations Berhad from 1995 until 1999.

Dato' Ahmad Fuad is a Fellow Member of the Chartered Association of Certified Accountants (UK), a member of the Malaysian Institute of Certified Public Accountants and is a Chartered Accountant of the Malaysian Institute of Accountants.

Currently, Dato' Ahmad Fuad is a member of the board of Great Wall Plastic Industries Berhad and RNA Holdings Limited (Hong Kong) – a public company listed on the Hong Kong Stock Exchange. In addition, he is a Trustee of Yayasan Bumiputra Pulau Pinang Berhad and M.U.S.T. Ehsan Foundation.

Dato' Ahmad Fuad does not hold any shares in the Company and subsidiaries. He has no family relationship with any Director and/or major shareholder and has no conflict of interest with the Company. He has not been convicted of any offences over the past 10 years.

Datuk Fong Joo Chung
Non-Independent, Non-Executive Director
Chairman of the Remuneration Committee
Member of the Nomination Committee

Datuk Fong, aged 53, a Malaysian, was appointed to the Board of Encorp Berhad on 16 April 2001.

Datuk Fong is currently the State Attorney-General of Sarawak, a position he has held since August 1992. Prior to this, he was in private law practice (1971 – 1992), and has held senior positions in various legal associations and bodies in Sarawak, including President (1983-1987) of the Advocates' Association of Sarawak, 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). Datuk Fong was also a member of the Kuching City South Council from 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 hold any shares in the Company and subsidiaries. He has no 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 offences over the past 10 years.

Datuk (Dr.) Ting Ding Ing
Independent, Non-Executive Director
Member of the Nomination Committee
Member of the Audit Committee

Datuk (Dr.) Ting, aged 51, a Malaysian, 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 thirteen years. Datuk (Dr.) Ting was also 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 has no conflict of interest with the Company. He has not been convicted of any offences over the past 10 years.

Efeida Binti Mohd Effendi
Non-Independent, Executive Director
Member of the Remuneration Committee
Member of the Audit Committee

Efeida, aged 30, a Malaysian, was appointed to the Board of Encorp Berhad on 16 April 2001.

She is currently Executive Director of the Centre For Advanced Design (CENFAD), a leading art and design education establishment, and Encorp Systembilt Sdn Bhd. She 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 Malaysian television station, ntv7. She holds no other directorships in any other public listed company.

Efeida graduated with a Bachelor of Fine Arts degree from the Parsons School of Design, New York, and has worked in established architectural firms in New York.

She is a major shareholder of the Company by virtue of her relationship with the controlling shareholders of Lavista Sdn Bhd, a major shareholder of Encorp Berhad. She is the sister of Mohd Ezra Effendi Bin Mohd Effendi Norwawi.

Efeida has not entered into any transaction which has a conflict of interest with the Company. She has not been convicted of any offences over the past 10 years.

Chew Kong Seng @ Chew Kong Huat
Non-Independent, Non-Executive Director

Chew, aged 65, a Malaysian, 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, Chew has over 30 years of experience in the accounting profession, covering a variety of industries from banking and financial institutions, timber, manufacturing, trading and foreign investment.

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

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.

Chew does not hold any shares in the Company and subsidiaries. He 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 offences over the past 10 years.

Mohd Ezra Effendi Bin Mohd Effendi Norwawi
Non-Independent, Executive Director
Member of the Remuneration Committee

Ezra, aged 25, a Malaysian, was appointed to the Board of Encorp Berhad on 28 January 2003.

Ezra is currently Group Chief Executive Officer of Encorp Group Sdn Bhd, a diversified group of companies involved in media, construction, and education. He joined the company in 1999, and has built his experience in corporate planning and operations management through his direct involvement in Malaysian television channel, ntv7, and world-class sound and recording studio, Synchrosound Studios.

Ezra is currently a Director of Encorp Systembilt Sdn Bhd, Encorp Construct Sdn Bhd and several other private limited companies. He holds no other directorships in any other public listed companies.

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 the controlling shareholders of Lavista Sdn Bhd, a major shareholder of Encorp Berhad. He is the brother of Efeida Binti Mohd Effendi. He has not entered into any transaction which has a conflict of interest with the Company. He has not been convicted of any offences over the past 10 years.

Datuk Dr. Zainal Aznam Bin Mohd Yusof
Independent, Non-Executive Director
Member of the Audit Committee
Member of the Remuneration Committee
Member of the Nomination Committee

Datuk Dr. Zainal Aznam, aged 59, a Malaysian, joined the Board of Encorp Berhad on 21 April 2003.

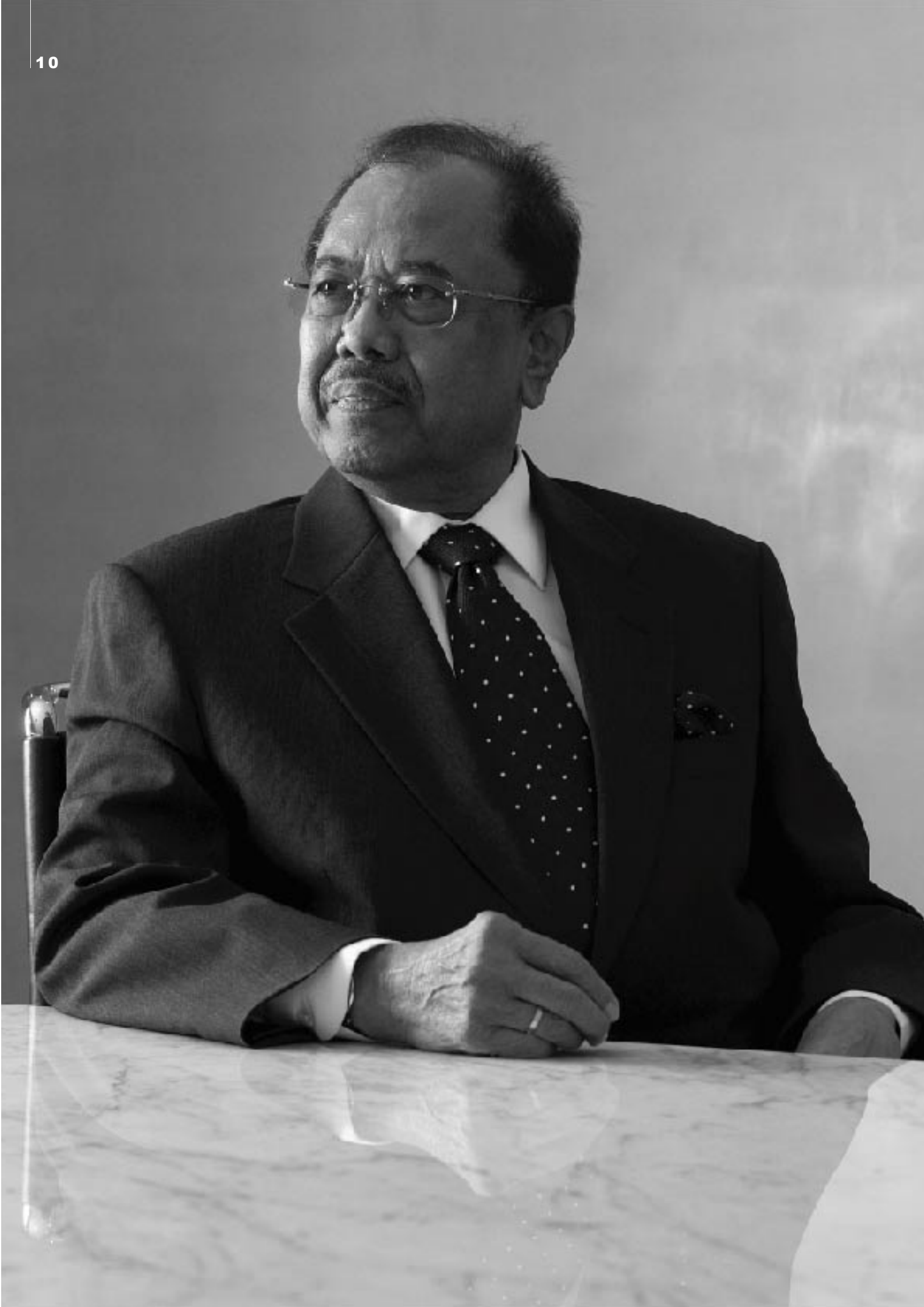
Datuk Dr. Zainal Aznam has long been involved in various leading economic research and policy development departments and panels in the country. He was the former Deputy Director-General of the Institute of Strategic and International Studies (ISIS), Deputy Director of the Malaysian Institute of Economic 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 and 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 University Kebangsaan Malaysia and University of Malaya, and is an Adjunct Professor at University 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, United Kingdom.

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

He does not hold any shares in the Company and subsidiaries. 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 offences over the past 10 years.



chairman's statement

Ladies & Gentlemen,

It gives me great pleasure to write to you for the first time as Chairman of your Company, indeed, our Company, the newly incorporated Encorp Berhad. This new entity has been made possible with the completion of a recent corporate restructuring exercise which began with a reverse take-over of the former Great Wall Plastics Industries Berhad (GWPI) by Lavista Sdn Bhd. Through a share-swap exercise, the entire issued and paid-up capital of GWPI was transferred to Encorp Berhad. This has led to the formation of the new Encorp Berhad, which assumed the listing status of GWPI on the Main Board of the Kuala Lumpur Stock Exchange on 11 February 2003. As a result of the restructuring, GWPI is now a wholly owned subsidiary of Encorp Berhad.

Indeed, the business composition of our Company has now changed. Our Company was once the manufacturer of a single product – plastics. Today, we have 2 core businesses: plastics manufacturing and property construction. This, ladies and gentlemen, is just the beginning of a new journey that our Company and shareholders will take together as we are also exploring other business activities to complement our existing businesses.

For the financial year 2002, the Group's profit before tax stood at RM19.32 million compared to a profit before tax of RM2.85 million at the end of 2001. This represented a more than 5-fold jump in profits – a result of the corporate exercise and expansion in our revenue base. More importantly, it is a clear indication of the benefits that shareholders stand to gain with the restructuring of business. Earnings per share rose to 5.07 sen at the end of 2002 from 1.18 sen at the end of 2001.

In 2002, GWPI reported RM7.45 million profit before tax, a commendable improvement from the previous year's performance. Details on the performance of our plastics manufacturing business are included in the Operations Review of this Annual Report.

There are requirements for the Company and the Group to adopt certain new accounting standards in compliance with the Malaysian Accounting Standard Board (MASB) which will become mandatory in future years. However, the Group has taken a proactive approach by adopting certain of the standards earlier. The effects are reflected in the financial statements for the financial year ended 31 December 2002.

The standards in particular, MASB 23 and 27, have resulted in lower profit for immediate financial years as compared to the profit forecast. The profit however will substantially increased in later years once the effect of the adoption of MASB 23 and 27 are fully accounted for in the financial statements. This is particularly true for one of our subsidiary where the revenue, as concession income, is collectible over a 30-year period but the borrowing costs attributable to the construction of the teachers' quarters will be charged out in full to the income statement once the quarters are handed over and billed to the Government. Goodwill is amortized over a maximum of 20 years, as allowed by MASB, instead of 30 years.

Although these accounting standards reflect a shift in the profit of the Group as compared to the forecast, the overall profit and cash flow of the Group over the duration of the project remain unchange at approximately RM1.5 billion.

As at mid-March 2003, Encorp Berhad's property construction subsidiary, Encorp Construct Sdn. Bhd. had been able to complete 98% of the massive teachers' housing quarters project it is undertaking for the Government. The project, which is for the design, finance and construction of 10,000 units of teachers' housing in 109 sites throughout the country, was awarded to Encorp Systembilt Sdn. Bhd. based on a 30-year concession. Again, more details on this project are explained in the Operations Review section of this Report.

With the project nearing completion, our Company stands to reap long-term benefits from the stable income stream of repayments from the Government. The successful completion of the existing concession coupled with the experience gained will provide a platform to move to other similar construction and property development projects. The management is currently evaluating new projects to complement the current strength of the Company.

As Chairman of Encorp Berhad, I am excited about the future prospects for our Company. In bracing ourselves for ever-changing economic landscape, geopolitical situation and global health concern on the SARS epidemic, we are sharpening our competitive edge by focusing on core competencies and expertise in order to live up to our role as a Company that places a premium on quality. Barring unforeseen circumstances, we look forward to a successful year ahead.

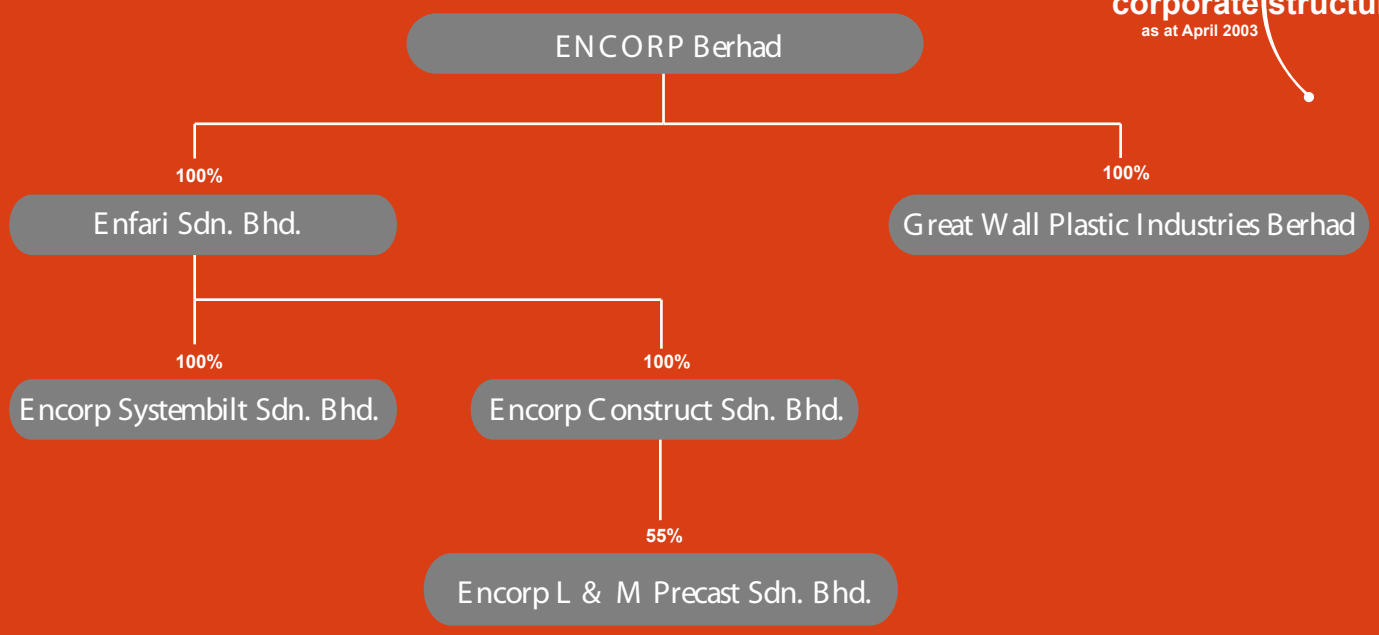
Encorp Berhad has strong foundations to succeed, and to enhance Value for all our stakeholders, including shareholders. Indeed, enhancing Value is one of the Core Values of our Company, which sets it apart from all others. Not merely a catch phrase, enhancing Value has been clearly demonstrated time and time again in the way our team works and delivers on its promises. Coupled with our strong and competent human resource pool, valuable experience and knowledge of the market, as well as sound financial performance, Encorp Berhad has solid foundations to be a success in our 3 core businesses.

Ladies and Gentlemen, I would like to end with a heartfelt "Thank You" to all shareholders for your trust placed on the Board and the Management. I seek your continued support and confidence in sharing the future of this Company with our Team. Our aim is to create a name for Encorp Berhad as a market leader in the industries in which we operate. I am certain that it will be challenging, but exciting for sure. I would surely want you to be there with us on this journey!

Dato' Mohamad Nor Bin Mohamad

corporate structure

as at April 2003



subsidiary company	percentage 2002	percentage 2001	principal activity	place of incorporation
Enfari Sdn Bhd	100	100	Investment holding	Malaysia
Great Wall Plastic Industries Berhad	100	-	Manufacturing and marketing of plastic film packaging products	Malaysia
Encorp Systembilt Sdn Bhd	100	100	Design, construct and complete 10,000 units of apartments as teachers' quarters	Malaysia
Encorp Construct Sdn Bhd	100	100	Property construction	Malaysia
Encorp L& M Precast Sdn Bhd	55	55	General contracting - dormant	Malaysia

ENCORP BERHAD
(Incorporated in Malaysia)

Directors Report

The Directors present their Report together with the audited financial statements of the Group and of the Company for the year ended 31 December 2002.

Principal Activities

The Company is an investment holding company.

The principal activities of the subsidiaries are described in Note 5 to the financial statements.

There has been no significant change in the nature of these activities during the year.

Share Capital

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 capitalized out of share premium.

On 9 December 2002, pursuant to the Proposed Scheme of Arrangement, 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.

Financial Results

	group RM	company RM
Profit / (loss) before taxation	19,324,259	(53,506)
Taxation	(11,713,497)	-
Profit/(loss) for the year	7,610,762	(53,506)

The amounts and particulars of material items debited to reserves or provisions are as follows:

Share Premium:-

	group / company RM
Issue of bonus shares	(67,975,833)
Write off of corporate exercise expenses	(1,932,074)

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year have not been 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
Dato' Ahmad Fuad Bin Haji Md. Ali
Datuk Fong Joo Chung
Datuk (Dr.) Ting Ding Ing
Efeida Binti Mohd Effendi
Chew Kong Seng @ Chew Kong Huat (Appointed on 2.12.2002)
Mohd Ezra Effendi Bin Mohd Effendi Norwawi (Appointed on 28.01.2003)
Datuk Dr Zainal Aznam Bin Mohd Yusof (Appointed on 21.04.2003)
Yeoh Soo Ann (Resigned on 27.01.2003)

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

Since the end of the previous financial period, no Director has received or become entitled to receive any benefits (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors shown in 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 the Director is a member or with a company in which the Director has a substantial financial interest.

The following Directors who held office at the end of the financial year had, according to the register required to be kept under Section 134 of the Companies Act 1965, interests in shares of the Company and its holding company, as stated below:

	number of ordinary shares of RM 1 each			
	as at 1/1/02	addition	sold	as at 31/12//02
(a) Direct interest in shares of holding company:				
Lavista Sdn. Bhd.				
Efeida Binti Mohd Effendi	1	-	-	1
Dato' Mohamad Nor Bin Mohamad	50,000 *	-	-	50,000 *

* These shares are held in trust.

	number of ordinary shares of RM 1 each			
	as at 1/1/02	addition	sold	as at 31/12//02
(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	-	-	143,504,536
Dato' Mohamad Nor Bin Mohamad	143,504,536 ^	-	-	143,504,536 ^

\# Arising from the completion of the Proposed Scheme of Arrangement as disclosed in the Significant Events section of this report.

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

By virtue of their relationship with the controlling shareholders of Lavista Sdn. Bhd., Efeida Binti Mohd Effendi and Mohd Ezra Effendi Bin Mohd Effendi Norwawi are deemed interested in shares of the Company to the extent the holding company has an interest.

Significant Events

1. Bonus Issue

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 (the "Bonus Issue") of 67,975,833 new ordinary shares of RM1 each capitalized out of share premium account of the Company.

In accordance with approval granted by the Board of Directors on 19 March 2002, the new bonus shares were issued prior to the implementation of the Proposed Scheme of Arrangement detailed in Note 2 below.

The new bonus shares rank pari passu in all respects with the existing Encorp Berhad shares except that they are not entitled to any dividends, rights, allotments and/or other distribution on the entitlement date which is prior to the date of allotment of the new bonus shares.

The Bonus Issue resulted in a change in the shareholding structure and the substance of the Proposed Scheme of Arrangement involving the shareholders of Great Wall Plastic Industries Berhad ("GWPI"), mentioned in Note 2 below.

2. Proposed Scheme of Arrangement, Proposed Acquisition, Proposed Waiver and Proposed Transfer of Listing Status

At an Extraordinary General Meeting and Court Convened Meeting held on 7 March 2001, the shareholders of GWPI, a company incorporated in Malaysia and listed on the Kuala Lumpur Stock Exchange Main Board, approved the Proposals involving Encorp Berhad ("Encorp") as follows:

(a) Proposed Scheme of Arrangement

A voluntary scheme of arrangement between GWPI and its shareholders involving Encorp under Section 176 of the Companies Act, 1965 whereby the existing ordinary shares of RM1 each in GWPI will be exchanged for new ordinary shares of RM1 each in Encorp for every one (1) existing ordinary shares of RM1 each in GWPI.

(b) Proposed Acquisition

Acquisition by Encorp from Enfari Limited ("Enfari") of the entire issued and paid up share capital of Enfari Sdn. Bhd. comprising 50,000,000 ordinary shares of RM1 each for a total purchase consideration of RM250,000,000 to be fully satisfied by the issuance of 75,528,701 new ordinary shares of RM1 each in Encorp at an issue price of RM3.31 per share.

(c) Proposed Waiver

The waiver under Practice Note 2.9.1. of the Malaysian Code on Takeovers and Mergers, 1998 to Enfari and parties acting in concert with Enfari from the obligation to undertake a mandatory general offer for all remaining shares in Encorp not already held by Enfari and parties acting in concert with Enfari, upon completion of the Proposed Scheme of Arrangement and Proposed Acquisition.

(d) Proposed Transfer of Listing Status

The transfer of the listing status of GWPI on the Main Board of the Kuala Lumpur Stock Exchange to Encorp.

The Securities Commission, on 23 March 2001, approved the Proposed Waiver.

The Proposed Acquisition was completed on 17 April 2001.

The Kuala Lumpur Stock Exchange, on 11 February 2003, delisted GWPI from the Official List of the Kuala Lumpur Stock Exchange.

On 9 December 2002, pursuant to the Proposed Scheme of Arrangement, Encorp issued 80,004,000 new ordinary shares of RM1 each at an issue price of RM1 per share in exchange for existing ordinary shares of RM1 each in GWPI on the basis of one new ordinary share of RM1 each in Encorp for every one existing ordinary share of RM1 each in GWPI.

On 11 February 2003, the entire issued and paid-up share capital of Encorp comprising 223,508,536 ordinary shares of RM1 each had been listed on the Kuala Lumpur Stock Exchange Main Board in place of GWPI, in accordance with the transfer of the listing status of GWPI to Encorp.

3. Employees' Share Option Scheme

At an Extraordinary General Meeting held on 21 April 2000, the shareholders of the GWPI approved the implementation by GWPI of an Employees' Share Option Scheme ("ESOS") which will offer eligible employees (including Executive Directors) of GWPI options to subscribe for new ordinary shares of RM1 each in GWPI.

The ESOS is in force for a period of 5 years and all options shall, unless otherwise extended pursuant to the provisions of the Bye-Laws of the ESOS, be exercised no later than 5 June 2005. The employee to whom an option is granted shall pay GWPI a nominal non-refundable sum of RM1 as consideration for the grant of the options.

The maximum number of shares to be offered shall not exceed ten percent (10%) of the issued and paid up capital of GWPI at any point in time during the exercise of the ESOS and the number of shares of GWPI that may be offered to each eligible employee is determined by a Committee appointed by the Board of Directors in accordance with the Bye-Laws of the ESOS.

The option price to subscribe for a new ordinary share of GWPI is based on the weighted average of the market quotation of the shares of GWPI as shown in the Daily Diary issued by the Kuala Lumpur Stock Exchange for the five market days preceding the date of the offer or the par value of RM1 of the shares of GWPI, whichever is higher.

On 23 September 2002, the shareholders of GWPI approved modification to the existing Bye-Laws governing and constituting the ESOS to provide for the transfer of the ESOS to the Company upon the implementation of the Proposed Scheme of Arrangement and the Proposed Transfer of Listing Status. This was to ensure the eligible employees of GWPI will still be able to participate in the ESOS upon implementation of the Proposed Scheme of Arrangement and the Proposed Transfer of Listing Status. As mentioned above, the Proposed Scheme of Arrangement and the Proposed Transfer of Listing Status were completed on 9 December 2002 and 11 February 2003 respectively.

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 realize 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 realize.

(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 in the Group and of the Company 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 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 and 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 in respect of the Group and of the Company which has arisen since the end of the financial year.

(f) In the opinion of the Directors:

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

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and 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)
)
) Directors
Mohd Ezra Effendi Bin Mohd Effendi Norwawi)
)

Kuala Lumpur, Malaysia
21 April 2003

Statement by Directors
Pursuant to Section 169 (15) of the Companies Act, 1965

We, DATO' MOHAMAD NOR BIN MOHAMAD and MOHD EZRA EFFENDI BIN MOHD EFFENDI NORWAWI, being two of the Directors of ENCORP BERHAD state that in the opinion of the Directors, the accompanying financial statements set out on pages 33 to 65 are 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 the financial position of the Group and of the Company at 31 December 2002 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)
)
) Directors
Mohd Ezra Effendi Bin Mohd Effendi Norwawi)
)

Kuala Lumpur, Malaysia
21 April 2003

Statutory Declaration
Pursuant to Section 169 (16) of the Companies Act, 1965

I, YEOH SOO ANN, 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 33 to 65 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 YEOH SOO ANN at Kuala Lumpur
in the Federal Territory on 21 April 2003

Yeoh Soo Ann

Before me,
Commissioner for Oaths
V. Gnaveswaran
No. W319

BALANCE SHEETS AS AT 31 DECEMBER 2002

	note	group 2002 RM	group 2001 RM	company 2002 RM	company 2001 RM
PROPERTY, PLANT AND EQUIPMENT	4	125,585,972	7,908,497	-	-
SUBSIDIARY COMPANIES	5	-	-	330,004,000	250,000,000
GOODWILL	6	180,933,071	193,635,564	-	-
CONCESSION EXPENDITURE	7	578,195,691	1,070,636,392	-	-
CONCESSION INCOME RECEIVABLES	8	709,450,734	-	-	-
CURRENT ASSETS					
Inventories	9	15,974,195	-	-	-
Trade receivables	10	45,664,187	1,355,498	-	-
Other receivables	11	2,435,596	251,180	58,250	54,500
Tax recoverable		131,020	1,208,686	-	-
Amount due from holding company	12	2,556,043	1,715,579	-	-
Deposits, cash and bank balances	13	114,445,750	166,655,536	2	2
		181,206,791	171,186,479	58,252	54,502
CURRENT LIABILITIES					
Short term borrowings	14	115,800,000	112,600,000	-	-
Trade payables		112,874,583	79,339,308	-	-
Other payables	15	56,384,618	131,453,630	722,450	1,041,572
Hire purchase and lease payables	16	227,887	99,628	-	-
Amount due to subsidiary companies	17	-	-	2,457,714	149,262
Provision for taxation		126,538	220,000	-	-
		285,413,626	323,712,566	3,180,164	1,190,834
NET CURRENT LIABILITIES		(104,206,835)	(152,526,087)	(3,121,912)	(1,136,332)
		1,489,958,633	1,119,654,366	326,882,088	248,863,668

The notes on pages 41 to 65 form an integral part of these financial statements.

BALANCE SHEETS AS AT 31 DECEMBER 2002 (continued...)

	note	group 2002 RM	group 2001 RM	company 2002 RM	company 2001 RM
FUNDS EMPLOYED:					
SHARE CAPITAL	18	223,508,536	75,528,703	223,508,536	75,528,703
SHARE PREMIUM		103,563,392	173,471,299	103,563,392	173,471,299
RESERVE ON CONSOLIDATION		47,824,897	-	-	-
RETAINED PROFIT/ (ACCUMULATED LOSSES)		9,065,988	1,455,226	(189,840)	(136,334)
SHAREHOLDERS' FUNDS		383,962,813	250,455,228	326,882,088	248,863,668
DEFERRED AND LONG TERM LIABILITIES					
Long term borrowings	14	1,080,821,534	865,423,340	-	-
Deferred taxation	19	24,525,615	3,085,830	-	-
Hire purchase and lease payables	16	648,671	689,968	-	-
		1,105,995,820	869,199,138	-	-
		1,489,958,633	1,119,654,366	326,882,088	248,863,668

The notes on pages 41 to 65 form an integral part of these financial statements.

INCOME STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002

	note	group 2002 RM	group 2001 RM	company 2002 RM	company 2001 RM
REVENUE	20	861,178,721	14,414,732	-	-
COST OF SALES		(776,249,201)	(2,764,952)	-	-
GROSS PROFIT		84,929,520	11,649,780	-	-
OTHER OPERATING INCOME		609,239	922,150	-	-
ADMINISTRATIVE EXPENSES		(3,343,869)	(2,837,720)	(53,506)	(119,458)
OTHER OPERATING EXPENSES		(13,576,220)	(6,846,288)	-	-
PROFIT / (LOSS) FROM OPERATIONS		68,618,670	2,887,922	(53,506)	(119,458)
FINANCE COSTS		(49,294,411)	(40,651)	-	-
PROFIT/(LOSS) BEFORE TAXATION	21	19,324,259	2,847,271	(53,506)	(119,458)
TAXATION	22	(11,713,497)	(1,375,169)	-	-
PROFIT/(LOSS) FOR THE YEAR		7,610,762	1,472,102	(53,506)	(119,458)
BASIC EARNINGS PER SHARE (SEN)	30	5.07	1.18		

The notes on pages 41 to 65 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2002

		non-distributable			distributable	
	note	share capital RM	share premium RM	reserved on consolidation RM	retained profit/ (accumulated loss) RM	total RM
At 1 January 2001		2	-	-	(16,876)	(16,874)
Profit for the year		-	-	-	1,472,102	1,472,102
Issue of shares	18	75,528,701	174,471,299	-	-	250,000,000
Net loss not recognized in the income statement: - Write off of corporate exercise expenses		-	(1,000,000)	-	-	(1,000,000)
At 31 December 2001		75,528,703	173,471,299	-	1,455,226	250,455,228
Profit for the year		-	-	-	7,610,762	7,610,762
Bonus issue of shares	18	67,975,833	(67,975,833)	-	-	-
Issue of shares	18	80,004,000	-	-	-	80,004,000
Net loss not recognized in the income statement: - Write off of corporate exercise expenses		-	(1,932,074)	-	-	(1,932,074)
Reserve arising on acquisition of a subsidiary company		-	-	47,824,897	-	47,824,897
At 31 December 2002		223,508,536	103,563,392	47,824,897	9,065,988	383,962,813

The notes on pages 41 to 65 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2002

	note	share capital RM	share premium RM	accumulated losses RM	total RM
At 1 January 2001		2	-	(16,876)	(16,874)
Loss for the year		-	-	(119,458)	(119,458)
Issue of shares	18	75,528,701	174,471,299	-	250,000,000
Net loss not recognized in the income statement: - Write off of corporate exercise expenses		-	(1,000,000)	-	(1,000,000)
At 31 December 2001		75,528,703	173,471,299	(136,334)	248,863,668
Loss for the year		-	-	(53,506)	(53,506)
Bonus issue of shares	18	67,975,833	(67,975,833)	-	-
Issue of shares	18	80,004,000	-	-	80,004,000
Net loss not recognized in the income statement: - Write off of corporate exercise expenses		-	(1,932,074)	-	(1,932,074)
At 31 December 2002		223,508,536	103,563,392	(189,840)	326,882,088

The notes on pages 41 to 65 form an integral part of these financial statements.

CASH FLOW STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002

	group		company	
	2002 RM	2001 RM	2002 RM	2001 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit / (loss) before taxation	19,324,259	2,847,271	(53,506)	(119,458)
Adjustments for:				
Depreciation	1,600,940	640,215	-	-
Interest expenses	49,294,411	40,651	-	-
Property, plant and equipment written off	5,115	-	-	-
Gain on disposal of property, plant and equipment	(68,999)	-	-	-
Provision for doubtful debts	34,470	-	-	-
Amortization of concession expenditure	768,683,809	2,764,952	-	-
Interest income	(609,239)	(922,150)	-	-
Amortization of goodwill on consolidation	12,702,493	4,647,254	-	-
Operating profit / (loss) before working capital changes	850,967,259	10,018,193	(53,506)	(119,458)
Changes in working capital:				
Increase in concession expenditure	(240,382,617)	(346,874,186)	-	-
Increase in inventories	(4,014,521)	-	-	-
Increase in receivables	(811,963,536)	(395,780)	(3,750)	(54,500)
(Increase) / decrease in amount due from holding company	(840,464)	620,640	-	-
Increase /(decrease) in trade and other payables	26,304,947	76,192,439	(556,130)	24,696
Increase in indebtedness to a subsidiary company	-	-	613,386	149,262
Cash used in operations	(179,928,932)	(260,438,694)	-	-
Corporate exercise expenses	(1,932,074)	-	-	-
Interest paid	(195,522)	(40,651)	-	-
Income taxes refund / (paid)	252,048	(748,855)	-	-
Net cash flow used in operating activities	(181,804,480)	(261,228,200)	-	-

The notes on pages 41 to 65 form an integral part of these financial statements.

CASH FLOW STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 (continued...)

	note	group 2002 RM	group 2001 RM	company 2002 RM	company 2001 RM
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(146,013)	(305,575)	-	-
Proceeds from disposal of property, plant and equipment		69,000	-	-	-
Interest received		2,652,133	11,152,190	-	-
Acquisition of subsidiary company, net of cash and cash equivalents acquired	24	9,495,528	417,111,548	-	-
Net cash generated from investing activities		12,070,648	427,958,163	-	-
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issuance of long term borrowing		189,500,000	-	-	-
Repayment of borrowings		(71,900,000)	-	-	-
Deposits pledged		-	(166,548,712)	-	-
Release of deposits pledged		64,513,269	-	-	-
Repayment of hire purchase and lease payables		(75,954)	(74,429)	-	-
Net cash generated from / (used in) financing activities		182,037,315	(166,623,141)	-	-
NET INCREASE IN CASH AND CASH EQUIVALENTS		12,303,483	106,822	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		106,824	2	2	2
CASH AND CASH EQUIVALENTS AT END OF YEAR		12,410,307	106,824	2	2

The notes on pages 41 to 65 form an integral part of these financial statements.

CASH FLOW STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 (continued...)

	group		company	
	2002 RM	2001 RM	2002 RM	2001 RM
Cash and cash equivalents comprise the following:-				
Cash deposits placed with:-				
- licensed banks	36,989,890	38,951,548	-	-
- financial institution	65,045,553	127,597,164	-	-
Cash and bank balances	12,410,307	106,824	2	2
	114,445,750	166,655,536	2	2
Less: Deposits pledged	(102,035,443)	(166,548,712)	-	-
	12,410,307	106,824	2	2

The notes on pages 41 to 65 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2002

1. Corporate Information

The Company is a public limited company, incorporated and domiciled in Malaysia, and is listed on the Main Board of the Kuala Lumpur Stock Exchange.

The Company is an investment holding company.

The principal activities of the subsidiaries are described in Note 5 to the financial statements.

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 Darul Ehsan.

The holding company of the Company is Lavista Sdn. Bhd., a private limited company, incorporated and domiciled in Malaysia.

The number of employees in the Group at the end of the financial year were 522 (2001: 114). The Company had no employees during the years ended 31 December 2001 and 2002.

The financial statements were authorized for issue by the Board of Directors in accordance with a resolution of the Directors on 21 April 2003.

2. Change of Financial Year End

During the year, all the subsidiary companies except for Great Wall Plastic Industries Berhad ("GWPI") changed their financial year end from 31 January to 31 December in order to be co-terminous with the Company.

3. Significant Accounting Policies

(a) Basis of Accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention (unless stated otherwise in the significant accounting policies below) and comply with the provisions of the Companies Act 1965 and applicable Approved Accounting Standards in Malaysia.

During the current financial year, the Group and the Company adopted the following new standards issued by the Malaysian Accounting Standards Board ("MASB"):-

MASB 19 - Events After The Balance Sheet Date
MASB 20 - Provisions, Contingent Liabilities and Contingent Assets
MASB 22 - Segment Reporting
MASB 23 - Impairment of Assets
MASB 24 - Financial Instruments: Disclosure and Presentation
MASB 25 - Income Taxes
MASB 27 - Borrowing Costs

Except for MASB 23 which is applied prospectively, the other standards are applied retrospectively and the effects of which are illustrated in Note 29. The adoption of the above new standards has not given rise to any adjustments to the opening balances of retained profit of the prior and current years or to changes in comparatives.

The Group has applied MASB 25, Income Taxes prior to its effective date, to change its accounting policy on deferred taxation from the partial basis to the comprehensive basis. This change in accounting policy has no effect on opening retained earnings and correspondingly, no retrospective change has been made to the comparatives.

(b) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies. Subsidiary companies 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.

Subsidiary companies are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiary companies acquired or disposed of during the year are included in the consolidated income statement from the effective date of

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2002 (continued...)

acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of subsidiary companies 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 companies at the date of acquisition is treated as goodwill or reserve on consolidation and is dealt with in capital reserve.

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 company is the difference between net disposal proceeds and the Group's share of its net assets, together with any unamortised balance of goodwill on acquisition and exchange differences which were not previously recognized in the consolidated income statement.

(c) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost comprises purchase cost and any incidental costs of acquisition. The policy for the recognition and measurement of impairment losses is in accordance with Note 3 (i).

The freehold land of a subsidiary company 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. Other property, plant and equipment are depreciated on a straight line basis over their estimated useful lives.

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 %**

(d) Concessions 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.

Prior to 1 February 2002, the expenditure was amortized upon completion of the construction of each cluster of the teachers' quarters by matching to the monthly concession payments receivable over the concession period ending in year 2028 based on the following formula:-

$$\frac{\text{Total concession payments received / receivable during the financial period}}{\text{Total estimated concession payments of the entire concession}} \times \text{Total estimated concession expenditure of the entire concession}$$

Prior to 1 February 2002, interest incurred on borrowings during the period of construction of the teachers' quarters was capitalized as concession expenditure (net of interest income earned), which in turn was recognized in the income statement based on the formula in the preceding paragraph.

Prior to 1 February 2002, interest incurred after completion of construction of all the 10,000 units of teachers' quarters ("post-construction") until full repayment of the borrowings was deferred via an Interest Equalization Account which is recognized in the income statement based on the following formula:

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2002 (continued...)

$$\frac{\text{Cumulative post-construction monthly concession payments to date}}{\text{Total post-construction monthly concession payments of the concession}} \times \text{Cumulative actual concession expenditure}$$

During the financial period, the Group changed its accounting policy on borrowing costs, so as to comply with the requirements of MASB 27, Borrowing Costs. The effect of this change in accounting policy has been accounted for retrospectively.

In the previous financial year, borrowing costs attributable to the construction of the teachers' quarters during the period when activities necessary to prepare the quarters for its intended use are in progress, were capitalized as a component of the cost of the concession expenditure. Such capitalisation continued subsequent to the completion of construction of the quarters.

With the change effective from 1 February 2002, 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 capitalized as a component of the cost of the concession expenditure. Such capitalisation ceases when the quarters are ready for their intended use.

As a consequence of the above change, the Group during the financial period amortized the concession expenditure based on the number of units of teachers' quarters completed and handed over to the Government against the total number of teachers' quarters under the said concession.

The effects of the above change has been applied retrospectively using the allowed alternative treatment under MASB 3, Net Profit or Loss for the Periods, Fundamental Errors and Changes in Accounting Policy, and is disclosed in Note 29.

(e) Inventories

Inventories are stated at 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.

(f) Hire Purchase and Finance Leases

A lease is recognized 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 Group'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 charged to 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 3 (c).

(g) Foreign Currencies

Transactions in foreign currencies are converted into Malaysian Ringgit at the rates of exchange approximating those ruling at the date of transaction or where settlement had not taken place at the balance sheet date, at the approximate rates ruling as at that date. All gains and losses on exchange are recognized in the income statement.

The principal closing rates used in translation of foreign currency amounts are as follows:

foreign currency	2002 RM	2001 RM
1 US Dollar	**3.80**	**3.80**
1 Singapore Dollar	**2.19**	**2.05**

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2002 (continued...)

(h) Revenue Recognition

Revenue is recognized 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 from sale of goods is recognized in the income statement on an accrual basis when goods are delivered based on the invoiced value of goods sold less returns.

(ii) Dividend Income

Dividend income from subsidiary companies is recognized in the income statement when declared during the year.

(iii) Concession income and interest income

Prior to 1 February 2002, the Group recognized the above revenue as follows:-

- Monthly concession payments

The monthly concession payments from the Government are recognized in the income statement from the completion date of each cluster of the teachers' quarters up to the end of the concession period; and

- Initial concession payment

The initial concession payment from the Government is recognized upon the completion and transfer of each cluster of the teachers' quarters up to the end of the concession period, calculated by reference to the total monthly concession payments received/receivable for the financial period over the total estimated concession payments for the entire concession.

During the year as a result of the changes as disclosed in Note 3 (d), the Group has decided to adopt the following policy:

- Concession Income

Concession income is recognized 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 said 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 Group is compensated in the form of interest as a result of the extended repayment period. Interest income is earned over the residual concession period based on the policy noted below.

- Interest Income

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

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

(i) Impairment of Assets

At each balance sheet date, the Group reviews the carrying amounts of its assets, other than inventories, deferred tax assets, assets arising from employee benefits and financial assets, to determine whether there is any indication that those assets have suffered an impairment loss. 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. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

An impairment loss is charged to the income statement immediately, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any available previously recognized revaluation surplus for the same asset.

Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The reversal is recognized to the extent of the carrying amount of the asset that would have been determined

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2002 (continued...)

(net of amortization and depreciation) had no impairment loss been recognized. The reversal is recognized in the income statement immediately,
unless the asset is carried at revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognized as an expense in the income statement, a reversal of that impairment loss is recognized as income in the income statement.

(j) Deferred Taxation

Deferred taxation is provided using the balance sheet liability method, providing for temporary differences at balance sheet date between the tax bases of assets and liabilities and the carrying amounts for financial reporting purposes. Deferred taxation is not provided for initial recognition of assets and liabilities that affect neither accounting nor taxable profit.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(k) Cash and Cash Equivalents

Cash and cash equivalents comprise deposits, and cash and bank balances. Cash equivalents are short term highly liquid investments that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value.

(l) Financial Instruments

Financial instruments are recognized 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

(i) Trade and Other Receivables

Trade and other receivables are carried at anticipated realizable 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 realizable 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 payables 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 recognized in equity in the period in which they are declared and
approved by the shareholders.

The transaction costs of an equity transaction, other than in the context of a business combination, 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. Cost of issuing equity securities in connection with a business combination are included in the cost of acquisition.

(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
capitalized as part of the cost of those assets in accordance with Note 3 (d).

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2002 (continued...)

(m) Affiliated Companies

Affiliated companies comprise companies related to Directors, Efeida binti Mohd Effendi and Mohd Ezra Effendi bin Mohd Effendi Norwawi
by virtue of them being Directors, shareholders and/or their relationship with the controlling shareholders of the companies.

4. Property, Plant and Equipment

group	freehold land	factory buildings and warehouse	commercial office space	plant machinery and equipment	motor vehicles	office equipment, furniture and fittings	office renovation	Total 2002	Total 2001
	RM	RM	RM	RM	RM	RM	RM	RM	RM
COST									
At 1 January 2002	-	-	3,756,750	-	1,893,694	1,175,463	2,336,889	9,162,796	-
Arising from acquisition of subsidiary company	9,260,070	40,891,754	-	116,256,953	4,735,934	5,646,209	-	176,790,920	8,857,221
Additions	-	28,201	-	-	-	33,252	84,560	146,013	305,575
Disposals/write offs	-	-	-	-	(184,820)	(7,004)	-	(191,824)	-
At 31 December 2002	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
ACCUMULATED DEPRECIATION									
At 1 January 2002	-	-	137,748	-	620,394	212,138	284,019	1,254,299	-
Arising from acquisition of subsidiary company	-	3,220,199	-	46,959,947	3,480,293	3,992,963	-	57,653,402	614,084
Charge for the year	-	68,295	68,873	721,987	337,365	182,453	221,967	1,600,940	640,215
Disposals/write offs	-	-	-	-	(184,819)	(1,889)	-	(186,708)	-
At 31 December 2002	-	3,288,494	206,621	47,681,934	4,253,233	4,385,665	505,986	60,321,933	1,254,299
NET BOOK VALUE									
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	-
At 31 December 2001	-	-	3,619,002	-	1,273,300	963,325	2,052,870	-	7,908,497
Depreciation charged for year 2001	-	-	56,352	-	321,288	85,332	177,243	-	640,215

Net book value of property, plant and equipment under hire purchase and finance lease instalment amounted to RM669,000 and RM420,759 (2001: RM892,000 and Nil) respectively.

5. Subsidiary Companies

	company	
	2002 RM	2001 RM
Unquoted shares, at cost	330,004,000	250,000,000

The above current year unquoted shares relate to Enfari Sdn. Bhd. and Great Wall Plastic Industries Berhad (2001: Enfari Sdn. Bhd.).

Details of the subsidiary companies are as follows:

name of company incorporated in Malaysia	principal activity	percentage of ownership 2002 %	2001 %
Enfari Sdn. Bhd.	Investment holding	**100**	**100**
Great Wall Plastic Industries Berhad	Manufacturing and marketing of plastic film packaging product	**100**	**-**
Subsidiary companies of Enfari Sdn. Bhd.			
Encorp Systembilt Sdn. Bhd.	Concessionaire to build and transfer teachers' quarters to the Government of Malaysia	**100**	**100**
Encorp Construct Sdn. Bhd.	Property construction	**100**	**100**
Subsidiary company of Encorp Construct Sdn. Bhd.			
Encorp-L & M Precast Sdn. Bhd.	General contracting	**55**	**55**

6. Goodwill

	group 2002 RM	2001 RM
At 1 January	**193,635,564**	**-**
Arising from acquisition of subsidiary company	**-**	**198,282,818**
Amortization	**(12,702,493)**	**(4,647,254)**
At 31 December	**180,933,071**	**193,635,564**

The goodwill is amortized through the income statement over a period not exceeding 20 (2001: 30) years.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2002 (continued...)

7. Concession Expenditure

	group	
	2002 RM	2001 RM
Concession expenditure	1,349,644,451	1,073,401,343
Accumulated amortization	(771,448,760)	(2,764,951)
	578,195,691	1,070,636,392

Included in concession expenditure incurred during the period/year are:

Accretion in value of Al-Bai Bithaman Ajil Notes	28,414,943	81,369,680
Staff costs	3,033,559	4,664,627
Consultancy fees paid to a Director of a subsidiary company	294,000	160,000
Rental of office equipment	7,750	8,848
Rental of motor vehicles	122,479	155,554
Interest income from fixed deposit	(667,209)	(10,230,040)
Director emoluments of:-		
-the Company	-	135,600
-a subsidiary company	-	358,750

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 2002, concession expenditure includes costs incurred relating to variation orders amounting to approximately RM51,715,279.

The Directors recognize 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 2002 and are of the opinion that the amounts recognized in concession expenditure is reasonable.

8. Concession Income Receivables

	group	
	2002 RM	2001 RM
Concession income receivables accrued:		
-Within 1 year	23,115,089	1,355,498
-More than 1 year and less than 2 years	101,769,430	149,514
-More than 2 years and less than 5 years	354,225,111	-
-More than 5 years	2,228,161,497	-
	2,707,271,127	1,505,012
Unearned interest income	(1,890,530,304)	-
	816,740,823	1,505,012
Initial concession payment recognized	(84,175,000)	(149,514)
	732,565,823	1,355,498
Receivable within one year (Note 10)	23,115,089	1,355,498
Receivable after one year	709,450,734	-
	732,565,823	1,355,498

As at the balance sheet date, the entire concession income receivables is due from the Government of Malaysia.

The Group's normal trade credit term is 21 days.

9. Inventories

	group	
	2002 RM	2001 RM
At cost:-		
Consumable stores	2,098,816	-
Raw materials	11,536,572	-
Work-in-progress	650,341	-
Finished goods	1,688,466	-
	15,974,195	-

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2002 (continued...)

10. Trade Receivables

	group	
	2002 RM	2001 RM
Trade receivables	22,725,143	-
Less: Provision for doubtful debts	(176,045)	-
	22,549,098	-
Concession income receivables within one year (Note 8)	23,115,089	1,355,498
	45,664,187	1,355,498

11. Other Receivables

	group	
	2002 RM	2001 RM
Sundry receivables	148,100	148,088
Prepayments	220,951	67,467
Deposits	2,066,545	35,625
	2,435,596	251,180

12. Amount Due From Holding Company

The amount due from holding company is unsecured, interest free and has no fixed terms of repayment.

13. Deposit and Cash Balances

	group		company	
	2002 RM	2001 RM	2002 RM	2001 RM
Cash deposits placed with:				
-licensed banks (a)	36,989,890	38,951,548	-	-
-financial institution (b)	65,045,553	127,597,164	-	-
Cash and bank balances	12,410,307	106,824	2	2
	114,445,750	166,655,536	2	2

(a) The deposits with licensed banks amounting to RM989,890 (2001: RM2,951,548) are on lien for a bank guarantee granted to the Government and performance bonds, while another RM36,000,000 (2001: 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 RM65,045,553 (2001: RM127,597,164) is held by the financial institution in trust for the holders of the Al-Bai Bithaman Ajil Notes.

The weighted average interest rates during the financial period and the average maturities of deposits as at 31 December 2002 were as follows:

	group	
	weighted average interest rates %	average maturities days
Licensed banks	1.20-3.78	30-313
Financial institution	2.83	79

14. Borrowings

	group	
	2002 RM	2001 RM
Short Term Borrowings		
Secured		
Al-Bai Bithaman Ajil Notes payable:-		
- within one year	112,600,000	112,600,000
Unsecured		
Bank term loans payable:-		
- within one year	3,200,000	-
	115,800,000	112,600,000
Long Term Borrowings		
Secured		
Al-Bai Bithaman Ajil Notes are payable:-		
- within one year	112,600,000	112,600,000
- more than one year but not later than five years	547,814,931	563,000,000
- more than five years	1,626,778,397	1,156,000,000
	2,287,193,328	1,831,600,000
Less: Finance charges	(1,103,967,714)	(853,576,660)
	1,183,225,614	978,023,340
Unsecured		
Bank term loans are payable:-		
- within one year	3,200,000	-
- more than one year but not later than five years	10,195,920	-
	13,395,920	-
	1,196,621,534	978,023,340
Due within one year	115,800,000	112,600,000
Due after one year	1,080,821,534	865,423,340
	1,196,621,534	978,023,340

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2002 (continued...)

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) RM1.321 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 the 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 the 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.

The Notes are secured by the assignment of the contract Concession Payments and the deposit with finance companies, and a negative pledge on all assets of a subsidiary company.

Meanwhile, the unsecured bank term loans are covered by negative pledge over the entire assets of a subsidiary company, and interest is charged at 1% (2001: 1% - 1.5%) per annum above the base lending rate and cost of funds, as applicable.

The unsecured bank term loans as at 31 December 2002 are made up of two (2) loans with a fixed tenure ranging from 3 to 6 years, and are fully repayable respectively by 2006 and 2007.

15. Other Payables

	group		company	
	2002 RM	2001 RM	2002 RM	2001 RM
Initial concession payment received in advance	**40,825,000**	**124,850,970**	**-**	**-**
Sundry payables	**11,093,752**	**6,283,051**	**722,150**	**1,041,272**
Accruals	**4,465,866**	**319,609**	**300**	**300**
	56,384,618	**131,453,630**	**722,450**	**1,041,572**

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 recognized 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	
	2002 RM	2001 RM
Initial concession payment received	**125,000,000**	**125,000,000**
Less: Total revenue recognized to date	**(84,175,000)**	**(149,030)**
	40,825,000	**124,850,970**

Included in sundry payables of the Group and the Company are amounts due to an affiliated company, Encorp Group Sdn. Bhd., amounting to RM739,930 (2001: RM36,182) and RM463,248 (2001: RM36,182) respectively.

16. Hire Purchase and Lease Payables

	group	
	2002 RM	2001 RM
The minimum hire purchase and lease payments are payable as follows::		
-within one year	**296,496**	**172,620**
-more than one year but not later than five years	**731,770**	**690,480**
-more than five years	**33,349**	**205,969**
	1,061,615	**1,069,069**
Less: Finance charges	**(185,057)**	**(279,473)**
Present value of hire purchase and lease payables	**876,558**	**789,596**

The present value of hire purchase and lease payables are as follows:

	group	
	2002 RM	2001 RM
Representing hire purchase and lease payables		
-within one year	**227,887**	**99,628**
-more than one year but not later than five years	**615,465**	**506,746**
-more than five years	**33,206**	**183,222**
	876,558	**789,596**

The hire purchase and lease payables bear interest ranging from 3.65% to 5.15% (2001: 5.15%) per annum.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2002 (continued...)

17. Amount Due to Subsidiary Company

The amount due to subsidiary company is unsecured, interest free and has no fixed terms of repayment.

18. Share Capital

	group / company			
	2002		2001	
	no of shares	RM	no of shares	RM
Ordinary shares of RM1 each				
Authorized:				
At 1 January/31 December	**300,000,000**	**300,000,000**	**300,000,000**	**300,000,000**
Issued and fully paid:				
At 1 January	**75,528,703**	**75,528,703**	**2**	**2**
Bonus issue	**67,975,833**	**67,975,833**	**-**	**-**
Issued during the year	**80,004,000**	**80,004,000**	**75,528,701**	**75,528,701**
At 31 December	**223,508,536**	**223,508,536**	**75,528,703**	**75,528,703**

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 capitalized 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 GWPI.

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19. Deferred Taxation

	group	
	2002 RM	2001 RM
At 1 January	3,085,830	-
Arising from acquisition of subsidiary companies	10,438,221	2,364,544
Transfer from income statement (Note 22)	11,001,564	721,286
At 31 December	24,525,615	3,085,830

Deferred taxation is in respect of:

	group	
	2002 RM	2001 RM
-timing differences between depreciation and corresponding capital allowances	11,467,178	-
-timing differences between amortization of concession expenditure and corresponding expenditure incurred	161,783,482	3,085,830
-unabsorbed tax losses	(148,007,463)	-
-surplus arising on revaluation	250,213	-
-other timing differences	(967,795)	-
	24,525,615	3,085,830

20. Revenue

	group	
	2002 RM	2001 RM
Concession income from the handover of teachers' quarters	815,163,900	4,320,709
Contract revenue	-	10,094,023
Interest income	36,826,826	-
Invoiced value of goods sold less returns and discount allowed	9,187,995	-
	861,178,721	14,414,732

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2002 (continued...)

21. Profit / (Loss) Before Taxation

	group		company	
	2002 RM	2001 RM	2002 RM	2001 RM
The profit/(loss) before taxation is arrived at after charging/(crediting):				
Auditors' remuneration				
-auditors of the Company				
-current year	47,633	11,000	15,000	1,000
-under provision in prior year	10,000	-	10,000	-
-other auditors	-	30,800	-	-
Directors' remuneration				
-Directors of the Company				
-fees	1,000	-	-	-
-emoluments	369,642	451,000	-	-
-benefits-in-kind	41,863	27,550	-	-
Provision for doubtful debts	34,470	-	-	-
Depreciation	1,600,940	640,215	-	-
Property, plant and equipment written off	5,115	-	-	-
Rent of premises	342,616	343,337	-	-
Rent of equipment	8,950	10,318	-	-
Amortization of goodwill on consolidation	12,702,493	4,647,254	-	-
Amortization of concession expenditure	768,683,809	2,764,952	-	-
Interest expense:				
-hire purchase/lease interest	106,989	40,651	-	-
-term loan	88,143	-	-	-
-bank overdraft	390	-	-	-
-Al-Bai Bithaman Ajil notes	49,098,889	-	-	-
Staff costs	2,704,750	1,281,997	-	-
Fixed deposit income	(609,239)	(922,150)	-	-
Gain on disposal of property, plant and equipment	(68,999)	-	-	-
Realized gain on foreign exchange	(14,554)	-	-	-

22. Taxation

	group	
	2002 RM	2001 RM
Based on results for the year:-		
Malaysian taxation		
-current year	543,199	653,883
-under provision in prior year	168,734	-
Deferred taxation (Note 19)	11,001,564	721,286
	11,713,497	1,375,169

Subject to agreement by the tax authorities, the Group has unabsorbed tax losses of approximately RM528,598,000 (2001: RM1,015,346,000) available to be carried forward for set off against future chargeable income.

	group	
	2002 %	2001 %
Reconciliation of tax expense and accounting profit		
Tax at the applicable statutory tax rate	28.00	28.00
Tax effect of non-deductible expenses:		
-Attributable concession expenditure amortized	1,113.79	(33.77)
-Depreciation	1.02	7.89
-Amortization of goodwill on consolidation	18.41	45.72
-Others	1.81	20.61
Tax effect of concession expenditure incurred during the year	(454.63)	(142.42)
Tax effect of interest income from deposits with licensed banks and a financial institution	0.97	100.63
Tax effect of capital allowances utilized during the period	(0.62)	(3.23)
Tax effect of tax losses utilised during the period	(705.93)	(0.46)
Tax effect in respect of:		
-timing differences between depreciation and corresponding capital allowances	1.61	-
-timing differences between amortization of concession expenditure and corresponding expenditure incurred	821.23	25.33
-unabsorbed tax losses	(765.92)	-
Average effective tax rate	59.74	48.30

There is no tax charge for the Company as there is no taxable income.

23. Significant Related Party Transactions

	group	
	2002 RM	2001 RM
Management fees payable to an affiliated company Natseven TV Sdn. Bhd.	-	472,500
Information technology services payable to an affiliated company Casaville Technology Services Sdn. Bhd.	-	1,200,000

The above transactions were entered into in the normal course of business and were established on terms and conditions that were not materially different from that obtainable in transactions with unrelated parties.

24. Effects of Acquisition of Subsidiary Companies

On 9 December 2002, the Company acquired the entire issued and fully paid up share capital of GWPI comprising 80,004,000 ordinary shares of RM1 each for a total purchase consideration of RM80,004,000 which was fully satisfied by the issuance of 80,004,000 new ordinary shares of RM1 each in the Company at an issue price of RM1 per share.

The acquisition was under a voluntary scheme of arrangement between GWPI and its shareholders involving the Company under Section 176 of the Companies Act, 1965 whereby the existing 80,004,000 ordinary shares of RM1 each in the GWPI had been exchanged for new ordinary shares of RM1 each in the Company for every one (1) existing ordinary shares of RM1 each in the GWPI.

(a) Analysis of subsidiary companies acquired at the date of acquisition:

	group	
	2002 RM	2001 RM
Property, plant and equipment	119,137,518	8,243,137
Inventories	11,959,674	-
Concession expenditure	-	675,005,488
Receivables	28,082,234	2,254,126
Amount due from holding company	-	2,336,219
Deposits and cash balances	9,495,528	417,111,548
Payables	(16,249,000)	(133,733,137)
Hire purchase creditors	(162,916)	(864,025)
Short term borrowings	(3,200,000)	-
Deferred taxation	(10,438,221)	(2,364,544)
Long term borrowings	(10,795,920)	(916,271,630)
Share of net assets acquired	127,828,897	51,717,182
(Reserve) / goodwill on acquisition	(47,824,897)	198,282,818
Total purchase consideration	80,004,000	250,000,000
Less: Portion discharged by issuance of the Company's share capital	(80,004,000)	(250,000,000)
	-	-
Cash of subsidiary companies	(9,495,528)	(417,111,548)
Net cash received	(9,495,528)	(417,111,548)

(b) The effect of the acquisition of subsidiary companies on the financial results of the Group during the year is as follows:

	group	
	2002 RM	2001 RM
Revenue	9,187,995	14,414,732
Cost of sales	(7,565,392)	(2,764,952)
Gross profit	1,622,603	11,649,780
Other operating income	-	922,150
Other operating expenses	(1,045,081)	(4,917,298)
Profit from operations	577,522	7,654,632
Finance costs	(93,059)	(40,651)
	484,463	7,613,981
Taxation	(139,000)	(1,375,169)
Increase in group net profit	345,463	6,238,812

(c) The effect of the acquisition on the financial position at the year end is as follows:

	group	
	2002 RM	2001 RM
Property, plant and equipment	118,274,579	7,908,497
Goodwill	-	193,635,564
Concession expenditure	-	1,070,636,392
Inventories	15,974,195	-
Receivables	24,868,782	2,910,126
Amount due from holding company	1,962,992	1,715,579
Deposits and cash balances	12,381,235	166,655,534
Reserve on consolidation	(47,824,897)	-
Short term borrowings	(3,200,000)	(112,600,000)
Payables	(21,157,163)	(209,751,366)
Hire purchase creditors	(157,119)	(789,596)
Deferred and long term liabilities	(20,773,141)	(868,729,170)
	80,349,463	251,591,560
Less: Post acquisition profit	(345,463)	(6,238,812)
Add: Goodwill on consolidation amortized	-	4,647,252
Increase in Group net assets	80,004,000	250,000,000

25. Contingent Liabilities and Material Litigation

	group	
	2002 RM	2001 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	10,850,000
(b) Corporate guarantee given by Enfari Sdn. Bhd. to a contractor for construction cost of its subsidiary company	72,000,000	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	-
Material litigation:		
Claim by a third party against two subsidiary companies, for loss and damage arising from construction works on its land. As the Government is obliged to hand over sites free from any encumbrance, the Government has agreed to compulsorily acquire the land.	6,959,598	6,959,598

26. Segment Information

(a) Business Segments:-

The Group is organized 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.

(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	
	2002 RM	2001 RM	2002 RM	2001 RM	2002 RM	2001 RM	2002 RM	2001 RM	2002 RM	2001 RM	2002 RM	2001 RM
REVENUE AND EXPENSES												
Revenue												
External sales	-	-	9,187,995	-	-	-	849,190,032	4,320,709	2,800,694	10,094,023	861,178,721	14,414,732
Inter-segment sales	-	-	-	-	195,633,516	536,268,250	-	-	(195,633,516)	(536,268,250)	-	-
Total revenue											861,178,721	14,414,732
Results												
Segment results	(59,676)	(126,648)	577,522	-	(290,230)	2,754,027	87,351,828	1,409,626	(19,570,013)	(2,071,233)	68,009,431	1,965,772
Interest expense	-	-	(93,059)	-	(102,463)	(40,651)	(49,098,889)	-	-	-	(49,294,411)	(40,651)
Interest income	606,777	786,087	-	-	2,462	136,063	-	-	-	-	609,239	922,150
											19,324,259	2,847,271
Taxation											(11,713,497)	(1,375,169)
Net profit for the year/period											7,610,762	1,472,102

	investment holding		manufacturing		construction		others*		eliminations		consolidated	
	2002 RM	2001 RM	2002 RM	2001 RM	2002 RM	2001 RM	2002 RM	2001 RM	2002 RM	2001 RM	2002 RM	2001 RM
ASSETS AND LIABILITIES												
Segment assets												
Consolidated total assets	419,729,534	338,920,162	173,461,783	-	107,453,824	83,488,477	1,380,552,531	1,162,220,326	(305,825,413)	(141,262,033)	1,775,372,259	1,443,366,932
Segment liabilities												
Consolidated total liabilities	44,158,165	40,804,621	45,287,423	-	106,913,709	81,847,397	1,303,794,460	1,111,091,724	(108,744,311)	(40,832,038)	1,391,409,446	1,192,911,704
OTHER INFORMATION												
Capital Expenditure	-	-	38,536	-	107,477	305,575	-	-	-	-	146,013	305,575
Depreciation and amortization	-	-	901,475	-	680,620	585,602	18,845	54,613	-	-	1,600,940	640,215
Amortization of goodwill on consolidation	-	-	-	-	-	-	-	-	12,702,493	4,647,254	12,702,493	4,647,254
Amortization of concession expenditure	-	-	-	-	-	-	761,816,289	2,764,952	6,867,520	-	768,683,809	2,764,952

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

27. Capital Commitments

	group	
	2002 RM	2001 RM
Capital expenditure approved and contracted for	8,149,144	-

28. 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 cashflows.

(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 minimized and monitored via strictly limiting the Group's associations to 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 2002 are represented as follows:

financial liabilities	carrying amount RM	fair value RM
Secured borrowings	1,183,225,614	1,690,994,000

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.

29. Effect of Change in Accounting policy

The change in accounting policy as described in Note 3 (d) has an effect on the basis of determining revenue which comprise concession income and interest income as described in Note 3 (h), the attributable concession expenditure amortized, and finance cost. The effects of the above change has been applied retrospectively using the allowed alternative treatment under MASB 3, Net Profit or Loss for the Periods, Fundamental Errors and Changes in Accounting Policy.

The effects of the change in accounting policy to the Group's net profit for the current period (net of income tax) is as follows:

	based on current policy RM	based on previous policy RM
Revenue		
-Concession income from the handover of teachers' quarters	812,363,206	57,144,454
-Interest income	36,826,826	-
Attributable concession expenditure amortized *	(768,683,809)	(27,408,589)
Finance cost	(49,098,889)	-
	31,407,334	29,735,865
Taxation - deferred	(10,700,564)	(10,015,910)
	20,706,770	19,719,955

*Attributable concession expenditure amortized includes the portion relating to interest incurred on borrowings of RM63,930,024 based on the current policy and RM15,844,258 based on the previous policy.

The other effects of the change on the financial statements of the Group are as follows:

	based on current policy RM	based on previous policy RM
Non-Current Assets		
Concession expenditure	578,195,691	1,368,569,800
Concession income receivable	709,450,734	-
Current Liabilities		
Other payables		
-Initial concession payment received in advance	40,825,000	123,419,844
Non-Current Liabilities		
Deferred taxation	10,700,564	10,015,910

30. Basic Earnings Per Share

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

	group	
	2002 RM	2001 RM
Net profit for the year (RM)	**7,610,762**	**1,472,102**
Weighted average number of ordinary shares in issue	**150,171,536**	**124,622,361**
Basic earnings per share (sen)	**5.07**	**1.18**

31. Significant Events

(a) Proposed Scheme of Arrangement, Proposed Acquisition, Proposed Waiver and Proposed Transfer of Listing Status

At an Extraordinary General Meeting and Court Convened Meeting held on 7 March 2001, the shareholders of GWPI, a company incorporated in Malaysia and listed on the Kuala Lumpur Stock Exchange Main Board, approved the Proposals involving the Company ("Encorp") as follows:

(i) Proposed Scheme of Arrangement

A voluntary scheme of arrangement between GWPI and its shareholders involving Encorp under Section 176 of the Companies Act, 1965 whereby the existing ordinary shares of RM1 each in GWPI will be exchanged for new ordinary shares of RM1 each in Encorp for every one (1) existing ordinary shares of RM1 each in GWPI.

(ii) Proposed Acquisition

Acquisition by Encorp from Enfari Limited ("Enfari") of the entire issued and paid up share capital of Enfari Sdn. Bhd. comprising 50,000,000 ordinary shares of RM1 each for a total purchase consideration of RM250,000,000 to be fully satisfied by the issuance of 75,528,701 new ordinary shares of RM1 each in Encorp at an issue price of RM3.31 per share.

(iii) Proposed Waiver

The waiver under Practice Note 2.9.1. of the Malaysian Code on Takeovers and Mergers, 1998 to Enfari and parties acting in concert with Enfari from the obligation to undertake a mandatory general offer for all remaining shares in Encorp not already held by Enfari and parties acting in concert with Enfari, upon completion of the Proposed Scheme of Arrangement and Proposed Acquisition.

(iv) Proposed Transfer of Listing Status

The transfer of the listing status of GWPI on the Main Board of the Kuala Lumpur Stock Exchange to Encorp.

The Securities Commission, on 23 March 2001, approved the Proposed Waiver.

The Proposed Acquisition was completed on 17 April 2001.

The Kuala Lumpur Stock Exchange, on 11 February 2003, delisted GWPI from the Official List of the Kuala Lumpur Stock Exchange.

On 9 December 2002, pursuant to the Proposed Scheme of Arrangement, Encorp issued 80,004,000 new ordinary shares of RM1 each at an issue price of RM1 per share in exchange for existing ordinary shares of RM1 each in GWPI on the basis of one new ordinary share of RM1 each in Encorp for every one existing ordinary share of RM1 each in GWPI.

On 11 February 2003, the entire issued and paid-up share capital of Encorp comprising 223,508,536 ordinary shares of RM1 each had been listed on the Kuala Lumpur Stock Exchange Main Board in place of GWPI, in accordance with the transfer of the listing status of GWPI to Encorp.

(b) Employees' Share Option Scheme

At an Extraordinary General Meeting held on 21 April 2000, the shareholders of the GWPI approved the implementation by GWPI of an Employees' Share Option Scheme ("ESOS") which will offer eligible employees (including Executive Directors) of GWPI options to subscribe for new ordinary shares of RM1 each in GWPI.

The ESOS is in force for a period of 5 years and all options shall, unless otherwise extended pursuant to the provisions of the Bye-Laws of the ESOS, be exercised no later than 5 June 2005. The employee to whom an option is granted shall pay GWPI a nominal non-refundable sum of RM1 as consideration for the grant of the options.

The maximum number of shares to be offered shall not exceed ten percent (10%) of the issued and paid up capital of GWPI at any point in time during the exercise of the ESOS and the number of shares of GWPI that may be offered to each eligible employee is determined by a Committee appointed by the Board of Directors in accordance with the Bye-Laws of the ESOS.

The option price to subscribe for a new ordinary share of GWPI is based on the weighted average of the market quotation of the shares of GWPI as shown in the Daily Diary issued by the Kuala Lumpur Stock Exchange for the five market days preceding the date of the offer or the par value of RM1 of the shares of GWPI, whichever is higher.

On 23 September 2002, the shareholders of GWPI approved modification to the existing Bye-Laws governing and constituting the ESOS to provide for the transfer of the ESOS to the Company upon the implementation of the Proposed Scheme of Arrangement and the Proposed Transfer of Listing Status. This was to ensure the eligible employees of GWPI will still be able to participate in the ESOS upon implementation of the Proposed Scheme of Arrangement and the Proposed Transfer of Listing Status. As mentioned above, the Proposed Scheme of Arrangement and the Proposed Transfer of Listing Status were completed on 9 December 2002 and 11 February 2003 respectively.

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

We have audited the accompanying financial statements set out on pages 33 to 65. 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 2002 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 subsidiary companies 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 subsidiary companies as indicated in Note 5 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 subsidiary companies 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 subsidiary companies 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.

Dato' Nordin Baharuddin
No. 837/03/04 (J)
Partner

ERNST & YOUNG
AF: 0039
Chartered Accountants

Kuala Lumpur, Malaysia
21 April 2003

great wall plastic industries berhad

Performance 2002

Great Wall Plastic Industries Berhad (GWPI) closed the financial year 2002 with a 190% jump in pre-tax profits compared to the previous year. Pre-tax profits for the period ended 31 December 2002 stood at RM7.45 million compared to RM2.57 million recorded in 2001. Turnover for the year was RM126.61 million, marginally lower than turnover registered in 2001 at RM130.37 million.

The significantly higher profits for GWPI, whose principle business is the manufacture and marketing of flexible plastics packaging films, was attributed to the rationalization of GWPI's product mix to focus, inter alia, more on value added blown film products such as technical films, printed films and wicketted bags.

As one of the largest integrated producers of plastics packaging films in the country, GWPI continued to invest in state-of-the-art technology during the year 2002 through the acquisition of new extrusion machines. The flexible plastics packaging industry is characterized by increasing sophistication in products and standards. As such GWPI's investment in a modern, spacious integrated factory operation has therefore allowed the company to differentiate itself from the domestic competitors.

Apart from incorporating new technology, GWPI's continued commitment to Quality has contributed positively to its strong reputation in the local flexible plastics packaging films market. GWPI was able to expeditiously revise and upgrade its quality standards requirement to be awarded the latest ISO 9001: 2000 certification, having earlier attained the ISO 9002:1994 certification in 2000. The factory's Quality Assurance laboratory was also expanded in 2002, with quality control facilities upgraded to further improve on the quality of the factory's production output.

Going Forward

As one of the leading flexible plastics packaging films manufacturer in the country, GWPI's future initiatives will be focused on :

(a) Expanding its products base

Given its strong foundation in the production of high quality flexible plastics packaging films, the company is looking to further expand production into markets such as the manufacture of high quality flexible plastics packaging films and other customized, higher value-added products. Improved technology and investments in new equipments present great potential for further growth in GWPI's existing products base, which is characterized by its versatility and multiple applications.

(b) New markets

With its modern integrated factory complex located in Rawang, 30km north of Kuala Lumpur, GWPI is well-positioned to tap bigger markets, both locally and regionally. The nations within ASEAN offer lucrative business opportunities for GWPI's main product lines - blown film and stretch film.

enfari sendirian berhad

Building our reputation

In 2002, Enfari Sdn Bhd (Enfari) continued to build its reputation as a major player in the country's property construction sector through its flagship project – construction of teachers' housing quarters for the Government of Malaysia.

The project had been awarded to Enfari's wholly owned subsidiary, Encorp Systembilt Sdn Bhd (ESSB), in 1998 for a concession period of 30 years. Under the contract, ESSB is required to plan, design, finance, construct and complete 10,000 units of apartments in 109 sites throughout Malaysia, including Sabah and Sarawak. The project is scheduled for completion by end-2003.

Enfari's wholly-owned subsidiary, Encorp Construct Sdn Bhd (ECSB), was engaged to manage construction of the project.

A strong believer of creating value-add for its stakeholders, Enfari's design for these teachers' housing quarters differs from the conventional Government quarters' design. By paying attention to detail and aesthetics, Enfari was able to provide the Ministry of Education with attractive and modern accommodation units, which have kept to the stringent quality standards set by the Government and budgets specified.

The result is low-rise (4 and 5 storey high) apartment complexes, with only 4 to 6 units per floor, complemented with landscaped gardens, car parks, supporting amenities and children's play-areas. The new housing quarters have since provided teachers with an improved standard of living, especially for those posted in rural areas where finding suitable accommodation is a challenge.

Project progress

As of mid-March 2003, Enfari had successfully completed the physical construction of 98% or 9,800 units of the teachers' housing quarters on 106 sites. Of these, a total of 7,738 units on 85 sites have been handed-over to the Ministry of Education of which 3,236 units on 35 sites have been occupied by the teachers.

The company bills the Government on a monthly basis over the 30-year concession period for all completed units that have been taken over by the Ministry of Education, based on a formula in the Privatization Agreement. The income from these concession payments forms a steady income stream for Enfari and subsequently Encorp Berhad.

Building a strong foundation

During the first phase of development of the teachers' housing quarters project, Enfari faced several major challenges. These experiences have served to build a strong foundation for the company's future. Of noteworthy mention are the following factors characteristic of the Enfari/Encorp's team :

a) Resourcefulness - The economic crisis of 1997-99 severely impacted the availability of financing options for the project. Project progress was affected for several months at the beginning before financing was secured. The situation improved after January 2000, when ESSB was able to raise financing for the project through issuance of an Islamic bond.

b) Efficient project management to meet tight deadlines - With several months of delay, the ECSB team was left with a tight project time-frame to complete each project site within 12 - 18 months. The site teams, which included project managers, architects, engineers, quantity surveyors, contractors, sub-contractors, construction workers, vendors and suppliers, were successful in overcoming various challenges to accelerate project progress, in order to meet the scheduled deadlines or at least avoid long project delays.

c) Resilience - The team's resilience was put to the test in having to meet numerous requirements to obtain no less than 2,500 approvals of various plans submitted to 46 different local authorities covering the 109 sites in 9 states in the country.

d) Use of a new Prefabricated Building Technology - A key factor contributing to the successful completion of the project was the use of a remarkably adaptable Prefabricated Building Technology that could be used with speed and reliability and was of high quality, cost effective and sustainable.

With the challenge to complete the 10,000 units in 109 locations within a short time frame, ECSB opted to use this system for which we have received compliments from the Government.

Our achievements

Enfari has successfully achieved the main objectives of the Government in undertaking the project. These include:-

1. The successful development and use of a new Prefabricated Building Technology;
2. The design, financing, construction and completion of units with high standards of quality, finishes, facilities, community services and infrastructure.
3. Achieved Bumiputra participation of approximately RM1 billion or 77% of the total project cost.
4. Trained a large pool of Bumiputras at professional, sub-professional and supervisory levels to undertake this and other similar projects using the Prefabricated Building Technology in the country and,
5. Promoted and achieved the use of 100% of local building materials for the project.

statement of corporate governance

The Company acquired its listing status on the Main Board of the Kuala Lumpur Stock Exchange (KLSE) on 11 February 2003. As a listed Company, the Board of Directors is committed to adopt the principles and best practices of corporate governance embodied in the Malaysian Code on Corporate Governance 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 the Code after the financial year ended 31 December 2002. Set out below is a statement of how the Group has applied the principles and complied with best practices.

board of directors

Composition of the Board – Board Balance

The Board has eight (8) members, comprising of two (2) Executive Directors, six (6) Non-Executive Directors of whom three (3) are independent. This complies with the Kuala Lumpur Stock Exchange 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.

Dato' Mohamad Nor Bin Mohamad serves the Board as Non-Executive Chairman and the three (3) independent directors provide independent views as well as advice. The clear division of responsibility within the Board is to ensure a balance of power and authority and to safeguard the interests of the Group, shareholders, employees, customers, suppliers and other business associates. No individual or small group of individuals can dominate the Board's decision making.

Two (2) board meetings were held subsequent to the listing of the Company on 11 February 2003. A summary of attendance of the Board for the financial year ended 31 December 2002 is as follows:

name of director	no. of meetings attended	attendance (%)
Dato' Mohamad Nor Bin Mohamad	2/2	100
Dato' Ahmad Fuad Bin Haji Md Ali	2/2	100
Datuk Fong Joo Chung	2/2	100
Datuk (Dr.) Ting Ding Ing	2/2	100
Efeida Binti Mohd Effendi	1/2	50
Chew Kong Seng @ Chew Kong Huat	2/2	100
Mohd Ezra Effendi Bin Mohd Effendi	2/2	100
Yeoh Soo Ann (resigned on 27 January 2003)	N/A	N/A
Datuk Dr. Zainal Aznam Bin Mohd Yusof (appointed on 21 April 2003)	N/A	N/A

Board Committees

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 in carrying out their duties and responsibilities, the Board has established the following Committees:

• The Audit Committee

The Audit Committee was set up on 23 November 2002 with the objective to assist the Board in fulfilling its responsibilities relating to financial reporting of the Company and its subsidiaries. The members, terms and reference of the Audit Committee are set out on page 23.

• The Nomination Committee

The Nomination Committee was set up on 25 February 2003 and has been assigned with the responsibility for proposing new nominees for the Board, as well as, assessing directors on an on-going basis.

The Committee also assesses the effectiveness of the Board as a whole and the contribution of each individual directors. They will ensure that the training needs of the directors are reviewed on a regular basis.

The members of the Nomination Committee are as follows:

name	designation	directorship
Dato' Ahmad Fuad Bin Haji Md Ali	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
Datuk Dr. Zainal Aznam Bin Mohd Yusof (appointed on 21 April 2003)	Member	Independent, Non-Executive Director

• The Remuneration Committee

The Remuneration Committee was formed on 25 February 2003 and is responsible for recommending and establishing the remuneration structures and policy to the Board for the remuneration of the Executive Directors.

name	designation	directorship
Datuk Fong Joo Chung	Chairman	Non-Independent, Non-Executive
Dato' Mohamad Nor Bin Mohamad	Member	Non-Independent, Non-Executive Director
Efeida Binti Mohd Effendi	Member	Non-Independent, Executive Director
Mohd Ezra Effendi Bin Mohd Effendi	Member	Non-Independent, Executive Director
Norwawi	Member	Independent, Non-Executive Director
Dato' Ahmad Fuad Bin Haji Md Ali	Member	Independent, Non-Executive Director
Datuk Dr. Zainal Aznam Bin Mohd Yusof (appointed on 21 April 2003)		

Supply of Information

All directors are provided with all the necessary information relating to the business, operations and financial matters of the Company and the Group. All directors have access to any information in order for them to discharge their duties.

Each board member receives a notice of meeting, agenda and Board papers prior to the meeting. This is to enable the directors to make necessary enquiries or further information or explanation, where necessary.

The Board papers include periodical financial information, significant operational, financial and corporate issues, performance of the operating units and management proposals that require Board's approval.

All directors also have direct access to advice and services of the Group's Company Secretaries who are responsible for ensuring that Board procedures are followed in accordance with the Companies Act, 1965 and the Memorandum and Articles of Association of the Company.

Appointment of the Board and Re-election

The Board has a formal and transparent procedure for the appointment of new directors and re-election of directors. The Nomination Committee is empowered to bring to the Board recommendations on the appointment of any new executive or non-executive director. The Nomination Committee also reviews the directors' annual retirement by rotation in accordance with the Company's Articles of Association.

In accordance with the Articles of Association, at the annual general meeting, one third (1/3) of the Directors for the time being or, if their number is not three or a multiple of three, then the number nearest to one third shall retire from office and be eligible for reelection provided always that all Directors shall retire from office, at least, in each three (3) years but shall be eligible for re-election.

directors' remuneration

The Company's remuneration structure and policy for the Directors is linked to performance, seniority, experience and scope of responsibilities. The Remuneration Committee is responsible for setting of framework and benchmark values on compensation and benefits in line with market norms.

Remuneration Procedures

The Remuneration Committee recommends to the Board the remuneration package for each Executive Director. The Executive Directors will abstain from the 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 2002 are categorized into appropriate component as follows:

in RM'000	executive directors	non-executive directors
Salaries	216	110
Fees	-	1
Bonus & Incentive	43	-
Benefit in Kind	42	-
Others	-	-
Total	301	111

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	-	2
RM50,001 – RM100,000	-	-
RM100,001 – RM150,000	-	1
RM150,001 – RM200,000	-	-
RM200,001 – RM250,000	-	-
RM250,001 – RM300,000	-	-
RM300,001 – RM350,000	1	-
Total	1	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, investors and public informed by announcement, release of quarterly financial results, annual report, circulars and through annual general meeting.

Annual General Meeting

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

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

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 maximizing 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 26.

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 highlighted to the attention of the Board of any material deficiency pertaining to the system of internal control and compliance issues of the Company.

Statement of Compliance with Best Practices of the Code

The Company is committed to achieving high 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 Kuala Lumpur Stock Exchange Requirements, the following information is provided.

Share Buy Back

During the financial year, ended 31 December 2002, there were no share buy back by the Company.

Options, Warrants or Convertible Securities

During the financial year ended 31 December 2002, 6,451,000 shares under the ESOS Options granted to the employees of a subsidiary company as the result of the Proposed Scheme of Arrangement remain unexercised.

The Company did not issue any warrant and convertible securities.

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

During the financial year ended 31 December 2002, 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 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 issuance of Al-Bai Bithaman Ajil Notes Issuance Facilities.	5,450
	Professional Services in connection with review of the revised / updated project Escrow cash flow projections and Encorp Systembilt Sdn Bhd's cash flow projections from Feb 2002 to 2029.	48,250
	Professional Services in connection with the proposed acquisition of Enfari Group, the proposed scheme of arrangement with Great Wall Plastic Industries Berhad and its shareholders and other proposal.	438,310
	Total	**492,010**

Profit Estimate, Forecast or Projections

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 forecasted Group profit after taxation of RM23.514 million for the financial year ended 31 December 2002.

The profit forecast 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 2002 of RM7.611 million represents a profit forecast variance of RM15.903 million. The variance was mainly due to the following reasons:

(i) Change in accounting estimate of goodwill arising from acquisition of subsidiary company from an amortization period of 30 years to 20 years;

(ii) Lower than projected number of teachers' quarters handed over to the Government of Malaysia;

(iii) Change in the financial year end from 31 January to 31 December by certain subsidiary companies;

(iv) Additional tax charge due to certain expenses disallowed for tax purpose; and

(v) Change in accounting policy.

Profit Guarantee

No profit guarantee was given by the Company for the financial year ended 31 December 2002.

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 Berhad, 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 finalized within three (3) months from the above-mentioned confirmation and ascertained for the purpose of determining whether there is any shortfall between the final valuation and the Guaranteed Valuation. The commitment by the shareholders on the valuation of Enfari Sdn Bhd has since been extended for a further nine months pursuant to the approval granted by the Board of Directors in the Board of Directors meeting 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 2002

Recurrent Related Party Transactions Statement

There were no recurrent related party transactions during the financial year ended 31 December 2002.

Revaluation of Landed Properties

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

audit committee report

Members of the Audit Committee

Dato' Ahmad Fuad Bin Haji Md Ali (Chairman, Independent and Non-Executive Director)
Datuk (Dr.) Ting Ding Ing (Member, Independent and Non-Executive Director)
Efeida Binti Mohd Effendi (Member, Non-Independent and Executive Director)
Datuk Dr. Zainal Aznam Bin Mohd Yusof (Member, Independent, Non-Executive Director)
(appointed 21 April 2003)

Terms of Reference

policy

The Committee was formed on 23 November 2002. 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 Kuala Lumpur Stock Exchange;

(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 fulfills 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) fulfills such other requirements as prescribed by the Exchange.

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

(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;

(i) any letter of resignation from the external auditors of the Company; and

(j) whether there is reason (supported by grounds) to believe that the Company's external auditor is not suitable for reappointment ; 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 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

Since the Committee was formed on 23 November 2002, no Audit Committee meetings were held during the financial year under review. After the financial year, the activities of the Audit Committee were summarized as follows:-

- Reviewed the financial results and the announcement for the quarter/financial year ended 31 December 2002 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.

No meeting was held prior to the listing of the Company on the Main Board of Kuala Lumpur Stock Exchange on 11 February 2003. The Audit Committee met once after the financial year for the following purposes:

- To review the financial statements for year ended 31 December 2002 before the announcement to the KLSE;
- To review the year end financial statements together with the external auditors; and
- To discuss with the external auditors the audit plan and scope for the year as well as the audit procedures to be followed.

The record of attendance of the members is as follows:

name of director	no. of meetings attended	attendance %
Dato' Ahmad Fuad Bin Haji Md Ali	2/2	100
Datuk (Dr.) Ting Ding Ing	2/2	100
Efeida Binti Mohd Effendi	1/2	50
Datuk Dr. Zainal Aznam Bin Mohd Yusof (appointed on 21 April 2003)	N/A	N/A

The Internal Audit Department of the Group will be established to assist the Audit Committee in discharging its duties and responsibilities.

statement on internal control

Introduction

The Statement of Internal Control is made pursuant to Paragraph 15.27 (b) of the Listing Requirement of the Kuala Lumpur Stock Exchange. 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 acknowledge 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 is 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 formal risk management process will be in place to identify, evaluate and manage significant risks faced by 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.

directors' responsibility statement

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

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

In preparing these financial statements, the Directors have:

1. adopted appropriate accounting policies and applied them consistently;
2. used reasonable and prudent judgements and estimates;
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 them to ensure 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.

list of properties
as at 31 December 2002

location	description and existing use	land area (sq.m.)	build-up area (sq.m.)	age of buildings (years)	net book value as at 31.12.2002 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	5	46,891	23/6/1994
PT No 574, Daerah Petaling, Selangor, Level 18, Wisma Masalam, No 1 Jalan Tengku Ampuan Zabedah C9/C, 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	5.5	3,550	N/A

analysis of shareholdings
as at 29 April 2003

Authorized Share Capital: **300,000,000** Issued and Paid-Up Capital: **223,508,536**

Type of Shares: **Ordinary Share of RM1.00 each** Voting Rights: **1 Vote per Ordinary Share** No. of Shareholders: **4,525**

size of holdings	no of holders	% of share holders	no of shares	% of issued share capital
Less than 1,000	154	3.40	29,340	0.01
1,000 - 10,000	3,853	85.15	12,741,759	5.70
10,001 - 100,000	479	10.59	12,122,501	5.43
100,001 - less than 5% of issued shares	34	0.75	47,902,936	21.43
5% and above of issued shares	5	0.11	150,712,000	67.43
Total	4,525	100.00	223,508,536	100.00

list of top 30 largest securities account holders

as at 29 April 2003

(without aggregating securities from different securities accounts belonging to the same shareholders)

name	no of shares	percentage
1. Dasar Untung Sdn Bhd	59,000,000	26.3972
2. UB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lavista Sdn Bhd	40,000,000	17.8964
3. UB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lavista Sdn Bhd	20,000,000	8.9482
4. UB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Molpan Holdings Sdn Bhd	19,712,000	8.8193
5. HSBC Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lavista Sdn Bhd (Encorp Sdn Bhd)	12,000,000	5.3689
6. UB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Azliza Ahmad Tajuddin	10,288,000	4.6030
7. UB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Robin Lo Bing	10,000,000	4.4741
8. Lavista Sdn Bhd	6,704,536	2.9997
9. JB Nominees (Asing) Sdn Bhd Qualifier: Magnum (Guernsey) Limited	5,026,000	2.2487
10. Merit Icon Sdn Bhd	3,000,000	1.3422
11. Alpha Asset Nominees (Tempatan) Sdn Bhd Qualifier: Tudor Capital Sdn Bhd	2,407,000	1.0769
12. Cheah Yoke Phow	1,497,000	0.6698
13. Lim Bee Yun	1,300,000	0.5816
14. Ching Chooi Kuan	1,000,000	0.4474
15. Lau Kueng Suong	988,000	0.4420
16. Azliza Binti Ahmad Tajuddin	712,000	0.3186
17. Ting Ding Ing	569,000	0.2546
18. Ee Beng Yee	550,000	0.2461
19. Yap Han Boon	500,000	0.2237

name	no of shares	percentage
20. Citicorp Nominees (Asing) Sdn Bhd Qualifier: CB GW Spore for Asialink Investments Ltd	360,000	0.1611
21. Neo Teck Huat	280,000	0.1253
22. Employees Provident Fund Board	261,000	0.1168
23. Malacca Securities Sdn Bhd	230,000	0.1029
24. Tong Ah Tai @ Thong Ah Tai	210,000	0.0940
25. RHB Nominees (Tempatan) Sdn Bhd Qualifier: Telekom Malaysia Berhad	200,000	0.0895
26. Cimsec Nominees (Tempatan) Sdn Bhd Qualifier: CIMB for Tiara Jacquelina Eu binti Abdullah	180,000	0.0805
27. Noordin Bin Mohd Zain	173,000	0.0774
28. Kiu Chiong Chin	158,000	0.0707
29. Tay Teck Ho	154,000	0.0689
30. Affin-UOB Nominees (Asing) Sdn Bhd Qualifier: UOB Kay Hian Pte Ltd for Lee Hee Mong	135,000	0.0604
Total	**197,594,536**	**88.4059**

list of substantial shareholders

as at 29 April 2003

(as per Register of Substantial Shareholdings)

shareholders	no of shares			
	direct		indirect	
	no of shares held	%	no of shares held	%
1. Lavista Sdn Bhd	78,704,536	35.2132	-	-
2. Dato' Mohamad Nor Bin Mohamad	-	-	78,704,536 [a]	35.2132
3. Efeida Binti Mohd Effendi	-	-	78,704,536 [b]	35.2132
4. Dasar Untung Sdn Bhd	59,000,000	26.3972	-	-
5. Sarawak Enterprise Corporation Berhad	-	-	59,000,000 [c]	26.3972
6. Multi-Purpose Holdings Berhad	-	-	59,000,000 [d]	26.3972
7. Lim Tiong Chin	-	-	59,000,000 [e]	26.3972
8. Loong Sze Tung	-	-	59,000,000 [e]	26.3972
9. Quantum Aspects Sdn Bhd	-	-	59,000,000 [f]	26.3972
10. Dato' Surin Upatkoon	-	-	59,000,000 [g]	26.3972
11. Dato' Tan Toh Hua	-	-	59,000,000 [h]	26.3972
12. Tham Ka Hon	-	-	59,000,000 [i]	26.3972
13. Wong Kim Ling @ Wong Kim Lin	-	-	59,000,000 [j]	26.3972
14. Molpan Holdings Sdn Bhd	19,712,000	8.8193	-	-

Notes:

a Deemed substantial interest through his 50% shareholdings in Lavista Sdn Bhd;
b Deemed substantial interest through the 100% shareholdings in Lavista Sdn Bhd held by her and persons connected to her;
c Deemed substantial interest by virtue of Section 6A(4) of the Companies Act, 1965 held through its wholly-owned subsidiary company, Dasar Untung Sdn Bhd;
d Deemed substantial interest by virtue of Section 6A(4) of the Companies Act, 1965 held through Sarawak Enterprise Corporation Berhad, an associate company of Multi-Purpose Holdings Berhad;
e Deemed substantial interest by virtue of Section 6A(4) of the Companies Act, 1965 held through his 39.8% shareholdings in Dynamic Icon Sdn. Bhd. Dynamic Icon Sdn. Bhd. is deemed to have substantial interest in Multi-Purpose Holdings Berhad by virtue of Section 6A(4) of the Companies Act,1965 held through Quantum Aspects Sdn. Bhd.;
f Deemed substantial interest by virtue of Section 6A(4) of the Companies Act, 1965, held through Multi-Purpose Holdings Berhad;
g Deemed substantial interest by virtue of Section 6A(4) of the Companies Act, 1965, held through his 48.9% shareholdings in Dynamic Icon Sdn Bhd.;
h Deemed substantial interest by virtue of Section 6A(4) of the Companies Act, 1965, held through his 39.8% shareholdings in Dynamic Icon Sdn Bhd.;
i Deemed substantial interest by virtue of Section 6A(4) of the Companies Act, 1965, held through his 16% shareholdings in Quantum Aspects Sdn. Bhd.;
j Deemed substantial interest by virtue of Section 6A(4) of the Companies Act, 1965, held through his 52.67% shareholdings in Quantum Aspects Sdn. Bhd.;

list of directors' shareholdings

as at 29 April 2003

shareholders	no of shares			
	direct		indirect	
	no of shares held	%	no of shares held	%
1. Dato' Mohamad Nor Bin Mohamad	-	-	78,704,536 *	35.2132
2. Dato' Ahmad Fuad Bin Haji Md. Ali	-	-	-	-
3. Datuk (Dr.) Ting Ding Ing	569,000	0.2546	-	-
4. Datuk Fong Joo Chung	-	-	-	-
5. Chew Kong Seng @ Chew Kong Huat	-	-	-	-
6. Efeida Binti Mohd Effendi	-	-	78,704,536 @	35.2132
7. Mohd Ezra Effendi Bin Mohd Effendi Norwawi	-	-	-	-
8. Datuk Dr. Zainal Aznam Bin Mohd Yusof	-	-	-	-

Notes:

* Deemed interest through his 50% shareholding in Lavista Sdn Bhd as trustee for Datuk Mohd Effendi Norwawi;
@ Deemed interest through 100% shareholding in Lavista Sdn Bhd held by herself and persons connected to her.

notice of third annual general meeting

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

NOTICE IS HEREBY GIVEN THAT the Third Annual General Meeting of ENCORP BERHAD will be held on Tuesday, 17 June 2003 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 2002 together with the Directors' Report and Auditors' Report thereon. **(resolution 1)**

2 To approve the Directors' Fees for the financial year ended 31 December 2002. **(resolution 2)**

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

"That pursuant to Section 129(6) of the Companies Act, 1965, Y. Bhg. Dato' Mohamad Nor Bin Mohamad, who has exceeded the age of seventy (70) years, be re-appointed as Director of the Company and to hold office until the conclusion of the next Annual General Meeting." **(resolution 3)**

4 To re-elect Cik Efeida Binti Mohd Effendi, who shall retire in accordance with Article 81 of the Company's Articles of Association and who being eligible, offered herself for reelection. **(resolution 4)**

5 To re-elect the following Directors who shall retire in accordance with Article 88 of the Company's Articles of Association and who being eligible, offered themselves for reelection:-

(a) Mr. Chew Kong Seng @ Chew Kong Huat; **(resolution 5)**
(b) Encik Mohd Ezra Effendi Bin Mohd Norwawi; and **(resolution 6)**
(c) Datuk Dr. Zainal Aznam Bin Mohd Yusof **(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 authorize 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 resolutions:-

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 Kuala Lumpur Stock Exchange 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)**

Ordinary Resolution 2
- Appointment of Y. Bhg. Tan Sri Datuk Dr. Omar Bin Abdul Rahman who has exceeded the age of seventy (70) years as Director of the Company

"That authority be and is hereby given to the Company pursuant to Section 129(6) of the Companies Act, 1965 ("the Act") to appoint Y. Bhg. Tan Sri Datuk Dr. Omar Bin Abdul Rahman, who has exceeded the age of seventy (70) years, as Director of the Company, subject to his proper execution of the Statutory Declaration By A Person Before Appointment As Director, Or By A Promoter Before Incorporation Of Corporation (Form 48A) in compliance with Section 123(4) of the Act." **(resolution 10)**

Special Resolution
-Amendment to the Articles of Association

"That the Articles of Association of the Company be amended by deleting the existing Article 80 in its entirety and to adopt the following new Article 80:-

Existing Article 80

"All the Directors of the Company shall be natural persons of full age and until otherwise determined by general meeting, the number of Directors shall not be less than two (2) nor more than nine (9), but in the event of any casual vacancy occurring and reducing the number of Directors below the aforesaid minimum, the continuing Director or Directors may except in an emergency, act only for the purpose of increasing the number of Directors to such minimum number or to summon a general meeting of the Company but not for any other purpose. The First Directors shall be Haslina binti Mohammed Fesal Arbee and Suzlita binti Nasrton."

New Article 80

"All the Directors of the Company shall be natural persons of full age and until otherwise determined by general meeting, the number of Directors shall not be less than two (2) nor more than twelve (12), but in the event of any casual vacancy occurring and reducing the number of Directors below the aforesaid minimum, the continuing Director or Directors may except in an emergency, act only for the purpose of increasing the number of Directors to such minimum number or to summon a general meeting of the Company but not for any other purpose. The First Directors shall be Haslina binti Mohammed Fesal Arbee and Suzlita binti Nasrton." **(resolution 11)**

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

CHUA SIEW CHUAN (MAICSA 0777689)
Company Secretary

Kuala Lumpur
26 May 2003

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.

The proposed adoption of the Ordinary Resolution 2 is to comply with Section 129(6) of the Companies Act, 1965 which states that a person of or over the age of seventy (70) years may by a resolution passed by the members of a company at an annual general meeting, be appointed as a director of the company.

The proposed adoption of the Special Resolution is to allow the Company to appoint additional Directors with mix skills and experiences to further enhance the effectiveness of the Board and to reflect through board representation, the investment of the minority shareholders in the Company.

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 authorized.

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 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 reelection at the Third Annual General Meeting of the Company to be held at Hilton Kuching, Jalan Tunku Abdul Rahman, P.O Box 2396, 93748 Kuching, Sarawak on Tuesday 17 June 2003 at 2.30 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 16 of the Annual Report	Refer to Page 5 of the Annual Report
Efeida Binti Mohd Effendi (Article 81 of the Company's Articles of Association)	Refer to Page 16 of the Annual Report	Refer to Page 7 of the Annual Report
Chew Kong Seng @ Chew Kong Huat (Appointed w.e.f. 2.12.2002) (Article 88 of the Company's Articles of Association)	Refer to Page 16 of the Annual Report	Refer to Page 7 of the Annual Report
Mohd Ezra Effendi Bin Mohd Effendi Norwawi (Appointed w.e.f. 28.1.2003) (Article 88 of the Company's Articles of Association)	Refer to Page 16 of the Annual Report	Refer to Page 8 of the Annual Report
Datuk Dr. Zainal Aznam Bin Mohd Yusof (Appointed w.e.f. 21.4.2003) (Article 88 of the Company's Articles of Association)	Refer to Page 16 of the Annual Report	Refer to Page 8 of the Annual Report

proxy form

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

no of shares held	

I/We, _____ NRIC No. _____ of (full address) _____

_____

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 Third Annual General Meeting of the Company, to be held at Hilton Kuching, Jalan Tunku Abdul Rahman, P.O Box 2396, 93748 Kuching, Sarawak on Tuesday, 17 June 2003 at 2.30 p.m. and at any adjournment thereof.

		for	against
1	To receive the Audited Financial Statements for the financial year ended 31 December 2002 together with the Directors' Report and Auditors' Report thereon.	☐	☐
2	To approve the Directors' fees for the financial year ended 31 December 2002.	☐	☐
3	To re-elect Y. Bhg. Dato' Mohamad Nor Bin Mohamad, who shall retire pursuant to Section 129(6) of the Companies Act, 1965.	☐	☐
4	To re-elect Cik Efeida Binti Mohd Effendi, who shall retire in accordance with Article 81 of the Company's Articles of Association.	☐	☐
5	To re-elect Mr. Chew Kong Seng @ Chew Kong Huat, who shall retire in accordance with Article 88 of the Company's Articles of Association.	☐	☐
6	To re-elect Encik Mohd Ezra Effendi Bin Mohd Effendi Norwawi, who shall retire in accordance with Article 88 of the Company's Articles of Association.	☐	☐
7	To re-elect Datuk Dr. Zainal Aznam Bin Mohd Yusof, 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 authorize the Directors to fix their remuneration.	☐	☐
9	Ordinary Resolution as regards – Section 132D of the Companies Act, 1965.	☐	☐
10	Special Resolution as regards – Appointment of Y. Bhg. Tan Sri Datuk Dr. Omar Bin Abdul Rahman, who has exceeded the age of seventy (70) years as Director of the Company.	☐	☐
11	Special Resolution as regards – Amendment to Article of Association	☐	☐

(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 _____ 2003 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.

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 authorized.

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 48 hours before the time set for holding the meeting or any adjournment thereof.

02 annual report