



ENCORP
BERHAD
(506836-X)

ANNUAL REPORT 2008

CONTENTS

2 **Group Financial Summary**

4 **Notice of 9th Annual General Meeting**

8 **Corporate Profile**

9 **From the Boardroom**

Chairman's Statement
Group CEO's Review of Operations
Board of Directors

21 **The Organisation**

Corporate Information
Corporate Structure
Vision, Mission & Core Values

25 **Corporate Highlights**

Corporate Social Responsibility
Calendar of Significant Events
Encorp in the News

32 **Corporate Governance**

Statement of Corporate Governance
Additional Compliance Information

38 **Audit Committee Report**

Statement on Internal Control
Statement on Directors' Responsibility

43 **Financial Report**

Directors' Report and Audited Financial Statements
List of Properties
Analysis of Shareholdings
Information of Substantial Shareholders
List of Directors' Shareholdings
List of 30 Largest Shareholders

117 **Statement of Share Buy-Back**

Proxy Form



GROUP FINANCIAL SUMMARY



OPERATING RESULT

REVENUE (RM '000)

| | | |
|------|--|---------|
| 2008 | | 287,510 |
| 2007 | | 328,711 |
| 2006 | | 143,126 |
| 2005 | | 114,546 |
| 2004 | | 557,171 |

PROFIT / (LOSS) BEFORE TAX (RM '000)

| | | |
|------|--|-----------|
| 2008 | | 70,722 |
| 2007 | | 111,324 |
| 2006 | | (119,806) |
| 2005 | | 2,795 |
| 2004 | | (2,748) |

PROFIT / (LOSS) AFTER TAX (RM '000)

| | | |
|------|--|-----------|
| 2008 | | 52,858 |
| 2007 | | 77,503 |
| 2006 | | (122,988) |
| 2005 | | 3,506 |
| 2004 | | (5,695) |

KEY BALANCE SHEET DATA

TOTAL ASSETS EMPLOYED (RM '000)

| | | |
|------|---|-----------|
| 2008 |  | 1,710,078 |
| 2007 |  | 1,751,948 |
| 2006 |  | 1,652,358 |
| 2005 |  | 1,766,199 |
| 2004 |  | 1,677,209 |






NET TANGIBLE ASSETS (RM '000)

| | | |
|------|---|---------|
| 2008 |  | 187,593 |
| 2007 |  | 152,835 |
| 2006 |  | 74,383 |
| 2005 |  | 153,573 |
| 2004 |  | 137,721 |

GOODWILL (RM '000)






| | | |
|------|---|---------|
| 2008 |  | 130,479 |
| 2007 |  | 140,879 |
| 2006 |  | 153,206 |
| 2005 |  | 197,003 |
| 2004 |  | 209,350 |

CASH AND CASH EQUIVALENTS (RM '000)

| | | |
|------|---|---------|
| 2008 |  | 81,361 |
| 2007 |  | 235,595 |
| 2006 |  | 53,445 |
| 2005 |  | 67,600 |
| 2004 |  | 37,694 |

FINANCIAL RATIOS

EARNINGS PER SHARE (SEN)

| | | |
|--------|---|--------|
| 2008 * |  | 16.6 |
| 2007 |  | 31.0 |
| 2006 |  | (55.9) |
| 2005 |  | 1.6 |
| 2004 |  | (2.6) |


NET ASSETS PER SHARE (RM)

| | | |
|--------|---|------|
| 2008 * |  | 1.45 |
| 2007 |  | 1.31 |
| 2006 |  | 1.02 |
| 2005 |  | 1.57 |
| 2004 |  | 1.55 |

NET TANGIBLE ASSETS PER SHARE (RM)

| | | |
|--------|---|------|
| 2008 * |  | 0.85 |
| 2007 |  | 0.68 |
| 2006 |  | 0.33 |
| 2005 |  | 0.69 |
| 2004 |  | 0.60 |

GROSS DIVIDEND PER SHARE (SEN)

| | | |
|------|---|------|
| 2008 |  | 5.0 |
| 2007 |  | 10.0 |
| 2006 |  | - |
| 2005 |  | - |
| 2004 |  | - |

* calculated based on the weighted average number of shares in issue adjusted for treasury shares purchased during the financial year ended 31 December 2008.

NOTICE OF NINTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Ninth Annual General Meeting of ENCORP BERHAD will be held on Wednesday, 24 June 2009 at 2.30 p.m. at **Entebar Room, First Floor, Hilton Kuching, Jalan Tunku Abdul Rahman, 93748 Kuching, Sarawak** for the following purposes:

AGENDA

| | | |
|----|--|----------------------------------|
| 1. | To receive the Audited Financial Statements for the financial year ended 31 December 2008 together with the Reports of the Directors and Auditors thereon. | (Resolution 1) |
| 2. | To approve the payment of Directors' fees for the financial year ended 31 December 2008. | (Resolution 2) |
| 3. | To consider and, if thought fit, to pass the following resolution pursuant to Section 129(6) of the Companies Act, 1965: <i>"That pursuant to Section 129(6) of the Companies Act, 1965, Tan Sri Datuk (Dr) Omar bin Abdul Rahman, who has exceeded the age of seventy (70) years, be re-appointed as a Director of the Company and to hold office until the conclusion of the next Annual General Meeting."</i> | (Resolution 3) |
| 4. | To consider and, if thought fit, to pass the following resolution pursuant to Section 129(6) of the Companies Act, 1965: <i>"That pursuant to Section 129(6) of the Companies Act, 1965, Dato' Chew Kong Seng @ Chew Kong Huat, who has exceeded the age of seventy (70) years, be re-appointed as a Director of the Company and to hold office until the conclusion of the next Annual General Meeting."</i> | (Resolution 4) |
| 5. | To re-elect the following Directors who retire in accordance with Article 81 of the Articles of Association of the Company: (a) Yeoh Soo Ann (b) Datuk Ramli bin Shamsudin | (Resolution 5) (Resolution 6) |
| 6. | To re-appoint Messrs Ernst & Young as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. | (Resolution 7) |
| 7. | As Special Business: To consider and, if thought fit, to pass the following ordinary resolutions: Ordinary Resolution 1 - Authority to issue shares pursuant to Section 132D of the Companies Act, 1965 <i>"THAT subject to Section 132D of the Companies Act, 1965 and approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue and allot shares in the Company, at any time to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this Resolution does not exceed ten per centum (10%) of the issued and paid-up share capital of the Company for the time being and the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad; AND THAT such authority shall commence immediately upon the passing of this resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company."</i> | (Resolution 8) |

Ordinary Resolution 2

- Proposed renewal of authority for share buy-back

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

- (a) the aggregate number of ordinary shares purchased and/or held by the Company as treasury shares shall not exceed ten per centum (10%) of the existing issued and paid-up ordinary share capital for the time being of the Company;*
- (b) the maximum funds allocated by the Company for the purpose of purchasing its shares shall not exceed the total retained profits and share premium account of the Company; and*
- (c) the authority conferred by this resolution will commence immediately upon passing of this ordinary resolution and shall continue to be in force until:*
 - (i) the conclusion of the next Annual General Meeting ("AGM") of the Company following the general meeting at which such resolution was passed at which time it shall lapse unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions;*
 - (ii) the expiration of the period within the next AGM after the date is required by law to be held; or*
 - (iii) revoked or varied by ordinary resolution passed by the shareholders in a general meeting, whichever is earlier.*

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

- (i) cancel all the shares so purchased; and/or*
- (ii) retain the shares so purchased in treasury for distribution as dividend to the shareholders and/or resell on the market day of Bursa Securities; and/or*
- (iii) retain part of the shares so purchased as treasury shares and cancel the remainder.*

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

(Resolution 9)

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

By Order of the Board

CHUA SIEW CHUAN (MAICSA 0777689)
LEE LAY HONG (LS 0008444)
Company Secretaries

Kuching
2 June 2009

Explanatory Notes to Special Business:

1. Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965

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

2. Proposed Renewal of Authority for Share Buy-Back

The proposed adoption of Ordinary Resolution 2 is intended to renew the authority granted by the shareholders of the Company at the Annual General Meeting held on 25 June 2008. The proposed renewal of authority for share buy-back will allow the Board of Directors to exercise the power of the Company to purchase not more than 10% of the issued and paid-up share capital of the Company at any time within the time period stipulated in the Listing Requirements of Bursa Malaysia Securities Berhad.

Notes:

1. A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 ("the Act") shall not apply to the Company.
2. If the appointer is a corporation, the form of proxy must be given under its common seal or under the hand of an officer or attorney of the corporation duly authorised.
3. A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting provided that the provision of Section 149(1)(c) of the Act is complied with.
4. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
5. The instrument appointing a proxy and the power of attorney or other authority, if any, must be deposited at the Registered Office of the Company at Level 2, Block B-59, Taman Sri Sarawak Mall, Jalan Tunku Abdul Rahman, 93100 Kuching, Sarawak not less than forty-eight (48) hours before the time set for holding the meeting or any adjournment thereof.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

The information on Board Meetings and attendance of the Directors can be found on pages 32 to 33 of the Annual Report.

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

Section 129(6) of the Companies Act, 1965

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

Article 81 of the Articles of Association

- (c) Yeoh Soo Ann
- (d) Datuk Ramli bin Shamsudin

Their particulars can be found on pages 16 to 19 of the Annual Report. Their shareholdings in the Company are stated on page 114 of the Annual Report.



CORPORATE PROFILE



It began with an idea to create outstanding property development projects, which resulted in a reputation for excellence. It started with a mission to enrich the life of its customers, which led to setting up new standards in quality and efficiency. The idea and mission belonged to Encorp Berhad, a company that was incorporated in Malaysia on 2 March 2000 and listed on the Main Board of Bursa Malaysia Securities Berhad on 11 February 2003.

Encorp's core businesses are in construction management and property development. In the area of construction management, the Company is a leader in the utilisation of the Industrialised Building System (IBS) technology in the country, which was used successfully in the National Teachers' Housing Project undertaken for the Ministry of Education Malaysia. Encorp has since perfected its expertise in IBS, an innovative building technology that helps reduce construction time, costs and manpower utilisation.

The Group's construction management arm, Encorp Construct, is a Class A contractor. Current projects include the development of a residential township in Shah Alam, a mixed development in the Klang Valley, as well as construction, upgrading and refurbishment of schools and hostels in Sarawak. Another of Encorp's projects is the construction of station buildings and associated structures and services for a major electrified double track rail project in south Peninsular Malaysia.

Encorp possesses sizeable land banks in good locations around the Klang Valley and in Penang. Apart from developing two major projects, Cahaya Alam in Shah Alam and The Strand Damansara in Kota Damansara, Petaling Jaya, the Group will be undertaking a mixed development in Section U10 in Shah Alam and a hillside villa project at Batu Feringghi in Penang.

The Group's continual emphasis on quality underlies its readiness to be benchmarked against best international practices. Encorp Berhad and its two subsidiaries, Must Ehsan Development Sdn Bhd and Encorp Construct Sdn Bhd, have been awarded the ISO 9001:2000 Quality Management certification in accordance with the UKAS Quality Management and Akreditasi Malaysia ISO/IEC Guide 62:1996.

Encorp is constantly looking for opportunities to further expand its businesses locally and internationally in the property and construction management arena. Leveraging on its healthy financial position and commitment to productivity, efficiency and innovation, Encorp has grown to become a successful construction management company and property developer in Malaysia.

FROM THE BOARDROOM



CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the Annual Report of Encorp Berhad for the financial year ended 31 December 2008.

The strong performance from Encorp's construction management and property development activities ensured another year of improved performance in 2008. By staying focussed on innovation and technology and with a clear aim to be recognised as a market leader in providing excellent quality products and services, Encorp has reaped rewards in the form of on-track progress of work, encouraging sales in Encorp's property development projects, and new projects awarded in 2008.

2008 – RESILIENCE AMIDST TURMOIL

2008 was not the best of years for the world economy. Economic trends worldwide deteriorated, with the United States, the European Union and Japan posting growth in their real Gross Domestic Product of only between 0.5 to 1.5 percent in 2008. The International Monetary Fund has estimated global growth for the year to be 3.7 percent. The Malaysian economy remained relatively resilient during 2008, amidst a deepening global credit crisis.

The property market in the Klang Valley, where Encorp's businesses are currently focussed, was bullish at the start

of the year 2008, according to the WTW Property Market Report 2009 by CH William Talhar and Wong. During the year, vacancy rates of total supply of office space improved from 11.9 percent in 2007 to 10.7 percent in 2008. Occupancy of total retail space in 2008 remained stable at 86.7 percent.

Nonetheless, the worldwide and national economic slide towards the second half of 2008 led to a dent in confidence. Residential developers were hit and many have delayed the launching of new projects. Overall, 2008 saw a 57.0 percent decline in new residential units launched year-on-year.

ENCORP REMAINED FINANCIALLY STRONG

Amidst such a backdrop, Encorp Berhad has performed well financially. The Group registered an impressive RM52.9 million Profit After Tax for the financial year ended 31 December 2008, representing an increase of 155.6 percent compared to the previous year's performance of RM23.4 million Profit After Tax* registered in the 2007 financial year.

The Group earned a revenue of RM287.5 million in 2008, an increase of 17.7 percent from 2007's revenue of RM244.2 million*. The improvement was mainly attributed to sales of property and annuity interest income arising

* before the retrospective concession income arising from the final accounts of the National Teachers' Quarters Project.

from the successful completion of the National Teachers' Housing Project that we undertook for the Ministry of Education. Encorp shall receive a monthly recurring income of RM11.3 million until 2028.

In light of the Group's performance for the financial year 2008, the Board declared an interim single-tier exempt dividend of 5 sen per share totalling RM10.8 million. This was paid to shareholders on 17 October 2008.

FOCUSSED ON OUR CORE BUSINESS

At Encorp Berhad, we remain committed to our aspiration to be a leading property development and construction management company in Malaysia. Our current property development projects are Cahaya Alam, a mixed development project in Shah Alam, and The Strand Damansara, an integrated commercial development in Kota Damansara. Construction at both property developments is progressing as planned, encouraged by the good response to sales launches of Jasmin 2 in January 2008 at Cahaya Alam and at The Strand Damansara.

In 2008 Encorp added two new projects to its activities. One is for a mixed residential development at Section U10 in Shah Alam, Selangor Darul Ehsan, comprising bungalows, office suites and a commercial mall. Located on 47.1 acres of leasehold land, the project has an estimated gross development value of RM300.0 million. Plans have been finalised to launch the project in 2010.

The other new development is at Batu Feringghi, Penang. In 2008, Encorp acquired a 5.8 acres piece of freehold land at Batu Feringghi where we are planning to build hillside villas. The project will have an estimated gross development value of RM200.0 million.

The Group's property development projects continue to provide synergistic impetus to our construction arm.

At the same time, new businesses continue to be sourced from outside the Group. In this regard, the successful completion of the National Teachers' Housing Project has opened other doors for us. In August 2008, the Ministry of Education awarded Encorp with a RM150.0 million project to construct and upgrade 11 schools and hostels in Sarawak. Construction and upgrading works are already underway.

In September 2008, we were awarded a RM130.8 million contract by IRCON International Limited of India to participate in the construction of the electrified double track rail project from Seremban to Gemas in Negri Sembilan.

Both projects will keep our construction management resources and expertise occupied until 2011.

A COMMITMENT TO OUR VALUES

Encorp's business activities are premised on the values of superior quality and innovation as we endeavour to deliver world-class products and services to our customers. This is

clearly being achieved in our property development projects which are conceptually designed to offer practicality and functionality in an environment of modernity. In construction management, we have successfully utilised the innovative Industrialised Building System (IBS) technology to deliver quality and innovation for our client.

The IBS expertise is indeed a valuable tool for Encorp to seek added business in the future, especially given the Malaysian Government's policy announced in October 2008 that at least 70 percent of construction of all Government projects must employ the IBS.

We also strive to be an Employer of Choice, capable of attracting and retaining talents through a remuneration and rewards package that is competitive to the industry. Encorp employees are provided with an enabling and enriching working environment that can harness the full potential of their knowledge, skills and creativity for the good of the organisation and, in the long run, for the betterment of the Nation.

Our social responsibility as a corporate citizen continues to be given top priority, a commitment that is reflected in the way we manage our organisation, conduct our business and use our resources. At the same time, we work towards engaging with those who are less fortunate through a number of community-oriented programmes.

At the apex of our values is our resolve to do all that we say and do it with integrity, guided by ethical principles and the desire to do what is right. This includes living up to the highest standards and best practices in corporate governance. Encorp is well on its way to achieving this by emerging as 1st runner-up in the Sarawak Chamber of Commerce and Industry (SCCI) Corporate Report Awards 2008. Held in association with Ernst & Young, the Audit Department of Sarawak and the Companies Commission of Malaysia, the Award honours Sarawak public-listed companies that display the highest standards in corporate conduct and adherence to corporate reporting.

MEETING THE CHALLENGES OF 2009

Malaysians are bracing themselves for more difficult times in 2009. Globally, the International Monetary Fund and World Bank have slashed their projections of growth, whilst many economies have already officially reported recessions.

To offer some protection against such effects and to stimulate domestic demand, the Malaysian Government introduced a RM7.0 billion Stimulus Package in November 2008, followed by a Second Stimulus / Mini-Budget in March 2009. The Government has given attention to infrastructure projects including the building of low and medium-cost homes, upgrading and repairing of police stations and army camps as well as their living quarters, and public amenities such as roads, schools and hospitals. This augurs well for the construction industry and Encorp Berhad is in a strong position to play its role. We are financially strong with a surplus cash flow, minimal gearing and sustainable projects that will see us through to the middle of this decade. We are also under

the capable leadership of a Management team that is highly experienced in moving the Group forward firmly and steadily towards fulfilling its plans and objectives. We shall continue to place great emphasis on productivity, efficiency and innovation in all that we do. In the process, we continue to build on our domestic businesses through more acquisitions and joint undertakings. We will also explore opportunities overseas that capitalise on our resources and expertise.

NOTE OF APPRECIATION

Our steady growth and financial performance have been due to the efforts of many parties. My heartfelt thanks go to my fellow Board Members for their support and advice. They have helped me in discharging my responsibilities as Chairman and provided guidance in directing and guiding the Group forward. My appreciation goes to the Management team and all employees whose dedication and professionalism have contributed to building an organisation that is true to its vision and mission.

Finally, I wish to thank our other stakeholders – Government departments and agencies, business partners, bankers, customers and our shareholders. Their confidence in our capabilities has helped our business to grow to what it is today, and will continue to be the inspiration to move Encorp through these challenging times and beyond.

TAN SRI DATUK (DR) OMAR BIN ABDUL RAHMAN
Chairman





GROUP CEO'S REVIEW OF OPERATIONS

ENCORP IN 2008

The first three quarters of the year 2008 were relatively strong for the property and construction sectors. This bullish sentiment dissipated towards the end of the year as Malaysia began to feel the impact of the global financial and credit crisis. Construction companies were particularly affected by increasing costs while in the property market, buyers adopted a 'wait-and-see' stance. Many were hoping for more Government incentives, further interest rate cuts and lower property prices. Consumers in general preferred to hold onto their cash in anticipation of worse things to come, particularly as many businesses have had to close down or reduce their workforce.

Despite such uncertain times, Encorp Berhad was able to remain profitable for the financial year ended 31 December 2008. With a focus on niche property developments and on-going construction projects, boosted by annuity interest income from the completed National Teachers' Housing Project, Encorp generated a revenue of RM287.5 million in 2008, an increase of 17.7 percent from RM244.2 million* in 2007. This helped the Group achieve its highest growth to-date of 155.6 percent, to post a Profit After Tax of RM52.9 million.

The resolution of our claims with the Ministry of Education in 2007 in regard to additional works undertaken on the teachers' quarters also helped put Encorp back on track to profitability.

At the end of July 2008, Ratings Agency Malaysia upgraded the four tranches of Encorp Systembilt's Al-Bai Bithaman Ajil Notes from A1(s) to AA2(s). The outlook on Encorp's ratings was revised from Positive to Stable.

On the project front, Encorp was fortunate to have launched new projects and awarded contracts early in the year, thereby avoiding difficulties felt by our industry as the year came to a close. Similar to the previous year, the response to Encorp's various property launches in 2008 continued to be overwhelming. This enabled the Group to maintain healthy margins.

CONSTRUCTION MANAGEMENT

Encorp's construction business is undertaken through Encorp Construct Sdn Bhd, a Bumiputra Class A contractor with experience in mass housing and infrastructure works. The Company is currently involved in the Group's The Strand Damansara property project.

Our success in completing and handing over 10,000 units of teachers' quarters to the Ministry of Education helped to seal our reputation for quality work and timely delivery. It was the largest project awarded by the Ministry in the utilisation of the innovative Industrialised Building System (IBS). The project highlighted our capability to undertake construction works in multiple locations, encountering challenging logistics in the rural areas with minimal levels of manpower. The expertise

* before the retrospective concession income arising from the final accounts of the National Teachers' Quarters Project.



that we developed in our construction business is being recognised with the award of two sizeable projects during the year under review.

Sarawak Schools Project

In August 2008, the Ministry of Education awarded Encorp a contract to construct and upgrade 11 schools and hostels in Kuching, Sri Aman and Bintulu in Sarawak. Construction of the Sarawak schools' project began in the fourth quarter 2008. Completion is targeted for 2011.

Valued at RM150.0 million, this project is part of the Government's initiatives under the Ninth Malaysia Plan to increase educational opportunities, improve the country's educational infrastructure and enhance facilities for students as well as teachers. The existing schools are dilapidated, run-down or too small. We feel privileged to be involved in this commendable endeavour which is in line with Encorp's own belief of the importance of quality education which can be achieved by, amongst other things, the provision of well built and properly equipped schools, hostels and teachers' quarters.

Seremban-Gemas Electrified Double Track Project

On 25 September 2008, Encorp received a Letter of Acceptance from IRCON International Limited of India which awarded Encorp a contract to participate in the construction of the electrified double track rail project from Seremban to Gemas in Negri Sembilan.

The RM130.8 million contract will involve the construction,

commissioning and maintenance of station buildings and associated structures and services, including site clearance, civil and structural works, construction of platforms, mechanical and electrical works and external services works for stations. The project is expected to be completed in 2011.

PROPERTY DEVELOPMENT

In line with Encorp's corporate mission to enrich the quality of life of our stakeholders, we aim to build affordable properties with excellent design, superior workmanship and finishing, with facilities and amenities. Its current property projects are Cahaya Alam and The Strand Damansara, which are being developed through Encorp's subsidiary, Must Ehsan Development Sdn Bhd.

We continue to leverage on our experiences and know-how, which has helped us to achieve high returns on all our investments through astute management of our financial resources. We are also prudent in structuring our arrangements with landowners through deferred land cost payments with no holding costs, to build up our land banks. In this way, Encorp is under no pressure to develop the properties unless we are able to generate the required margins.

Encorp was proud to have been mentioned in The Edge Malaysia's Top Property Developers Awards 2008 published in September 2008. The award is an exercise to rank the best property players in Malaysia from the consumers' perspective based on a set of quantitative and qualitative attributes. Quantitative attributes assessed, based on developers' 2007

financial results, include shareholders' funds, group revenue, group pre-tax profits, gearing as well as cash and cash equivalents. Qualitative attributes assessed include product quality, innovation and creativity, value creation for buyers, image and expertise. Out of the 30 property developers evaluated, Encorp Berhad emerged 20th in terms of Turnover, 16th in terms of Profit Before Tax and 8th in terms of Cash Position. These are fine results, and serve to motivate our property team to do even better in future, for the benefit of our customers, our shareholders and for our own satisfaction.

Cahaya Alam

The Cahaya Alam property development in Shah Alam is a 209 acres residential project comprising 2,414 units of link and semi-detached houses, shop offices and apartments. The project, due to be completed in 2015, has an estimated gross development value of RM620.0 million. Designed and built to promote an active lifestyle, Cahaya Alam is an eco-friendly development comprising Shah Alam's first linear 3 acres greenery and park facility. Other amenities to be built at Cahaya Alam include schools, kindergartens, shops, medical facilities, a mosque and a multi-purpose hall.

Cahaya Alam has seen an overwhelming response from the public to each property launch. We believe this response is attributed to a mix of good location, good design of houses and thoughtful planning of township, as well as Encorp's reputation for quality and timely project delivery.

Cahaya Alam's Parcel A development with 115 units of houses was completed in 2007. Parcel B with 72 units of double-storey courtyard homes was launched in 2007. In 2008, 85 units of Parcel B Jasmin 2 houses were successfully launched. It achieved 98.8% sales.

Future developments include more double and three-storey terrace houses as well as semi-detached houses, medium-cost apartments and shop offices. A new house designed with a courtyard will be launched in 2009.

The Strand Damansara

The Strand Damansara is an integrated commercial development situated on a 45.6 acres piece of land in Kota Damansara which is fast becoming a prime and sought-after residential and commercial address in the Klang Valley. The project has a gross development value of RM1.2 billion. Development began in 2006 and is due for completion in 2015.

The development comprises 265 units of business suites, 14 blocks of self-contained Garden SOHO (Small Office Home Office), 278 units of contemporary lifestyle serviced apartments, a central boulevard which will complement a lifestyle retail mall flanked by cascading water features and landscaping. Construction at the site is progressing as scheduled.

In 2008, owners of the completed Phase 1 Business Suites received their Notice of Vacant Possession allowing businesses to move in, thereby increasing the vibrancy of The Strand Damansara. Its central Boulevard comprising commercial space is now open for rental registration.

The Garden SOHO, featuring glass lift lobbies, a rooftop garden, covered skywalks between blocks and lush landscaping, as well as serviced apartments, received encouraging response to its soft launch in 2008. The final phase of 60 units of 4-storey business suites was launched in April 2007. This followed earlier successful launches of Phase 1, 2 and 3 which have been fully sold.

New Developments at Encorp Land Banks – U10 (Shah Alam) and Batu Feringghi (Penang)

During the year, the Group progressed planning of its 47.1 acres land bank at Section U10 of Shah Alam, Selangor Darul Ehsan, where a mixed residential development is being proposed. Comprising a gated-community with an eco-friendly concept, the development at U10 will feature 80 units of bungalows, 144 units of 2-storey office suites, a commercial mall, and lush landscaping. The total gross development value of the project is estimated at RM300.0 million. The project is targeted to be launched in 2010.

In its first land acquisition outside of the Klang Valley, in 2008 Encorp acquired a 5.8 acres piece of land at Batu Feringghi on the island of Penang. The freehold land on a hillside is along the popular beach resort strip of Batu Feringghi. Encorp's plans are to build villas on the hillside which has an unobstructed view of the sea. The total gross development value of the project is estimated at RM200.0 million, with the launch slated for 2010.

SUSTAINING THE MOMENTUM IN 2009

Growth and expansion nationwide will be curtailed in 2009, given the challenging economic environment. Encorp will not be shielded from the effects of the continuing downturn. Nonetheless, we have steadily built up our strengths over the years with a positive cash flow and low gearing and are now in a position to capitalise on our strengths. We are confident of sustaining our momentum with projects that will see us through until 2015. However, we will continue with our prudent stance to conserve cash and control expenses and ensure that the Group's activities are value-driven. Internally, the challenge put to our teams has been to use this challenging time to improve productivity and enhance efficiency.

One of these efforts includes looking out for smart investments in land banks. Encorp has upped its search for land with high potential yield for returns in good locations.

At the end of the day, Encorp aspires to be perceived as a developer that aims to be not only profitable but also one that works for the benefit of all our stakeholders. We wish to be recognised as an innovative, eco-friendly and quality-driven organisation that holds firmly to ethical business principles. These will be achieved with the support of our shareholders, the cooperation of our business partners, the dedication of our Management and employees, and the trust and support of our customers.

YEOH SOO ANN
Group Chief Executive Officer





BOARD OF DIRECTORS

YBhg Tan Sri Datuk (Dr) Omar bin Abdul Rahman

Non-Executive Chairman,

Non-Independent,

Non-Executive Director

Member of the Audit Committee

Member of the Remuneration Committee

Tan Sri Datuk (Dr) Omar (Malaysian, aged 76) joined the Board on 17 June 2003. He was appointed as Non-Executive Chairman of Encorp Berhad on 23 February 2005.

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

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

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

Tan Sri Datuk (Dr) Omar has deemed interest in the Company through the substantial shareholding in Lavista Sdn Bhd held by him in trust. He does not have any family relationship with any director and/or major shareholder or any conflict of interest with the Company. He has not been convicted of any offence within the past 10 years.



Yeoh Soo Ann

*Non-Independent, Executive Director
Group Chief Executive Officer*

Yeoh (Malaysian, aged 48) joined the Board of Encorp Berhad and was appointed as Group Chief Executive Officer in an acting capacity on 18 November 2003. He was redesignated as Group Chief Executive Officer on 23 April 2008.

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

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

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

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

Efeida binti Mohd Effendi

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

Efeida (Malaysian, aged 36) was appointed to the Board of Encorp Berhad on 16 April 2001.

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

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



YBhg Datuk Ramli bin Shamsudin

Non-Independent, Executive Director

Datuk Ramli (Malaysian, aged 63) was appointed to the Board of Encorp Berhad on 27 April 2006.

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

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

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

Within Encorp Berhad, Datuk Ramli currently oversees employee development, cost rationalisation initiatives and



procurement as well as assist the Business Development Unit.

Datuk Ramli has deemed interest in the Company through the substantial shareholding in Lavista Sdn Bhd held by him in trust. He does not have any family relationship with any director and/or major shareholder or any conflict of interest with the Company. He has not been convicted of any offence within the past 10 years.

YBhg Dato' Chew Kong Seng @ Chew Kong Huat

Senior Independent, Non-Executive Director

Member of the Remuneration Committee

Member of the Audit Committee

Dato' Chew (Malaysian, aged 71) was appointed to the Board of Encorp Berhad on 2 December 2002.

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

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

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



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

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

Datuk Fong (Malaysian, aged 60) was appointed to the Board of Encorp Berhad on 16 April 2001.

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

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

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

Bhd. He sits as a Chairman in Universal Cable (Sarawak) Sdn Bhd.

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

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

Datuk (Dr) Philip Ting (Malaysian, aged 57) was appointed to the Board of Encorp Berhad on 16 April 2001.

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

An Australian chartered accountant, Datuk (Dr) Philip Ting was in public practice for 17 years beginning with Touche Ross & Co in Australia in 1973 and ending as a Partner of Arthur Anderson & Co/Hanafiah Raslan & Mohamad in Malaysia. From 1991 to 1994, he was Chief Executive Officer of Sarawak Securities Sdn Bhd, a major stockbroking company in Malaysia, and from 1994 to 1998, he was Group Managing Director of Cahya Mata Sarawak Berhad, a diversified conglomerate in Malaysia.



During his working career, he spent a significant amount of time in Australia, the United States of America and in countries throughout Southeast Asia.

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

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

YBhg Datuk (Dr) Zainal Aznam bin Mohd Yusof

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

Datuk (Dr) Zainal Aznam (Malaysian, aged 64) joined the Board of Encorp Berhad on 21 April 2003.

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

Datuk (Dr) Zainal Aznam has long been involved in various economic research and policy development groups in the country. He was the former Deputy Director-General of the

Institute of Strategic and International Studies, Deputy Director of the Malaysian Institute of Economic Research and Advisor in Economics at Bank Negara Malaysia. He has also spent nearly 20 years in the Economic Planning Unit of the Prime Minister's Department. He was a member of the Working Group of the National Economic Action Council and currently is an Adviser with the National Implementation Task Force.

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

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

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

THE ORGANISATION



CORPORATE INFORMATION

BOARD OF DIRECTORS

| | |
|---|--|
| Tan Sri Datuk (Dr) Omar bin Abdul Rahman | <i>Non-Executive Chairman, Non-Independent, Non-Executive Director</i> |
| Yeoh Soo Ann | <i>Non-Independent, Executive Director Group Chief Executive Officer</i> |
| Efeida binti Mohd Effendi | <i>Non-Independent, Executive Director</i> |
| Datuk Ramli bin Shamsudin | <i>Non-Independent, Executive Director</i> |
| Dato' Chew Kong Seng @ Chew Kong Huat | <i>Senior Independent, Non-Executive Director</i> |
| Datuk Fong Joo Chung | <i>Independent, Non-Executive Director</i> |
| Datuk (Dr) Philip Ting Ding Ing | <i>Independent, Non-Executive Director</i> |
| Datuk (Dr) Zainal Aznam bin Mohd Yusof | <i>Independent, Non-Executive Director</i> |

AUDIT COMMITTEE

| | |
|---|-----------------|
| Datuk (Dr) Philip Ting Ding Ing | <i>Chairman</i> |
| Tan Sri Datuk (Dr) Omar bin Abdul Rahman | <i>Member</i> |
| Dato' Chew Kong Seng @ Chew Kong Huat | <i>Member</i> |
| Datuk (Dr) Zainal Aznam bin Mohd Yusof | <i>Member</i> |

NOMINATION COMMITTEE

| | |
|---|-----------------|
| Datuk (Dr) Zainal Aznam bin Mohd Yusof | <i>Chairman</i> |
| Datuk Fong Joo Chung | <i>Member</i> |
| Datuk (Dr) Philip Ting Ding Ing | <i>Member</i> |

REMUNERATION COMMITTEE

| | |
|---|-----------------|
| Datuk Fong Joo Chung | <i>Chairman</i> |
| Tan Sri Datuk (Dr) Omar bin Abdul Rahman | <i>Member</i> |
| Efeida binti Mohd Effendi | <i>Member</i> |
| Dato' Chew Kong Seng @ Chew Kong Huat | <i>Member</i> |

COMPANY SECRETARY

Chua Siew Chuan (MAICSA 0777689)
Lee Lay Hong (LS 0008444)

REGISTERED OFFICE

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

Tel: (6) 082 428 626 Fax: (6) 082 423 626

SHARE REGISTRAR

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

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

PRINCIPAL BANKERS

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

AUDITORS

Ernst & Young (AF: 0039)

SOLICITORS

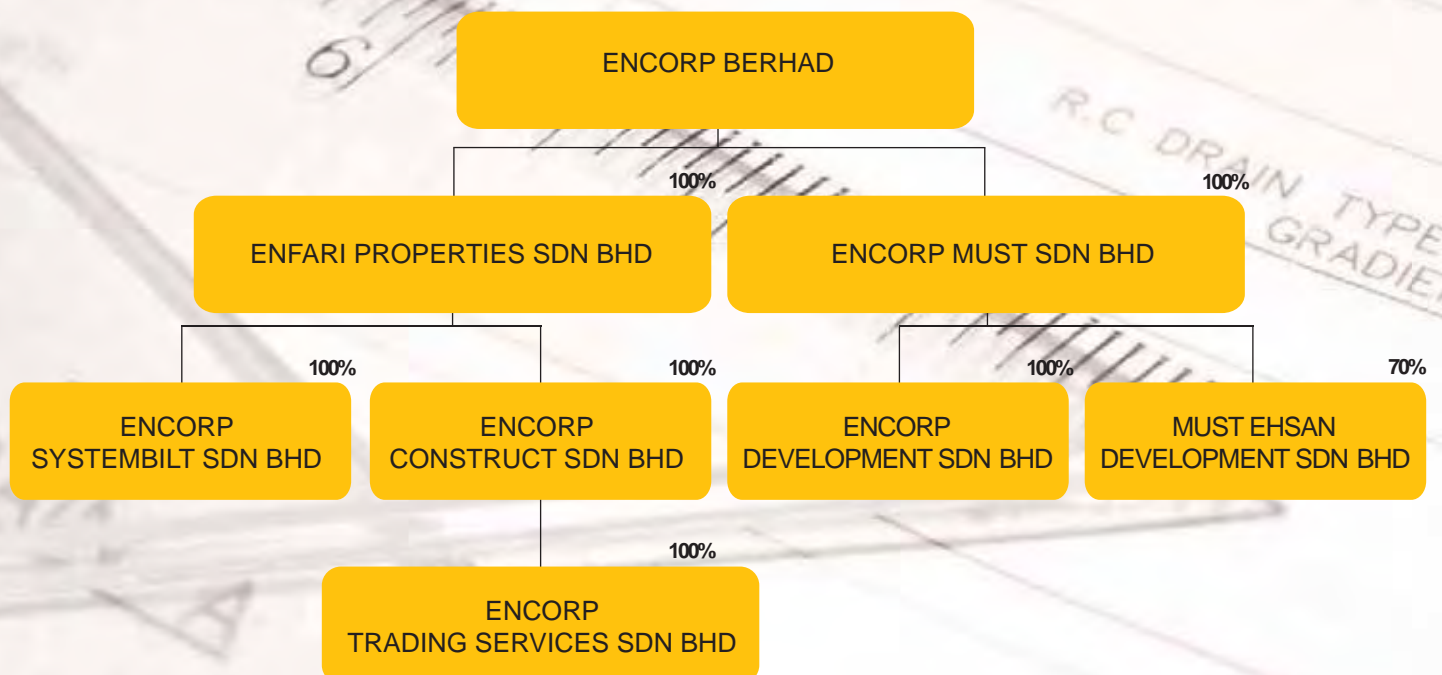
Zul Rafique & Partners
Ariffin Shahzad
Tan Swee Im, P.Y. Hoh & Tai

STOCK EXCHANGE LISTING

Main Board, Bursa Malaysia Securities Berhad
Stock Code : ENCORP
Stock Number : 6076



CORPORATE STRUCTURE



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

ENCORP'S VISION & MISSION

Vision

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

Mission

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

ENCORP'S CORE VALUES

Superior Quality

Everything that Encorp does or provides for internal and external customers will be recognised for superior quality based on world class standards.

Value Focussed

Encorp is value-focussed – all our activities are geared towards creating value for the organisation.

Innovative

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

Dynamism

Encorp will continue to lead and be ahead – proactively changing our external and internal environment to advance our competitive position by building on our strengths.

Integrity

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

People Orientated

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

Responsible Citizen

Encorp is a responsible citizen, fully committed towards creating significant national, economic and social impact in ways that make a meaningful difference to people's lives.

CORPORATE HIGHLIGHTS



CORPORATE SOCIAL RESPONSIBILITY

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

CARING FOR THE ENVIRONMENT

Committed to Sustainable Development

As a company involved in property development and construction management, Encorp is faced with the challenge of developing whilst being cognisant of a variety of environmental issues. Being a responsible and environmentally conscious developer, we continually seek to conform to environmental requirements set out by the relevant authorities. In addition, through our own initiatives, we have established activities and measures to underline our commitment towards care for the environment.

In our property development projects, sufficient flood mitigation measures are in place and there is ongoing water quality monitoring. Silt and debris traps are provided and exposed slopes are turfed to minimise erosion. For larger project sites, an Environmental Management Plan is implemented and monthly reports are submitted to the Department of Environment. In line

with our focus of eco-friendly community living in our projects, extensive landscaping within each of our developments forms an integral part of the planning and design process. At Cahaya Alam, for example, we have also provided a 3 acres linear park, the first such park in the city of Shah Alam.

We take utmost care to consider the environmental impact of activities at our construction sites. First and foremost, we ensure compliance with all Environmental Impact Assessment requirements, procedures and regulatory requirements on Environment Protection and Safety, the Environmental Management Plan and ISO 14001. The emphasis is on promoting a clean and safe construction site. Towards this end, earthworks are controlled for minimal land exposure, construction and demolition waste are managed appropriately, on-site burning is prohibited and waste materials are properly disposed off at approved dump yards. To further promote safety, a minimum number of workmen, who are provided with proper accommodation, are employed on-site.

We go the extra mile by using environmental-friendly construction materials on-site, such as timber-based block-out for service ducts instead of polystyrene. The use of wood-based materials is minimised and wet trades are also minimally employed to reduce involvement with environmentally hazardous materials such as cement, quick lime, mould oil and asbestos. Effective stock-taking procedures are implemented to reduce wastage of building materials.

Promoting Care for the Environment at Work

Encorp actively promotes the benefits of 3Rs (Reduce, Reuse and Recycle) amongst all employees through the Encorp Recycling Campaign which was introduced in 2007 and is ongoing. Recycle bins are placed in all our offices to promote the recycling habit of separating waste materials that can be recycled or disposed off. This drives home the message that each individual has a part to play in environmental management. To help instill an awareness of the need to care for the environment, we continue to print an environmental message - "Save the Environment for our Future Generations" – on our annual festive greeting cards.

GIVING BACK TO THE COMMUNITY

Encorp's success has been due to the confidence that our customers and other stakeholders have in our company. We believe in repaying such trust by giving back to the community around us. By helping those in need, we hope to enrich the quality of their life.

Helping Those in Need

Encorp has been involved with Rumah CADS (Enhancement Centre for Cerebral Palsy, Autism, Down Syndrome and Slow Learners) since 2007, including organising fund-raising activities. The children at Rumah CADS have special needs due to their neurological conditions or physiological impairments. When Rumah CADS moved to its new location, we volunteered our project management skills in the extensive renovation and rehabilitation works required. We assisted in coordinating the building plan preparation, costing, submission to the authorities, appointment of contractor, amongst other things, until the project's completion.

A home for abandoned children at Subang Jaya, Rumah Ijabah Anak Yatim and Al-Hafiz, has also benefited from our help. A team of employees built a Reading Corner, which was officially handed over on 19 July 2008. The Reading Corner was freshly painted and furnished with new bookshelves and cabinets. Books were collected from other employees for the Reading Corner and, in addition, Encorp purchased workbooks for those children who were sitting for the Ujian Penilaian Sekolah Rendah, contributed educational books and materials and donated a desktop computer.

Encorp had also contributed RM10,000 towards the construction of the Home of Hope, a sanctuary run by Pertubuhan Al-Khaadem at Kota Kemuning in Selangor for orphans, single mothers, abused women and the elderly. The Home aims to provide an environment that is conducive to developing independent and self-sufficient individuals who will be of benefit to the wider community.

Other activities to help the underprivileged include donating the full 50% discount given by the supplier of Encorp's festive cards to charitable homes. These homes include Rumah Ijabah Anak Yatim and Al-Hafiz.

Running for a Cause

The 'Relay for Life' is an annual event held around the world to raise funds and increase awareness of cancer. In Malaysia, this

event is organised by the National Cancer Society of Malaysia. In 2008, it was held at the MSN Stadium in Bukit Jalil, Kuala Lumpur, flagging off at 6.00 pm on Saturday 30 May and ending at 10.00 am on Sunday 31 May.

A team of Encorp staff ran alongside other runners as well as cancer survivors, taking turns to run continuously around the stadium's track throughout the night. Our participation was such an inspiring experience that we shall be participating again as a major corporate supporter, including fielding a bigger team.

Promoting Malaysian Sports Talent

As an organisation that aims to attain excellence in its endeavours, we appreciate the commitment and dedication needed for Malaysian sports talent to reach the pinnacle of their sports. Funding is always a critical element in this journey to the top.

One Malaysian sportsman with the potential and drive to be amongst the world's top ten squash players is Mohd Azlan Iskandar, who has at one time beaten the world's first and second ranked players. Encorp provided sponsorship funds of RM35,000 to Mohd Azlan to cover coaching fees and travel expenses for his trainer, Peter Genever, to the Egyptian Open 2008 as well as provide coaching services in Malaysia over the months of May to July 2008.

CSR AT THE MARKETPLACE

The social responsibility of a corporate citizen is not confined to its business operations. In fact, this responsibility should extend to the marketplace through adding value to the wider industry. Encorp endeavours to fulfil this through active promotion of the Industrialised Building System (IBS) technology, both locally and internationally.

We are an early believer in the benefits of the IBS in construction, which include:

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

Greater utilisation of the IBS would go a long way in improving building standards and increasing the level of professionalism in the construction industry. It would also lead to faster turnaround times, thus reducing wastage of resources. The Malaysian Government is also convinced of the superiority of the IBS over more traditional building methods, as seen by its policy that requires the utilisation of the technology in 70 percent of Government projects.

In promoting the IBS, we are at the same time helping to develop a pool of Bumiputra vendors to become knowledgeable and skilled in this technology. We do this through involving them in our projects, such as the National Teachers' Housing Project that

we undertook for the Government, through which we shared the benefits of the IBS.

BEING A PREFERRED EMPLOYER

The success of any organisation depends to a great extent on a dedicated workforce that is committed towards its vision, mission and corporate values. As Encorp contributes to the Nation and community as a responsible corporate citizen, it understands the importance of giving employees due recognition in helping to bring the organisation to where it is today.

We therefore aim to be a preferred employer by offering special programmes and activities geared towards creating and sustaining a positive working environment. These cover:

Recognition and Retention Programmes

Rewards and recognition are given to employees who are fully committed to achieving meaningful business aspirations through collaboration and teamwork within the organisation.

Training and Development

Encorp's Human Capital programmes are aligned to meet the Learning and Competency Development between the employer and the employee based on clear identified business needs and the development of individuals with coherent learning models.

Internship and Industrial Training

We provide internship/industrial training opportunities for students from local higher learning institutions/universities. The trainings are focussed and geared towards developing students through the work experience in various departments at Encorp.

Health and Safety Programmes

Encorp understands and values the position that Human Capital plays and wishes to create a healthy working environment, a hazard-free office by eliminating any hazardous materials and at the same time promoting green campaigns amongst employees.

Employees' Involvement and Contributions to the Community

Encorp introduced a recognition programme aimed at promoting an environment that encourages employees to be involved in community-related activities.

Our recognition programme extends to the children of our employees as well. To help instil in their children the desire to acquire knowledge and excel in their school studies, we introduced the Employees' Children Recognition Awards for all staff. In 2008, cash awards were presented to three children who obtained a minimum of seven As in the Ujian Penilaian Menengah Rendah and one child who scored a minimum of five As in the Ujian Penilaian Sekolah Rendah.

A happy workforce makes for a successful organisation, which in turn is able to add value to the community, economy and Nation.



CALENDAR OF SIGNIFICANT EVENTS

| Date | Events |
|------------------|---|
| 21 February 2008 | Second Interim Dividend Declared Encorp declared a second interim dividend of 5% for the financial year 2007 to its shareholders. The dividend was paid on 7 April 2008. |
| 29 March 2008 | Launch of Jasmin 2 at Cahaya Alam Following the overwhelming public response to Jasmin 1, Must Ehsan Development Sdn Bhd launched Jasmin 2 comprising 85 units of terrace houses. |
| 31 May 2008 | Running for Cancer Awareness Encorp's Corporate Social Responsibility (CSR) team participated in the 'Relay for Life' event organised by the National Cancer Society of Malaysia. |
| 17 June 2008 | Supporting Malaysian Sports Talent Encorp awarded a generous sponsorship to Malaysian squash player, Mohd Azlan Iskandar, who has the potential to become one of the world's top 10 male squash players. |
| 25 June 2008 | 8th Annual General Meeting Held Encorp Berhad held its 8th Annual General Meeting. |
| 1 July 2008 | Giving Project Skills for the Community Encorp's CSR team volunteered its services in project management in the extensive renovation and rehabilitation of Rumah CADS (Enhancement Centre for Cerebral Palsy, Autism, Down Syndrome and Slow Learners) at its new location. |



29 March 2008

Launch of Jasmin 2 at Cahaya Alam
(The above are completed homes of Jasmin 1)



31 May 2008

Running for Cancer Awareness

| Date | Events |
|----------------|--|
| 19 July 2008 | Instilling the Reading Habit Encorp's CSR team contributed towards the construction of a Reading Corner at the Home of Abandoned Children at USJ, Subang Jaya. |
| 22 July 2008 | Support for Home of Hope Encorp's CSR team contributed towards the Home of Hope, a sanctuary for orphans, single mothers, abused women and the elderly that is being run by Pertubuhan Al-Khaadem in Kota Kemuning, Selangor. |
| 7 August 2008 | Encorp Awarded RM150.0 Million Sarawak School Project The Ministry of Education Malaysia awarded Encorp with a RM150.0 million contract to construct and upgrade 11 schools in Kuching, Sri Aman and Bintulu in the state of Sarawak. |
| 27 August 2008 | RM15.1 Million Profit in 2nd Quarter 2008 Encorp Berhad posted a 144% increase in Profit After Tax from the previous quarter to RM15.1 million. The stronger performance in the second quarter was attributed to higher revenue recognised in the The Strand Damansara property development project. |
| 27 August 2008 | Single Tier Dividend Declared Encorp Berhad declared a single tier dividend of 5% for the financial year 2008 to its shareholders. The dividend was paid on 17 October 2008. |



25 June 2008
8th Annual General Meeting



19 July 2008
Reading Corner

| Date | Events |
|-------------------|--|
| 8 September 2008 | Encorp Buys Land in Penang Encorp Berhad purchased land at Batu Feringghi in Penang for RM15.0 million to add to its land bank. Development on the property is expected to contribute positively to future earnings. |
| 25 September 2008 | Encorp Bags RM130.8 Million Electrified Double Track Rail Project IRCON International Limited of India has awarded Encorp Berhad a RM130.8 million Electrified Double Track Rail contract for the construction, commissioning and maintenance of station buildings and associated structures and services of the stations. |
| 10 October 2008 | CF for The Strand Damansara Business Suites 101 units of 3 1/2 - storey business suites of Phase 1 at The Strand Damansara were issued with Certificate of Fitness for Occupation (CF). |
| 7 November 2008 | Encorp Announced 1st Runner-up in Corporate Report Awards Encorp Berhad was placed 1st Runner-up at the SCCI Corporate Report Awards 2008 in association with Ernst & Young, the Audit Department of Sarawak and the Companies Commission of Malaysia. The awards honoured Sarawak-based public listed companies that displayed the highest standards in corporate conduct and adherence to corporate reporting. |
| 25 February 2009 | Encorp Garners RM53.1 Million Profit After Tax in 2008 Encorp Berhad recorded a Group Profit After Tax of RM53.1 million for the financial year ended 31 December 2008, mainly attributed to the progress of work and revenue recognised in The Strand Damansara property development project. |



10 October 2008
CF for The Strand Damansara
Business Suites



7 November 2008
Sarawak Chamber of Commerce & Industry (SCCI)
Corporate Report Awards 2008



Encorp bags RM130.8m Ircon contract

KUALA LUMPUR: Encorp Bhd has bagged a RM130.79 million contract from Ircon International Ltd of India to build station buildings for the electrified double rail track project between Seremban and Gemas.

Encorp said yesterday it had received a letter of acceptance from Ircon for the construction and commissioning of the stations, along with the associated structures and services, including site clearance, civil and structural works, platforms and mechanical and engineering works.

It said the construction period was 22 months.

Encorp said the award of the portion of the rail project followed a string of favourable news for the company, which was most recognised for developing 10,000 units of teachers' housing project for the government.

The company made a financial turnaround in 2007 with a pre-tax profit of RM111.32 million at the end of 2007 from a loss of RM119.81 million in 2006. Encorp said it had received a RAM upgrade of its bonds in July from A1(s) to AA2(s) with an outlook revised from positive to stable.

Last month, it was awarded a contract by the Ministry of Education to construct, upgrade and refurbish schools and hostels in Sarawak for a contract sum of RM150 million.

BUSINESS TIMES

Encorp plans project in Penang

ENCORP Bhd plans to develop a property project in Batu Feringghi, Penang, with a gross development



Encorp secures RM130mil rail job

PETALING JAYA: Encorp Bhd has secured a RM130.79mil contract from Ircon International Ltd of India to build the stations for the electrified double-tracking project between Gemas and Seremban.

Encorp said yesterday that it had received the letter of acceptance from Ircon for the construction of the station buildings as well as

Business Times

Encorp posts RM53m profit for 2008

ENCORP Bhd yesterday reported a RM17 million net profit for its final quarter to December 31 2008, helped largely by its property development business and interest income after completion of its teachers' quarters project.

For annual period, net profit rose 154 per cent over 2007 to RM53.1 million.

The improved year-on-year performance was highlighted in the group's revenue of RM287.6 million

All its property development projects, namely The Strand Damansara and Cahaya Alam project in Shah Alam are recording encouraging sales.

"We are constantly looking for opportunities to further expand our businesses locally and internationally in the property development and construction management arena," Encorp's chief executive officer, Yeoh Soo Ann said in a statement yesterday.

He said the Cahaya Alam project will

'We are constantly looking for opportunities to further expand our businesses'



| Turnover RANKING | COMPANY | Profit RANKING |
|------------------|---------------------------------------|----------------|
| 1 | S P Setia Bhd | 1 |
| 2 | Sunway City Bhd | 2 |
| 3 | Eastern & Oriental Bhd | 3 |
| 4 | Island & Peninsular Sdn Bhd (IPI) | 4 |
| 5 | ICI Properties Bhd | 5 |
| 6 | E&O Property Devt Bhd | 6 |
| 7 | IGB Corporation Bhd | 7 |
| 8 | Bender Raya Devt Bhd | 8 |
| 9 | Naim Cendera Holdings Bhd | 9 |
| 10 | Mah Sing Group Bhd | 10 |
| 11 | Sunrise Bhd | 11 |
| 12 | Mahon Bhd | 12 |
| 13 | PJ Development Hldg Bhd | 13 |
| 14 | Boustead Properties Bhd | 14 |
| 15 | Matrix International Bhd | 15 |
| 16 | United Malaysian Land Bhd | 16 |
| 17 | Bandar Utama City Corp Sdn Bhd (BUCC) | 17 |
| 18 | Botton Bhd | 18 |
| 19 | Asian Pac Holdings Bhd | 19 |
| 20 | Encorp Bhd | 20 |
| 21 | Metro Kajang Holdings Bhd | 21 |
| 22 | Paranmount Corp Bhd | 22 |
| 23 | Glomac Bhd | 23 |
| 24 | AMDB Bhd | 24 |
| 25 | LES Bing Group Bhd | 25 |
| 26 | YHL Property Bhd | 26 |
| 27 | KSL Holdings Bhd | 27 |
| 28 | Djaya Corporation Bhd | 28 |
| 29 | Country Heights Hldg Bhd | 29 |
| 30 | WCT Land Sdn Bhd (N) | 30 |

| Cash RANKING | COMPANY | Gearing RANKING |
|--------------|-----------------------------------|-----------------|
| 1 | Sunway City Bhd | 1 |
| 2 | IGB Corporation Bhd | 1 |
| 3 | S P Setia Bhd | 3 |
| 4 | Eastern & Oriental Bhd | 4 |
| 5 | Island & Peninsular Sdn Bhd (IPI) | 5 |
| 6 | Landmark General Inc | 6 |
| 7 | Swaggy Properties Bhd | 7 |
| 8 | Encorp Bhd | 8 |
| 9 | TAHPS Group | 9 |
| 10 | Dalman Development | 10 |
| 11 | Oriental Intero | 11 |
| 12 | Penang | 12 |
| 13 | Asia Pacific Co | 13 |
| 14 | Rockwell | 14 |
| 15 | PIAA Corporate | 15 |
| 16 | KOL M&N | 16 |



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08-08-2008: Encorp gets RM150m contract to build schools

Email us your feedback at fdm@theedge.com

KUALA LUMPUR: Encorp Bhd subsidiary Encorp Construct Sdn Bhd has received letters of award from the Ministry of Education for the construction of 11 schools with a total value of RM150 million.

Encorp said yesterday the schools would be built over a period of 12 to 24 months. "The contract is expected to contribute positively to Encorp's earnings from financial year ending Dec 31, 2009," it added.



Encorp records RM15m Q2 profit

Encorp Bhd yesterday reported a net profit of RM15.1 million for the second quarter to June 30, up from the RM75.38 million achieved in the previous corresponding period.

On a quarterly basis, however, the second quarter profit of RM15.1 million was a 144 per cent increase from the RM9.8 million managed in the first three-month period.

During the second quarter was RM75.38 million, with strong contribution coming from the property development business.

Encorp also declared an interim single-tier tax exempt dividend of five per cent, which will be paid to

BUSINESS TIMES

Encorp gets contract to build 11 schools

ENCORP Construct Sdn Bhd has been awarded a RM150 million government contract to build 11 schools

Encorp Construct is a wholly-owned subsidiary of Encorp Properties Sdn Bhd, which in turn is owned by Encorp Bhd. The contract awarded by the Ministry of Education entails the schools to be built over a period of between 12 and 24 months.

CORPORATE GOVERNANCE



STATEMENT OF CORPORATE GOVERNANCE

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

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

A. BOARD OF DIRECTORS

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

1. Composition of the Board

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

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

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

2. Board Balance

To ensure balance in the Board, the Independent Non-Executive Directors provide independent views, evaluations as well as advice in Board deliberations and decisions. This ensures that the interests of the Group, shareholders, employees, customers, suppliers and other business associates are safeguarded.

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

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

3. Board Meetings

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

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

During the financial year under review, seven (7) Board meetings and one (1) Annual General Meeting (AGM) were held. The summary of attendance of the Board is as follows:

| Name of Director | No. of Meetings Attended | Attendance (%) |
|--|--------------------------|----------------|
| Tan Sri Datuk (Dr) Omar bin Abdul Rahman | 7/7 | 100 |
| Yeoh Soo Ann | 7/7 | 100 |
| Efeida binti Mohd Effendi | 5/7 | 71.4 |
| Datuk Ramli bin Shamsudin | 7/7 | 100 |
| Dato' Chew Kong Seng @ Chew Kong Huat | 7/7 | 100 |
| Datuk Fong Joo Chung | 7/7 | 100 |
| Datuk (Dr) Philip Ting Ding Ing | 7/7 | 100 |
| Datuk (Dr) Zainal Aznam bin Mohd Yusof | 5/7 | 71.4 |

4. Supply of Information

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

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

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

5. Duties and Responsibilities of the Board

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

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

6. Appointment and Re-Election of Directors

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

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

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

7. Committees Established by the Board

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

a. Audit Committee

The Audit Committee assists the Board in fulfilling its responsibilities relating to financial reporting of the Company and its subsidiaries.

The members of the Audit Committee are:

| Name | Designation | Directorship |
|--|-------------|--|
| Datuk (Dr) Philip Ting Ding Ing | Chairman | Independent Non-Executive Director |
| Tan Sri Datuk (Dr) Omar bin Abdul Rahman | Member | Non-Independent Non-Executive Director |
| Dato' Chew Kong Seng @ Chew Kong Huat | Member | Senior Independent Non-Executive Director |
| Datuk (Dr) Zainal Aznam bin Mohd Yusof | Member | Independent Non-Executive Director |

In line with the revised Part 2 of the Code:

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

The terms of reference of the Audit Committee and summary of activities for the financial year under review are reported on pages 38 to 41.

b. Nomination Committee

The members of the Nomination Committee are:

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

The Nomination Committee assists the Board in fulfilling the following functions:

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

In line with Part 2 of the Code, the Board implemented an evaluation process, which was carried out by the Nomination Committee for assessing the effectiveness and competencies of the Board as a whole. Such implementation ensures a balanced Board effective in overseeing and providing guidance towards proper management and development of the Company which will, in turn, protect and enhance shareholders' value over the long term.

c. Remuneration Committee

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

The members of the Remuneration Committee are:

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

8. Directors' Training

The Directors constantly participate in training programmes, seminars and conferences to keep themselves abreast with changes and new developments, both in the legal and commercial aspects. Some of the programmes and courses attended by the Directors as well as papers presented by them during the financial year under review include the following:

- Presented a paper on "Science and Technology Challenges for the Muslim Umrah" – S&T Management Course for scientists from OIC Countries;
- Creating A Promising Future through Human Capital Development;
- Presented a paper on "Human Capital Development from the Perspective of Science and Technology";
- Increasing Regional Resilience Amidst Rising Risk;
- Technical Updates on Financial Reporting Standards (FRS) and International Financial Reporting Standards (IFRS);
- The Markets Seminar;
- Creating a Winning Balanced Scorecard;
- Thailand Investment Forum;
- National Accountants Conference;
- Mandatory Accreditation Programme for Directors of Public Listed Companies;
- MAICSA Annual Conference 2008 – Corporate & Regulatory Updates;
- 2009 Budget Seminar;
- Strategic Risk Management for PLC's Directors.

B. DIRECTORS' REMUNERATION

Policies and Procedures

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

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

The aggregate remuneration of Directors for the financial year ended 31 December 2008 are categorised into appropriate components as follows:

| Description of Payment | Executive Directors (RM) | Non-Executive Directors (RM) |
|---|--------------------------|------------------------------|
| Salaries / Allowances & Other Emoluments | 1,124,954 | 151,500 |
| Fees | 72,000 | 279,000 |
| Defined contribution plan | 127,525 | - |
| Estimated money value of benefits-in-kind | 122,526 | 21,250 |
| Total | 1,447,005 | 451,750 |

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

| Range of Remuneration | Executive Directors | Non-Executive Directors |
|-----------------------|---------------------|-------------------------|
| Below RM50,000 | - | - |
| RM50,001 – RM100,000 | - | 4 |
| RM150,001 – RM200,000 | - | - |
| RM200,001 – RM250,000 | 2 | 1 |
| Above RM350,000 | 1 | - |
| Total | 3 | 5 |

C. SHAREHOLDERS

Communication with Shareholders and Investors

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

Annual General Meeting (AGM)

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

D. ACCOUNTABILITY AND AUDIT

Financial Reporting

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

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

Internal Control

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

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

The Group's Statement on Internal Control is set out on pages 41 to 42.

Relationship with External Auditor

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

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

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

Utilisation of Proceeds

RM25.0 million out of the total proceeds raised from the Company's disposal of its associate company in January 2007 has been allocated for the purpose of acquiring additional land bank for future development projects to expand its core business of property development. As at to date, RM21.1 million has been utilised for the proposed development of the Section U10, Shah Alam project and purchase of a piece of land in Batu Feringghi, Penang for the purpose of future development.

Share Buy-Back

The Company commenced share buy-back from 30 April 2008. As per the Record of Depositors as at 24 April 2009, the Company had acquired a total of 9,200,800 of its issued shares from the open market. The shares bought back are held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

Options, Warrants or Convertible Securities

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

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

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

Sanctions/Penalties

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

Non-Audit Fees

During the financial year under review, non-audit fees of RM145,750 was incurred for tax compliance and consultancy services rendered by Ernst & Young Tax Consultants Sdn. Bhd.

Variations in Results

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

Profit Guarantee

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

Material Contracts

The Company's wholly-owned subsidiary, Encorp Must Sdn Bhd, had entered into a Joint Venture Agreement on 4 April 2007 with Indi Makmur Sdn Bhd and Lunarhati Sdn Bhd ("JV Agreement") to establish an unincorporated joint venture for the purpose of developing two contiguous parcels of land at Bukit Cerakah, Section U10, Shah Alam, Mukim Bukit Raja, Daerah Petaling, Selangor Darul Ehsan, into a mixed development comprising residential and commercial development.

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

AUDIT COMMITTEE REPORT



The Board of Directors is pleased to present the report on the Audit Committee and its activities for the financial year ended 31 December 2008.

POLICY

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

OBJECTIVES

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

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

COMPOSITION OF THE AUDIT COMMITTEE

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

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

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

- (a) a member of the Malaysian Institute of Accountant ("MIA"); or
- (b) if he is not a member of MIA, he must have at least three (3) years of working experience and:
 - i. he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
 - ii. he must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
 - iii. fulfils such other requirements as prescribed or approved by Bursa Securities.

No alternate director of the Board shall be appointed as a member of the Audit Committee. The term of office and performance of the Audit Committee and each of its members

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

Retirement and Resignation

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

Chairman

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

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

Secretary

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

MEETINGS

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

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

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

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

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

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

Minutes

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

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

Quorum

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

AUTHORITY

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

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

DUTIES AND RESPONSIBILITIES

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

- (a) To consider the appointment of external auditors, the audit fee and any question of resignation or dismissal;
- (b) To discuss with the external auditors before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
- (c) To review with the external auditors their evaluation of the system of internal controls and audit report;
- (d) To review the quarterly and year-end financial statements prior to the approval by the Board, focusing particularly on:
 - any change in accounting policies and practices
 - significant adjustments arising from the audit

- the going concern assumptions, and
 - compliance with accounting standards and other legal requirements;
- (e) To discuss problems and reservations arising from the interim and final audits, and any matter the auditors may wish to discuss (in the absence of management, where necessary);
- (f) To review the external auditors' management letter and management's response;
- (g) To do the following, in relation to the internal audit function:
- review the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work
 - review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function
 - review any appraisal or assessment of the performance of members of the internal audit function
 - approve any appointment or termination of senior staff members of the internal audit function, and
 - take cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning;
- (h) To consider any related party transactions and conflict of interest situations that may arise within the Company or Group, including any transaction, procedure or course of conduct that raises questions of management integrity;
- (i) To report its findings on the financial and management performance, and other material matters to the Board;
- (j) To consider the major findings of internal investigations and management's response;
- (k) To verify the allocation of employees' share option scheme (ESOS) in compliance with the criteria as stipulated in the by-laws of ESOS of the Company, if any;
- (l) To determine the remit of the internal audit function;
- (m) To consider other topics as defined by the Board; and
- (n) To consider and examine such other matters as the Audit Committee considers appropriate.

Summary of Activities of the Audit Committee

Five (5) Audit Committee meetings were held during the financial year under review.

The activities of the Audit Committee are summarised as follows:

- (a) Reviewed the unaudited financial results and the announcements for the quarterly/financial year end results of the Group prior to the Board of Directors' approval, particularly on:
- Overall performance of the Group
 - Prospects of the Group, and
 - Compliance with applicable accounting standards and other legal requirements;
- (b) Reviewed the audit reports together with the external auditor;
- (c) Reviewed the internal audit reports presented and considered the significant audit findings, audit recommendations and management's responses to ensure significant findings were adequately addressed by the Management;
- (d) Discussed with the external auditor the audit plan and scope for the year as well as the audit procedures to be followed;
- (e) Reviewed related party transactions entered into by the Group;
- (f) Reviewed the risk management report presented and discussed the high and significant risk areas.

The record of attendance of the members for the financial year ended 31 December 2008 is as follows:

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

The Audit Committee members have attended training and development programmes on the following areas:

- Presented a paper on "Science and Technology Challenges for the Muslim Umrah" – S&T Management Course for scientists from OIC Countries;
- Creating A Promising Future through Human Capital Development;
- Presented a paper on "Human Capital Development from the Perspective of Science and Technology";
- Increasing Regional Resilience Amidst Rising Risk;
- 2009 Budget Seminar.

INTERNAL AUDIT FUNCTION

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

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

- Reviews with Management the operational activities and ensures the principal objectives are aligned to the Group's objectives;
- Identifies all auditable activities and relevant risk factors, and to assess their significance;
- Researches and gathers information that is competent, factual and complete;
- Analyses and examines that operations are effective;
- Provides assurance on compliance with statutory requirements, laws, Group's policies and guidelines;
- Recommends appropriate controls to overcome deficiencies and to enhance the Group's operations;
- Evaluates procedures in place to safeguard the Group's assets;
- Assessing risk and monitoring the effectiveness of the risk management programme and ensuring the adequacy of the internal control system.

The total costs incurred for the internal audit function of the Group for 2008 amounted to RM347,638.

STATEMENT ON INTERNAL CONTROL

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

RESPONSIBILITY

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

KEY ELEMENTS OF INTERNAL CONTROL

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

1. There is an organisation structure and job descriptions that define lines of responsibility and delegation of authority according to defined limits of authority.
2. Key functions such as finance, corporate and legal matters are controlled centrally.
3. There is a strategic planning and annual budgeting process. The Board reviews and approves the annual budgets.
4. Actual performance is compared against budget and reviewed by the Board. Major variances will be explained.
5. The Audit Committee will review quarterly results to ensure the financial results are prepared in accordance with the Listing Requirements, Companies Act 1965 and applicable FRS so as to present a true and fair view of the financial position of the Group.
6. Policies and procedures of most operating units within the Group are documented in the Group policies and procedures manuals and/or ISO 9001, where applicable, to ensure compliance with internal control systems and relevant laws and regulations.
7. The Executive Committee involves the Directors and Senior Management who meet as and when necessary with all operating unit heads to consider financial and operational issues of the Group as well as any management proposal by the operating units.
8. The Internal Audit Department also conducts regular audits to ensure the adequacy and integrity of the internal control system in place and to assist the Audit Committee in carrying out its duties and responsibilities. Weaknesses in the internal control systems are identified and corrective actions carried out accordingly. None of these weaknesses have resulted in any material losses to the Group.

RISK MANAGEMENT

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

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

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

CONCLUSION

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

STATEMENT ON DIRECTORS' RESPONSIBILITY

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

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

In preparing these financial statements, the Directors have:

1. adopted appropriate accounting policies and applied them consistently;
2. used reasonable and prudent judgments and estimations;
3. ensured 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 that the financial statements are prepared in accordance with the Listing Requirements, Companies Act 1965 and applicable FRS.

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

FINANCIAL REPORT



DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS

| | |
|----------|--|
| 44 - 48 | Directors' Report |
| 49 | Statement by Directors |
| 49 | Statutory Declaration |
| 50 - 51 | Report of the Auditors |
| 52 | Income Statements |
| 53 - 54 | Balance Sheets |
| 55 | Consolidated Statement of Changes in Equity |
| 56 | Company Statement of Changes in Equity |
| 57 - 59 | Cash Flow Statements |
| 60 - 110 | Notes to the Financial Statements |

Directors' Report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2008.

Principal Activities

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

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

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

Results

| | Group RM | Company RM |
|-------------------------------|-------------------|--------------------|
| Profit/(loss) for the year | <u>52,858,420</u> | <u>(1,889,015)</u> |
| Attributable to: | | |
| Equity holders of the Company | 36,558,657 | (1,889,015) |
| Minority interest | <u>16,299,763</u> | <u>-</u> |
| | <u>52,858,420</u> | <u>(1,889,015)</u> |

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

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

Dividends

The amount of dividends paid by the Company since 31 December 2007 were as follows:

In respect of the financial year ended 31 December 2008:

| | |
|---|-------------------|
| Interim dividend of 5% single tier dividend, on 216,181,036 ordinary shares, declared on 27 August 2008 and paid on 17 October 2008 | RM |
| | <u>10,809,052</u> |

Dividends (contd.)

In respect of the financial year ended 31 December 2007:

Interim dividend of 5% which comprises of a 4.73% single tier dividend and a 0.27% dividend less 26% taxation, on 223,508,536 ordinary shares, declared on 21 February 2008 and paid on 7 April 2008

Total dividend paid

RM

11,018,534

21,827,586

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

Directors

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

Tan Sri Datuk (Dr) Omar bin Abdul Rahman

Yeoh Soo Ann

Efeida binti Mohd Effendi

Datuk Ramli bin Shamsudin

Dato' Chew Kong Seng @ Chew Kong Huat

Datuk Fong Joo Chung

Datuk (Dr) Ting Ding Ing

Datuk (Dr) Zainal Aznam bin Mohd Yusof

Directors' Benefits

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

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

Directors' Interest

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

| | Number of ordinary shares of RM1 each | | | |
|--|---------------------------------------|----------|-------------|------------|
| | 1.1.2008 | Acquired | Sold | 31.12.2008 |
| (a) Direct interest in shares of the Company: | | | | |
| Datuk (Dr) Ting Ding Ing | 2,278,000 | - | - | 2,278,000 |
| (b) Deemed interest in shares of the Company: | | | | |
| Efeida binti Mohd Effendi * | 73,636,036 | - | (7,000,000) | 66,636,036 |
| Tan Sri Datuk (Dr) Omar bin Abdul Rahman ^ | 73,636,036 | - | (7,000,000) | 66,636,036 |
| Datuk Ramli bin Shamsudin ^ | 73,636,036 | - | (7,000,000) | 66,636,036 |

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

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

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

Treasury Shares

During the financial year, the Company repurchased 7,641,800 of its issued ordinary shares from the open market at an average price of RM0.87 per share. The total consideration paid for the repurchase including transaction costs was RM6,673,032. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

As at 31 December 2008, the Company held as treasury shares a total of 7,641,800 of its 223,508,536 issued ordinary shares. Such treasury shares are held at a carrying amount of RM6,673,032 and further relevant details are disclosed in Note 23 to the financial statements.

Other Statutory Information

- (a) Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that no provision for doubtful debts was necessary; and

Other Statutory Information (contd.)

- (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
 - (i) it necessary to write off any bad debts or to make any provision for doubtful debts in respect of the financial statements of the Group and of the Company; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
 - (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
 - (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

Subsequent Events

The subsequent events are disclosed in Note 30 to the financial statements.

Auditors

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 22 April 2009.

Tan Sri Datuk (Dr) Omar bin Abdul Rahman

Yeoh Soo Ann

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

We, Tan Sri Datuk (Dr) Omar bin Abdul Rahman and Yeoh Soo Ann, being two of the directors of Encorp Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 52 to 110 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2008 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 22 April 2009.

Tan Sri Datuk (Dr) Omar bin Abdul Rahman

Yeoh Soo Ann

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

I, Kee Hock Kee, being the officer primarily responsible for the financial management of Encorp Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 52 to 110 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared
by the abovenamed Kee Hock Kee
at Kuala Lumpur in the Federal
Territory on 22 April 2009.

Kee Hock Kee

Before me,

R. Vasugi Ammal, PJK (W480)
Commissioner for Oaths

**Independent Auditors' Report to the Members of
Encorp Berhad
(Incorporated in Malaysia)**

Report on the Financial Statements

We have audited the financial statements of Encorp Berhad, which comprise the balance sheets as at 31 December 2008 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 52 to 110.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2008 and of their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the accounts of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

**Independent Auditors' Report to the Members of
Encorp Berhad (contd.)**

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

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF: 0039
Chartered Accountants

George Koshy
No. 1846/07/09 (J)
Chartered Accountant

Kuala Lumpur, Malaysia
22 April 2009

Income Statements**For the year ended 31 December 2008**

| | Note | Group | | Company | |
|--|------|---------------|---------------|-------------|-------------|
| | | 2008 RM | 2007 RM | 2008 RM | 2007 RM |
| Revenue | 3 | 287,510,264 | 328,710,549 | 4,440,000 | 13,579,676 |
| Cost of sales | 4 | (94,362,689) | (82,710,034) | - | - |
| Gross profit | | 193,147,575 | 246,000,515 | 4,440,000 | 13,579,676 |
| Other income | 5 | 6,427,776 | 5,787,113 | 1,715,931 | 3,256,318 |
| Selling and marketing expenses | | (952,073) | (1,791,301) | - | - |
| Administrative expenses | | (12,445,596) | (15,582,812) | (7,622,989) | (7,232,961) |
| Other expenses | | (11,258,043) | (13,022,579) | (366,082) | (163,577) |
| Operating profit/(loss) | | 174,919,639 | 221,390,936 | (1,833,140) | 9,439,456 |
| Finance costs | 6 | (104,197,246) | (110,067,289) | (39,983) | (11,210) |
| Profit/(loss) before tax | 7 | 70,722,393 | 111,323,647 | (1,873,123) | 9,428,246 |
| Income tax expense | 10 | (17,863,973) | (33,820,946) | (15,892) | (2,184,691) |
| Profit/(loss) for the year | | 52,858,420 | 77,502,701 | (1,889,015) | 7,243,555 |
| Attributable to: | | | | | |
| Equity holders of the Company | | 36,558,657 | 69,300,767 | (1,889,015) | 7,243,555 |
| Minority interest | | 16,299,763 | 8,201,934 | - | - |
| | | 52,858,420 | 77,502,701 | (1,889,015) | 7,243,555 |
| Basic earnings per share attributable to equity holders of the Company (sen) | 11 | 16.6 | 31.0 | | |

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

Balance Sheets as at 31 December 2008

| | | Group | | Company | |
|------------------------------------|-------|----------------------|----------------------|--------------------|--------------------|
| | Note | 2008 RM | 2007 RM | 2008 RM | 2007 RM |
| Assets | | | | | |
| Non-current assets | | | | | |
| Property, plant and equipment | 13 | 5,325,137 | 5,971,383 | 1,264,130 | 1,512,799 |
| Land held for property development | 14(a) | 60,481,474 | 51,568,134 | 16,115,294 | - |
| Investments in subsidiaries | 15 | - | - | 295,960,000 | 295,960,000 |
| Goodwill on consolidation | 16 | 130,478,801 | 140,879,106 | - | - |
| Concession income receivables | 17 | 1,026,426,301 | 1,045,812,094 | - | - |
| Deferred tax assets | 18 | 75,986 | 150,532 | - | - |
| | | 1,222,787,699 | 1,244,381,249 | 313,339,424 | 297,472,799 |
| Current assets | | | | | |
| Property development costs | 14(b) | 123,261,260 | 103,643,562 | - | - |
| Inventory | 19 | 392,776 | - | - | - |
| Trade and other receivables | 20 | 178,020,034 | 168,328,607 | 24,278,330 | 17,373,772 |
| Short term investment | 21 | 104,299,587 | - | 12,273,470 | - |
| Cash and bank balances | 22 | 81,316,195 | 235,594,585 | 7,400,667 | 79,560,788 |
| | | 487,289,852 | 507,566,754 | 43,952,467 | 96,934,560 |
| Total assets | | 1,710,077,551 | 1,751,948,003 | 357,291,891 | 394,407,359 |

Balance Sheets as at 31 December 2008 (contd.)

| | | Group | | Company | |
|---|-------------|----------------------|----------------------|--------------------|--------------------|
| | Note | 2008 | 2007 | 2008 | 2007 |
| | | RM | RM | RM | RM |
| Equity and liabilities | | | | | |
| Equity attributable to equity holders of the Company | | | | | |
| Share capital | 23 | 223,508,536 | 223,508,536 | 223,508,536 | 223,508,536 |
| Share premium | | 103,563,392 | 103,563,392 | 103,563,392 | 103,563,392 |
| Treasury shares | 23 | (6,673,032) | - | (6,673,032) | - |
| (Accumulated losses)/ retained earnings | | (25,464,721) | (40,195,792) | 6,115,973 | 29,832,574 |
| | | 294,934,175 | 286,876,136 | 326,514,869 | 356,904,502 |
| Minority interests | | 23,137,995 | 6,838,232 | - | - |
| Total equity | | 318,072,170 | 293,714,368 | 326,514,869 | 356,904,502 |
| Non-current liabilities | | | | | |
| Trade payables | 24 | 66,040,845 | 74,214,393 | - | - |
| Borrowings | 25 | 1,056,738,473 | 1,088,895,802 | 444,740 | 759,368 |
| Deferred tax liabilities | 18 | 30,093,389 | 30,093,389 | - | - |
| | | 1,152,872,671 | 1,193,203,584 | 444,740 | 759,368 |
| Current liabilities | | | | | |
| Borrowings | 25 | 136,314,628 | 128,300,709 | 314,628 | 300,709 |
| Trade and other payables | 24 | 93,051,843 | 130,662,419 | 30,017,654 | 36,442,780 |
| Income tax payable | | 9,766,239 | 6,066,923 | - | - |
| | | 239,132,710 | 265,030,051 | 30,332,282 | 36,743,489 |
| Total liabilities | | 1,392,005,381 | 1,458,233,635 | 30,777,022 | 37,502,857 |
| Total equity and liabilities | | 1,710,077,551 | 1,751,948,003 | 357,291,891 | 394,407,359 |

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

Consolidated Statement of Changes in Equity
For the year ended 31 December 2008

| | | ← Attributable to equity holders of the Company → | | | | Minority interest | Total equity |
|-----------------------------|----|---|---------------------|-----------------------|--------------------------|-------------------|--------------|
| | | ← Non - distributable → | | | | | |
| Note | | Share capital RM | Share premium RM | Treasury shares RM | Accumulated losses RM | Total RM | RM |
| | | | | | | | |
| At 1 January 2007 | | 223,508,536 | 103,563,392 | - | (101,338,497) | 225,733,431 | 1,855,598 |
| Profit for the year | | - | - | - | 69,300,767 | 69,300,767 | 8,201,934 |
| Dividends | 12 | - | - | - | (8,158,062) | (8,158,062) | (3,219,300) |
| At 31 December 2007 | | 223,508,536 | 103,563,392 | - | (40,195,792) | 286,876,136 | 6,838,232 |
| At 1 January 2008 | | 223,508,536 | 103,563,392 | - | (40,195,792) | 286,876,136 | 6,838,232 |
| Profit for the year | | - | - | - | 36,558,657 | 36,558,657 | 16,299,763 |
| Dividends | 12 | - | - | - | (21,827,586) | (21,827,586) | - |
| Purchase of treasury shares | 23 | - | - | (6,673,032) | - | (6,673,032) | - |
| At 31 December 2008 | | 223,508,536 | 103,563,392 | (6,673,032) | (25,464,721) | 294,934,175 | 23,137,995 |

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

Company Statement of Changes in Equity
For the year ended 31 December 2008

| | | | Non - distributable | | Distributable | |
|-----------------------------|------|---------------------|---------------------|-----------------------|-------------------------|--------------------|
| | Note | Share capital RM | Share premium RM | Treasury shares RM | Retained earnings RM | Total equity RM |
| At 1 January 2007 | | 223,508,536 | 103,563,392 | - | 30,747,081 | 357,819,009 |
| Profit for the year | | - | - | - | 7,243,555 | 7,243,555 |
| Dividends | 12 | - | - | - | (8,158,062) | (8,158,062) |
| At 31 December 2007 | | 223,508,536 | 103,563,392 | - | 29,832,574 | 356,904,502 |
| At 1 January 2008 | | 223,508,536 | 103,563,392 | - | 29,832,574 | 356,904,502 |
| Profit for the year | | - | - | - | (1,889,015) | (1,889,015) |
| Dividends | 12 | - | - | - | (21,827,586) | (21,827,586) |
| Purchase of treasury shares | 23 | - | - | (6,673,032) | - | (6,673,032) |
| At 31 December 2008 | | 223,508,536 | 103,563,392 | (6,673,032) | 6,115,973 | 326,514,869 |

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

Cash Flow Statements**For the year ended 31 December 2008**

| | Group | | Company | |
|---|--------------|-------------|----------------|--------------|
| | 2008 | 2007 | 2008 | 2007 |
| | RM | RM | RM | RM |
| Cash flows from operating activities | | | | |
| Profit/(loss) before tax | 70,722,393 | 111,323,647 | (1,873,123) | 9,428,246 |
| Adjustments for: | | | | |
| Depreciation | 857,739 | 696,119 | 366,082 | 163,577 |
| Interest expense | 104,197,246 | 110,067,289 | 39,983 | 11,210 |
| Dividend income | - | - | - | (10,290,000) |
| Gain on disposal of short term investment | (2,564,430) | - | (999,306) | - |
| Interest income | (3,476,848) | (4,233,032) | (716,625) | (1,164,613) |
| Gain on disposal of an associate | - | - | - | (2,091,705) |
| Writeback of provision for short term accumulating compensated absences | (12,169) | - | - | - |
| Provision for liquidated ascertained damages | 58,298 | 315,822 | - | - |
| Loss/(gain) on disposal of property, plant and equipment | 30,328 | (244,113) | 20 | - |
| Impairment of goodwill on consolidation | 10,400,305 | 12,326,466 | - | - |
| Operating profit/(loss) before working capital changes | 180,212,862 | 230,252,198 | (3,182,969) | (3,943,285) |
| Changes in working capital: | | | | |
| Development expenditure | (12,415,744) | 3,117,630 | - | - |
| Inventory | (392,776) | - | - | - |
| Receivables | 9,370,871 | 41,271,848 | (262,465) | 966,769 |
| Corporate shareholder | (6,882,201) | (581,199) | - | (3,287,443) |
| Trade and other payables | (38,948,052) | 2,713,158 | (1,168,346) | 1,145,575 |
| Subsidiaries | - | - | (13,273,732) | 40,332,591 |
| Cash generated from/(used in) operations | 130,944,960 | 276,773,635 | (17,887,512) | 35,214,207 |
| Interest paid | (39,983) | (26,831) | (39,983) | (11,210) |
| Income taxes (paid)/refunded | (14,032,438) | (8,895,557) | 1,358,967 | 743,124 |
| Net cash flow generated from/ (used in) operating activities | 116,872,539 | 267,851,247 | (16,568,528) | 35,946,121 |

Cash Flow Statements**For the year ended 31 December 2008****(contd.)**

| | Group | | Company | |
|--|---------------|---------------|----------------|-------------|
| | 2008 | 2007 | 2008 | 2007 |
| | RM | RM | RM | RM |
| Cash flows from investing activities | | | | |
| Purchase of property, plant and equipment | (361,117) | (462,164) | (118,533) | (397,939) |
| Proceeds from disposal of property, plant and equipment | 119,296 | 252,498 | 1,100 | - |
| Proceeds from disposal of non-current assets held for sale | - | 39,800,000 | - | 40,000,000 |
| Purchase of land held for property development | (16,115,294) | - | (16,115,294) | - |
| Investment in short term funds | (101,735,157) | - | (11,274,164) | - |
| Interest received | 3,742,670 | 3,899,064 | 716,625 | 1,164,613 |
| Dividend received | - | - | - | 7,511,700 |
| Net cash flow (used in)/ generated from investing activities | (114,349,602) | 43,489,398 | (26,790,266) | 48,278,374 |
| Cash flows from financing activities | | | | |
| Redemption of Al-Bai Bithaman Ajil Notes ("Notes") | (128,000,000) | (117,531,218) | - | - |
| Dividends paid to: | | | | |
| shareholders of the Company | (21,827,586) | (8,158,062) | (21,827,586) | (8,158,062) |
| minority shareholders of a subsidiary | - | (3,219,300) | - | - |
| Release/(placement) of deposits pledged | 59,119,245 | (92,845,480) | (3,567,938) | 419,107 |
| Purchase of treasury shares | (6,673,032) | - | (6,673,032) | - |
| Repayment of hire purchase payables | (300,709) | (282,828) | (300,709) | (57,923) |
| Net cash flow used in financing activities | (97,682,082) | (222,036,888) | (32,369,265) | (7,796,878) |

Cash Flow Statements**For the year ended 31 December 2008****(contd.)**

| | Note | Group | | Company | |
|--|------|--------------|-------------|--------------|------------|
| | | 2008 RM | 2007 RM | 2008 RM | 2007 RM |
| Net (decrease)/increase in cash and cash equivalents | | (95,159,145) | 89,303,757 | (75,728,059) | 76,427,617 |
| Cash and cash equivalents at beginning of year | | 108,447,517 | 19,143,760 | 76,528,726 | 101,109 |
| Cash and cash equivalents at end of year | 22 | 13,288,372 | 108,447,517 | 800,667 | 76,528,726 |

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

| | Group | | Company | |
|----------------------------|------------|------------|------------|------------|
| | 2008 RM | 2007 RM | 2008 RM | 2007 RM |
| Cash | 361,117 | 462,164 | 118,533 | 397,939 |
| Hire purchase arrangements | - | 1,118,000 | - | 1,118,000 |
| | 361,117 | 1,580,164 | 118,533 | 1,515,939 |

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

Notes to the Financial Statements - 31 December 2008

1. Corporate Information

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 22 April 2009.

2. Significant Accounting Policies

2.1 Basis of Preparation

The financial statements comply with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia ("FRS"). The financial statements of the Group and of the Company have also been prepared on a historical basis and are presented in Ringgit Malaysia (RM).

2.2 Summary of Significant Accounting Policies

(a) Subsidiaries and Basis of Consolidation

(i) Subsidiaries

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

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

(ii) Basis of Consolidation

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

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

2. Significant Accounting Policies (contd.)

2.2 Summary of Significant Accounting Policies (contd.)

(a) Subsidiaries and Basis of Consolidation (contd.)

(ii) Basis of Consolidation (contd.)

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

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

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

(b) Goodwill

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

(c) Property, Plant and Equipment, and Depreciation

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

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

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

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

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

2. Significant Accounting Policies (contd.)

2.2 Summary of Significant Accounting Policies (contd.)

(c) Property, Plant and Equipment, and Depreciation (contd.)

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

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

(i) Land Held for Property Development

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

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

(ii) Property Development Costs

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

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

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

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

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

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

(e) Construction Contracts

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

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

2. Significant Accounting Policies (contd.)

2.2 Summary of Significant Accounting Policies (contd.)

(e) Construction Contracts (contd.)

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

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

(f) Impairment of Non-Financial Assets

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

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

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

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

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

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

(g) Inventories

Properties held for resale are stated at lower of cost and net realisable value.

2. Significant Accounting Policies (contd.)

2.2 Summary of Significant Accounting Policies (contd.)

(g) Inventories (contd.)

The cost of unsold properties comprises cost associated with the acquisition of land, direct costs and appropriate proportions of common costs.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(h) Financial Instruments

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

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

(i) Cash and Cash Equivalents

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

(ii) Receivables

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

(iii) Short Term Investment

Short term investment is stated at cost less impairment losses. On disposal of an investment, the difference between net disposal proceeds and its carrying amount is charged or credited to the income statement.

(iv) Concession Income Receivable

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

(v) Payables

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

(vi) Equity Instruments

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

2. Significant Accounting Policies (contd.)

2.2 Summary of Significant Accounting Policies (contd.)

(h) Financial Instruments (contd.)

(vi) Equity Instruments (contd.)

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

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

(vii) Borrowings

Al-Bai Bithaman Ajil Notes ("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 are capitalised as part of the cost of those assets in accordance with Note 2.2(d).

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

(viii) Derivative Financial Instruments

Derivative financial instruments are not recognised in the financial statements.

(i) Affiliated Companies

Affiliated companies include:

- (i) Companies related to director, Efeida binti Mohd Effendi by virtue of her being a director, a shareholder and/or her relationship with the controlling shareholder of the companies.
- (ii) Perbadanan Kemajuan Negeri Selangor ("PKNS"), a corporate shareholder of a subsidiary of the Company.

(j) Leases

(i) Classification

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

(ii) Finance Leases - the Group as Lessee

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

2. Significant Accounting Policies (contd.)

2.2 Summary of Significant Accounting Policies (contd.)

(j) Leases (contd.)

(iii) Finance Leases - the Group as Lessee (contd.)

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

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

(iii) Operating Leases - the Company as Lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(k) Income Tax

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

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

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

(l) Provisions

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

2. Significant Accounting Policies (contd.)

2.2 Summary of Significant Accounting Policies (contd.)

(l) Provisions (contd.)

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

(m) Employee Benefits

(i) Short Term Benefits

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

(ii) Defined Contribution Plans

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

(n) Revenue Recognition

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

(i) Sale of Properties

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

(ii) Construction Contracts

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

(iii) Concession Income

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

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

2. Significant Accounting Policies (contd.)

2.2 Summary of Significant Accounting Policies (contd.)

(n) Revenue Recognition (contd.)

(iv) Interest Income

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

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

(v) Dividend Income

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

(vi) Management Fee

Management fees are recognised when services are rendered.

(vii) Rental Income

Rental income is recognised on an accrual basis.

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

On 1 January 2008, the Group and the Company adopted the following revised FRS, amendment to FRS and Interpretations:

FRS 107: Cash Flow Statements

FRS 111: Construction Contracts

FRS 112: Income Taxes

FRS 118: Revenue

FRS 120: Accounting for Government Grants and Disclosure of Government Assistance

FRS 134: Interim Financial Reporting

FRS 137: Provisions, Contingent Liabilities and Contingent Assets

Amendment to FRS 121: The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation

IC Interpretation 1: Changes in Existing Decommissioning, Restoration and Similar Liabilities

IC Interpretation 2: Members' Shares in Co-operative Entities and Similar Instruments

IC Interpretation 5: Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

IC Interpretation 6: Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment

IC Interpretation 7: Applying the Restatement Approach under FRS 129

Financial Reporting in Hyperinflationary Economies

IC Interpretation 8: Scope of FRS 2

The revised FRS, amendment to FRS and Interpretations above do not have any significant impact on the financial statements of the Group and Company.

2. Significant Accounting Policies (contd.)

2.4 Standards and Interpretations Issued but Not Yet Effective

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

| FRSs, Amendments to FRS and Interpretations | Effective for financial periods beginning on or after |
|--|---|
| FRS 7: Financial Instruments: Disclosures | 1 January 2010 |
| FRS 8: Operating Segments | 1 July 2009 |
| FRS 139: Financial Instruments: Recognition and Measurement | 1 January 2010 |
| IC Interpretation 9: Reassessment of Embedded Derivatives | 1 January 2010 |
| IC Interpretation 10: Interim Financial Reporting and Impairment | 1 January 2010 |

The new FRS and Interpretations above are expected to have no significant impact on the financial statements of the Group and of the Company upon their initial application except for the changes in disclosures arising from the adoption of FRS 7 and FRS 8.

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

2.5 Significant Accounting Estimates and Judgements

(a) Critical Judgements Made in Applying Accounting Policies

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

(b) Key Sources of Estimation Uncertainty

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

(i) Impairment of Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units ("CGU") to which goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future revenue from the CGU. The carrying amounts of goodwill as at 31 December 2008 were RM130,478,801 (2007: RM140,879,106).

Further details are disclosed in Note 16.

2. Significant Accounting Policies (contd.)

2.5 Significant Accounting Estimates and Judgements (contd.)

(b) Key Sources of Estimation Uncertainty (contd.)

(ii) Property Development

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

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

(iii) Income Tax and Deferred Taxation

Significant estimation is involved in determining the provision for income taxes and deferred taxation.

Currently, the Inland Revenue Board (IRB) is conducting a routine check on a subsidiary of the Company and this is on-going as at the date of this report. The issues of discussion surround:

- (i) the basis of taxation of the subsidiary; and
- (ii) the tax treatment of annuity concession income, concession expenditure and finance cost on the Al Bai Bithaman Ajil Notes ("Notes").

As at the balance sheet date, the Group recognises the expected tax liabilities based on management's best estimates and submissions previously done to the IRB. The deferred tax liabilities of the Group as at year end is RM30,093,389 (2007: RM30,093,389).

Should the final tax outcome of these matters in discussion be different from the amount that was initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(iv) Provision for Liquidated Ascertained Damages

The provision for liquidated ascertained damages is recognised for expected liquidated damages claims based on the terms and expected date of hand over of the properties to the purchasers as stipulated in the applicable sale and purchase agreements.

Significant judgement is required in determining the expected date of hand over of the properties. In making the estimation, the Group evaluates by relying on the work of the engineers, quantity surveyors and architects.

3. Revenue

| | Group | | Company | |
|---|--------------------|--------------------|------------------|-------------------|
| | 2008 | 2007 | 2008 | 2007 |
| | RM | RM | RM | RM |
| Concession income from the handover of teachers' quarters | 117,372,107 | 204,348,355 | - | - |
| Dividend income | - | - | - | 10,290,000 |
| Management fees | - | - | 4,440,000 | 3,289,676 |
| Sale of properties under development | 170,138,157 | 124,362,194 | - | - |
| | 287,510,264 | 328,710,549 | 4,440,000 | 13,579,676 |

4. Cost of Sales

| | Note | Group | |
|----------------------------|-------|------------|------------|
| | | 2008 | 2007 |
| | | RM | RM |
| Property development costs | 14(b) | 94,362,689 | 82,710,034 |

5. Other Income

Other income includes the following:

| | Note | Group | | Company | |
|--|------|-----------|-----------|---------|-----------|
| | | 2008 | 2007 | 2008 | 2007 |
| | | RM | RM | RM | RM |
| Interest income on: | | | | | |
| - deposits placed in licensed banks and corporations | | 3,365,106 | 4,065,635 | 716,625 | 1,164,613 |
| - late payments from house buyers | | 111,742 | 167,397 | - | - |
| Gain on disposal of short term investment | 21 | 2,564,430 | - | 999,306 | - |
| Gain on disposal of an associate | | - | - | - | 2,091,705 |

6. Finance Costs

| | | Group | | Company | |
|---|------|-------------|-------------|------------|------------|
| | Note | 2008 RM | 2007 RM | 2008 RM | 2007 RM |
| Interest expense on: | | | | | |
| - hire purchase payables | | 39,983 | 26,831 | 39,983 | 11,210 |
| - Notes | | 104,157,263 | 110,040,458 | - | - |
| - trade payables | | 1,851,900 | 2,620,958 | - | - |
| | | 106,049,146 | 112,688,247 | 39,983 | 11,210 |
| Less: Interest capitalised in qualifying assets property development costs | 14 | (1,851,900) | (2,620,958) | - | - |
| | | 104,197,246 | 110,067,289 | 39,983 | 11,210 |

7. Profit/(loss) Before Tax

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

| | | Group | | Company | |
|--|--------|------------|------------|------------|------------|
| | Note | 2008 RM | 2007 RM | 2008 RM | 2007 RM |
| Employee benefits expense | 8 | 6,983,521 | 7,592,641 | 5,394,573 | 5,244,795 |
| Non-executive directors' remuneration | 9 | 474,300 | 485,147 | 430,500 | 417,247 |
| Auditors' remuneration: | | | | | |
| -statutory audits | | 107,000 | 103,000 | 49,000 | 45,000 |
| -other services | | - | 50,000 | - | 50,000 |
| Depreciation of property, plant and equipment | 13 | 857,739 | 696,119 | 366,082 | 163,577 |
| Rental of premises | | 13,513 | 85,200 | 240,000 | 240,000 |
| Rental of equipment | | 39,815 | 37,478 | 17,865 | 10,318 |
| Impairment of goodwill on consolidation | 16 | 10,400,305 | 12,326,466 | - | - |
| Provision for liquidated ascertained damages | 24 (g) | 58,298 | 315,822 | - | - |
| Loss/(gain) on disposal of property, plant and equipment | | 30,328 | (244,113) | 20 | - |

8. Employee Benefits Expense

| | Note | Group | | Company | |
|--|--------|------------------|------------------|------------------|------------------|
| | | 2008 RM | 2007 RM | 2008 RM | 2007 RM |
| Wages and salaries | | 6,063,908 | 6,620,091 | 4,792,466 | 4,646,260 |
| Social security costs | | 28,979 | 32,696 | 21,435 | 20,082 |
| Pension cost - defined contribution plans | | 577,601 | 563,055 | 404,601 | 382,029 |
| Write back of short term accumulating compensated absences | 24 (f) | (12,169) | - | - | - |
| Other staff related expenses | | 325,202 | 376,799 | 176,071 | 196,424 |
| | | 6,983,521 | 7,592,641 | 5,394,573 | 5,244,795 |

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM1,685,743 (2007: RM1,675,879) and RM1,324,479 (2007: RM1,435,054) respectively as further disclosed in Note 9.

9. Directors' Remuneration

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

| | Group | | Company | |
|---|------------------|------------------|------------------|------------------|
| | 2008 RM | 2007 RM | 2008 RM | 2007 RM |
| Executive: | | | | |
| Salaries and other emoluments | 1,449,414 | 1,417,060 | 1,124,954 | 1,202,420 |
| Fees | 72,000 | 94,274 | 72,000 | 94,274 |
| Defined contribution plan | 164,329 | 164,545 | 127,525 | 138,360 |
| | 1,685,743 | 1,675,879 | 1,324,479 | 1,435,054 |
| Estimated money value of benefits-in-kind | 122,526 | 101,343 | 122,526 | 101,343 |
| | 1,808,269 | 1,777,222 | 1,447,005 | 1,536,397 |
| Non-executive: | | | | |
| Fees | 319,000 | 329,747 | 279,000 | 267,247 |
| Allowances and other emoluments | 155,300 | 155,400 | 151,500 | 150,000 |
| | 474,300 | 485,147 | 430,500 | 417,247 |
| Estimated money value of benefits-in-kind | 21,250 | 14,166 | 21,250 | 14,166 |
| | 495,550 | 499,313 | 451,750 | 431,413 |
| | 2,303,819 | 2,276,535 | 1,898,755 | 1,967,810 |

9. Directors' Remuneration (contd.)

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

| | Number of Directors | |
|---------------------------------|---------------------|----------|
| | 2008 | 2007 |
| Executive directors: | | |
| RM150,001 - RM200,000 | - | 2 |
| RM200,001 - RM250,000 | 2 | - |
| RM 950,001 - RM1,000,000 | 1 | - |
| RM1,150,001 - RM1,200,000 | - | 1 |
| | 3 | 3 |
| Non-executive directors: | | |
| < RM50,000 | - | 1 |
| RM50,001 - RM100,000 | 4 | 3 |
| RM150,001 - RM200,000 | - | 1 |
| RM200,001 - RM250,000 | 1 | - |
| | 5 | 5 |

10. Income Tax Expense

| | Note | Group | | Company | |
|---|------|-------------------|-------------------|---------------|------------------|
| | | 2008 | 2007 | 2008 | 2007 |
| | | RM | RM | RM | RM |
| Current income tax: | | | | | |
| Malaysian income tax | | 17,846,849 | 8,920,351 | - | 2,208,895 |
| (Over)/under provision in prior years | | (57,422) | 3,941,709 | 15,892 | (24,204) |
| | | 17,789,427 | 12,862,060 | 15,892 | 2,184,691 |
| Deferred taxation | 18 | | | | |
| Relating to origination and reversal of temporary differences | | 66,137 | 22,841,560 | - | - |
| Relating to changes in tax rate | | 8,409 | (570,256) | - | - |
| Over provision in prior years | | - | (1,312,418) | - | - |
| | | 74,546 | 20,958,886 | - | - |
| Total income tax expense | | 17,863,973 | 33,820,946 | 15,892 | 2,184,691 |

10. Income Tax Expense (contd.)

Domestic income tax is calculated at the Malaysian statutory tax rate of 26% (2007: 27%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 25% from the current year's rate of 26% with effect from year of assessment 2009. The computation of deferred tax as at 31 December 2008 has reflected these changes.

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

| | Group | | Company | |
|---|-------------|-------------|-------------|-----------|
| | 2008 | 2007 | 2008 | 2007 |
| | RM | RM | RM | RM |
| Profit/(loss) before tax | 70,722,393 | 111,323,647 | (1,873,123) | 9,428,246 |
| Taxation at Malaysian statutory tax rate of 26% (2007: 27%) | 18,387,822 | 30,057,385 | (487,012) | 2,545,626 |
| Effect of income not subject to tax | - | (113,400) | - | (564,760) |
| Effect of expenses not deductible for tax purpose | 2,378,515 | 3,596,393 | 269,967 | 209,434 |
| Effect of changes in tax rates on opening balance of deferred tax | 8,409 | (570,256) | - | - |
| Deferred tax recognised at different tax rates | - | (1,835,064) | - | - |
| Utilisation of previously unrecognised tax losses and unabsorbed capital allowances | (3,457,774) | - | - | - |
| Deferred tax assets recognised on unutilised business losses | - | 13,629 | - | (13,241) |
| Deferred tax assets not recognised during the year | 604,423 | 42,968 | 217,045 | 31,836 |
| (Over)/under provided in prior years | | | | |
| - current taxation | (57,422) | 3,941,709 | 15,892 | (24,204) |
| - deferred tax | - | (1,312,418) | - | - |
| Tax expense for the year | 17,863,973 | 33,820,946 | 15,892 | 2,184,691 |
| Tax savings during the financial year arising from: | | | | |
| Utilisation of current year tax losses | 205,573 | 984,183 | 186,323 | 881,151 |

11. Earnings Per Share

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

| | 2008 RM | 2007 RM |
|---|-------------|-------------|
| Profit for the year | 36,558,657 | 69,300,767 |
| | 2008 | 2007 |
| Weighted average number of ordinary shares in issue | 219,642,340 | 223,508,536 |
| | 2008 Sen | 2007 Sen |
| Basic earnings per share | 16.6 | 31.0 |

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

12. Dividends

| | Dividends in respect of year | | Dividends recognised in year | |
|---|---------------------------------|------------|---------------------------------|------------|
| | 2008 RM | 2007 RM | 2008 RM | 2007 RM |
| Recognised during the year: | | | | |
| Interim dividend for 2008: | | | | |
| 5% single tier dividend, on 216,181,036 ordinary shares | 10,809,052 | - | 10,809,052 | - |
| Interim dividend for 2007: | | | | |
| 5% which comprises of a 4.73% single tier dividend and a 0.27% dividend less 26% taxation, on 223,508,536 ordinary shares | 11,018,534 | - | 11,018,534 | - |
| 5% less 27% taxation, on 223,508,536 ordinary shares (0.37 sen per ordinary share) | - | 8,158,062 | - | 8,158,062 |
| | 21,827,586 | 8,158,062 | 21,827,586 | 8,158,062 |

13. Property, Plant and Equipment

| | Note | Commercial office space RM | Motor vehicles RM | Office equipment, furniture and fittings RM | Office renovation RM | Total RM |
|--|------|----------------------------------|-------------------------|---|----------------------------|-------------|
| Group | | | | | | |
| At 31 December 2008 | | | | | | |
| Cost | | | | | | |
| At 1 January 2008 | | 3,756,750 | 1,899,387 | 1,715,610 | 2,434,899 | 9,806,646 |
| Additions | | - | 85,000 | 276,117 | - | 361,117 |
| Disposals | | - | (150,825) | (100,788) | - | (251,613) |
| At 31 December 2008 | | 3,756,750 | 1,833,562 | 1,890,939 | 2,434,899 | 9,916,150 |
| Accumulated depreciation and impairment | | | | | | |
| At 1 January 2008 | | 582,296 | 344,923 | 1,187,133 | 1,720,911 | 3,835,263 |
| Charge for the year | 7 | 75,135 | 318,295 | 220,858 | 243,451 | 857,739 |
| Disposals | | - | (32,365) | (69,624) | - | (101,989) |
| At 31 December 2008 | | 657,431 | 630,853 | 1,338,367 | 1,964,362 | 4,591,013 |
| Net carrying amount | | | | | | |
| At 31 December 2008 | | 3,099,319 | 1,202,709 | 552,572 | 470,537 | 5,325,137 |
| At 31 December 2007 | | | | | | |
| Cost | | | | | | |
| At 1 January 2007 | | 3,756,750 | 1,543,556 | 1,680,561 | 2,434,899 | 9,415,766 |
| Additions | | - | 1,487,203 | 92,961 | - | 1,580,164 |
| Disposals | | - | (1,131,372) | (57,912) | - | (1,189,284) |
| At 31 December 2007 | | 3,756,750 | 1,899,387 | 1,715,610 | 2,434,899 | 9,806,646 |
| Accumulated depreciation and impairment | | | | | | |
| At 1 January 2007 | | 507,161 | 1,340,146 | 995,314 | 1,477,422 | 4,320,043 |
| Charge for the year | 7 | 75,135 | 130,315 | 247,180 | 243,489 | 696,119 |
| Disposals | | - | (1,125,538) | (55,361) | - | (1,180,899) |
| At 31 December 2007 | | 582,296 | 344,923 | 1,187,133 | 1,720,911 | 3,835,263 |
| Net carrying amount | | | | | | |
| At 31 December 2007 | | 3,174,454 | 1,554,464 | 528,477 | 713,988 | 5,971,383 |

13. Property, Plant and Equipment (contd.)

| | Note | Office renovation RM | Motor vehicles RM | Office equipment RM | Total RM |
|---------------------------------|------|----------------------------|-------------------------|---------------------------|-------------|
| Company | | | | | |
| At 31 December 2008 | | | | | |
| Cost | | | | | |
| At 1 January 2008 | | 10,250 | 1,483,226 | 276,629 | 1,770,105 |
| Additions | | - | - | 118,533 | 118,533 |
| Disposals | | - | - | (2,399) | (2,399) |
| At 31 December 2008 | | 10,250 | 1,483,226 | 392,763 | 1,886,239 |
| Accumulated depreciation | | | | | |
| At 1 January 2008 | | 2,819 | 108,882 | 145,605 | 257,306 |
| Charge for the year | 7 | 1,025 | 296,645 | 68,412 | 366,082 |
| Disposals | | - | - | (1,279) | (1,279) |
| At 31 December 2008 | | 3,844 | 405,527 | 212,738 | 622,109 |
| Net carrying amount | | | | | |
| At 31 December 2008 | | 6,406 | 1,077,699 | 180,025 | 1,264,130 |
| At 31 December 2007 | | | | | |
| Cost | | | | | |
| At 1 January 2007 | | 10,250 | - | 243,916 | 254,166 |
| Additions | | - | 1,483,226 | 32,713 | 1,515,939 |
| At 31 December 2007 | | 10,250 | 1,483,226 | 276,629 | 1,770,105 |
| Accumulated depreciation | | | | | |
| At 1 January 2007 | | 1,794 | - | 91,935 | 93,729 |
| Charge for the year | 7 | 1,025 | 108,882 | 53,670 | 163,577 |
| At 31 December 2007 | | 2,819 | 108,882 | 145,605 | 257,306 |
| Net carrying amount | | | | | |
| At 31 December 2007 | | 7,431 | 1,374,344 | 131,024 | 1,512,799 |

(a) Net book value of property, plant and equipment for the Group and the Company under hire purchase arrangement amounted to RM1,077,699 (2007: RM1,374,344).

14. Land Held for Property Development and Property Development Costs

(a) Land Held for Property Development

| | Note | Leasehold land RM |
|--|--------|-------------------------|
| Group | | |
| At 31 December 2008 | | |
| At cost | | |
| At 1 January 2008 | | 51,568,134 |
| Additions | | 16,115,294 |
| Transfer to property development costs | 14 (b) | (7,201,954) |
| At 31 December 2008 | | 60,481,474 |
| Carrying amount at 31 December 2008 | | 60,481,474 |
| At 31 December 2007 | | |
| At cost | | |
| At 1 January 2007 | | 82,726,648 |
| Transfer to property development costs | 14 (b) | (31,158,514) |
| At 31 December 2007 | | 51,568,134 |
| Carrying amount at 31 December 2007 | | 51,568,134 |
| Company | | |
| At 31 December 2008 | | |
| At cost | | |
| At 31 December 2007/1 January 2008 | | - |
| Additions (i) | | 16,115,294 |
| At 31 December 2008 | | 16,115,294 |
| Carrying amount at 31 December 2008 | | 16,115,294 |

- (i) The land acquired by the Company during the year will be transferred to a newly acquired subsidiary, Encorp Development Sdn. Bhd., for property development purposes in the future. The details of the newly acquired subsidiary is disclosed in Note 30 (b).

14. Land Held for Property Development and Property Development Costs (contd.)**(b) Property Development Costs**

| | Note | Leasehold land RM | Development expenditure RM | Total RM |
|--|--------|-------------------------|----------------------------------|---------------|
| Group | | | | |
| At 31 December 2008 | | | | |
| Cumulative property development costs | | | | |
| At 1 January 2008 | | 49,087,641 | 172,787,854 | 221,875,495 |
| Costs incurred during the year | | - | 107,171,209 | 107,171,209 |
| Reversal of completed project | | (3,411,260) | (21,251,454) | (24,662,714) |
| Transfer from land held for property development | 14 (a) | 7,201,954 | - | 7,201,954 |
| Unsold unit transferred to inventory | 19 | (54,020) | (338,756) | (392,776) |
| At 31 December 2008 | | 52,824,315 | 258,368,853 | 311,193,168 |
| Cumulative costs recognised in income statement | | | | |
| At 1 January 2008 | | (11,987,859) | (106,244,074) | (118,231,933) |
| Reversal of completed project | | 3,411,260 | 21,251,454 | 24,662,714 |
| Recognised during the year | 4 | (8,894,829) | (85,467,860) | (94,362,689) |
| At 31 December 2008 | | (17,471,428) | (170,460,480) | (187,931,908) |
| Property development costs at 31 December 2008 | | 35,352,887 | 87,908,373 | 123,261,260 |
| At 31 December 2007 | | | | |
| Cumulative property development costs | | | | |
| At 1 January 2007 | | 17,929,127 | 81,327,484 | 99,256,611 |
| Costs incurred during the year | | - | 91,460,370 | 91,460,370 |
| Transfer from land held for property development | 14 (a) | 31,158,514 | - | 31,158,514 |
| At 31 December 2007 | | 49,087,641 | 172,787,854 | 221,875,495 |
| Cumulative costs recognised in income statement | | | | |
| At 1 January 2007 | | (4,058,007) | (31,463,892) | (35,521,899) |
| Recognised during the year | 4 | (7,929,852) | (74,780,182) | (82,710,034) |
| At 31 December 2007 | | (11,987,859) | (106,244,074) | (118,231,933) |
| Property development costs at 31 December 2007 | | 37,099,782 | 66,543,780 | 103,643,562 |

14. Land Held for Property Development and Property Development Costs (contd.)

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

| | Note | Group 2008 RM | 2007 RM |
|------------------|------|---------------------|------------|
| Interest expense | 6 | 1,851,900 | 2,620,958 |

The land held for development was purchased from PKNS in prior years as disclosed in Note 24(b). Upon execution of the sale and purchase agreement, the document of title to the properties will be transferred directly from PKNS to the end purchasers.

15. Investments in Subsidiaries

| | Company 2008 RM | 2007 RM |
|-------------------------|-----------------------|-------------|
| Unquoted shares at cost | 295,960,000 | 295,960,000 |

Details of the subsidiaries are as follow:

| Name of subsidiaries | Share capital RM'000 | Country of incorporation | Principal activities | Equity interest held (%) | |
|--|-------------------------|--------------------------|---|--------------------------|------|
| | | | | 2008 | 2007 |
| Enfari Properties Sdn Bhd | 50,000 | Malaysia | Investment holding | 100 | 100 |
| Encorp Must Sdn Bhd | 10,000 | Malaysia | Investment holding and property project management | 100 | 100 |
| Subsidiaries of Enfari Properties Sdn Bhd | | | | | |
| Encorp Systembilt Sdn Bhd | 50,000 | Malaysia | Concessionaire to build and transfer teachers' quarters to the Government of Malaysia | 100 | 100 |

15. Investments In Subsidiaries (contd.)

| Name of subsidiaries | Share capital RM'000 | Country of incorporation | Principal activities | Equity interest held (%) | |
|--|----------------------|--------------------------|-----------------------|--------------------------|------|
| | | | | 2008 | 2007 |
| Subsidiaries of Enfari Properties Sdn Bhd (contd.) | | | | | |
| Encorp Construct Sdn Bhd | 1,000 | Malaysia | Property construction | 100 | 100 |
| Subsidiary of Encorp Must Sdn Bhd | | | | | |
| Must Ehsan Development Sdn Bhd | 15,000 | Malaysia | Property development | 70 | 70 |

16. Goodwill on Consolidation

| | Note | Group | |
|--|------|--------------|--------------|
| | | 2008 RM | 2007 RM |
| Cost | | | |
| At 1 January/31 December | | 197,003,142 | 197,003,142 |
| Accumulated impairment | | | |
| At 1 January | 7 | (56,124,036) | (43,797,570) |
| Impairment loss recognised in income statement | | (10,400,305) | (12,326,466) |
| At 31 December | | (66,524,341) | (56,124,036) |
| Net carrying amount at 31 December | | 130,478,801 | 140,879,106 |

16. Goodwill on Consolidation (contd.)

(a) Impairment Tests for Goodwill

Allocation of goodwill

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

At 31 December:

| | 2008 RM | 2007 RM |
|------------------------------------|--------------------|--------------------|
| Goodwill - business segment | | |
| Property development | 35,180,788 | 40,576,119 |
| Concessionaire | 95,298,013 | 100,302,987 |
| | <u>130,478,801</u> | <u>140,879,106</u> |

(b) Key Basis Used in Determining the Recoverable Amount

Property Development

The recoverable amount of the CGU is determined based on the budgeted gross development value ("GDV") of the entire project and the subsequent launch of each phase covering a one to two-year period.

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

Concessionaire

The recoverable amount of the CGU is determined based on the billings estimate of the concession income receivable over the concession period. The impairment of goodwill is determined based on the concession income billed during the year over the gross concession income receivables. The details of the concession income receivables are disclosed in Note 17.

17. Concession Income Receivables

| | Note | 2008 RM | Group 2007 RM |
|---|------|-----------------|---------------------|
| Concession income receivables accrued: | | | |
| - Within 1 year | | 140,872,308 | 139,547,963 |
| - More than 1 year and less than 2 years | | 136,757,899 | 136,757,899 |
| - More than 2 years and less than 5 years | | 410,273,697 | 410,273,697 |
| - More than 5 years | | 1,926,110,486 | 2,062,868,386 |
| | | 2,614,014,390 | 2,749,447,945 |
| Unearned interest income | | (1,446,715,781) | (1,564,087,888) |
| | | 1,167,298,609 | 1,185,360,057 |
| Receivable within one year | 20 | 140,872,308 | 139,547,963 |
| Receivable after one year | | 1,026,426,301 | 1,045,812,094 |
| | | 1,167,298,609 | 1,185,360,057 |

The Group's normal trade credit term on concession income receivables is 21 (2007: 21) days.

The entire concession income receivables are pledged to the holders of the Notes as disclosed in Note 25.

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

18. Deferred Tax (assets) / Liabilities

| | Note | Group | | Company | |
|--|------|------------|------------|------------|------------|
| | | 2008 RM | 2007 RM | 2008 RM | 2007 RM |
| At 1 January | | 29,942,857 | 8,983,971 | - | - |
| Recognised in income statement | 10 | 74,546 | 20,958,886 | - | - |
| At 31 December | | 30,017,403 | 29,942,857 | - | - |
| Presented after appropriate offsetting as follows: | | | | | |
| Deferred tax assets | | (75,986) | (150,532) | (43,866) | (44,265) |
| Deferred tax liabilities | | 30,093,389 | 30,093,389 | 43,866 | 44,265 |
| | | 30,017,403 | 29,942,857 | - | - |

18. Deferred Tax (assets) / Liabilities (contd.)

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

Deferred tax liabilities of the Group:

| | Progress billings RM | Accelerated capital allowances RM | Total RM |
|---|-------------------------------------|--|---------------------|
| At 1 January 2008 | 295,618,567 | 120,471 | 295,739,038 |
| Recognised in the income statement | (4,846,417) | (58,704) | (4,905,121) |
| At 31 December 2008 | <u>290,772,150</u> | <u>61,767</u> | <u>290,833,917</u> |
| At 1 January 2007 | 335,396,000 | 116,524 | 335,512,524 |
| Recognised in the income statement | (39,777,433) | 3,947 | (39,773,486) |
| At 31 December 2007 | <u>295,618,567</u> | <u>120,471</u> | <u>295,739,038</u> |

Deferred tax assets of the Group:

| | Tax losses and unabsorbed capital allowances RM | Provision RM | Total RM |
|---|--|-------------------------|----------------------|
| At 1 January 2008 | (265,611,959) | (184,222) | (265,796,181) |
| Recognised in the income statement | 4,841,030 | 138,637 | 4,979,667 |
| At 31 December 2008 | <u>(260,770,929)</u> | <u>(45,585)</u> | <u>(260,816,514)</u> |
| At 1 January 2007 | (326,528,553) | - | (326,528,553) |
| Recognised in the income statement | 60,916,594 | (184,222) | 60,732,372 |
| At 31 December 2007 | <u>(265,611,959)</u> | <u>(184,222)</u> | <u>(265,796,181)</u> |

18. Deferred Tax (assets) / Liabilities (contd.)**Deferred Tax Liabilities of the Company:**

**Accelerated
capital
allowances
RM**

| | |
|---|---------------|
| At 1 January 2008 | 44,265 |
| Recognised in the income statement | (399) |
| At 31 December 2008 | <u>43,866</u> |
| At 1 January 2007 | 31,357 |
| Recognised in the income statement | 12,908 |
| At 31 December 2007 | <u>44,265</u> |

Deferred tax assets of the Company:

**Tax losses and
unabsorbed capital
allowances
RM**

| | |
|---|-----------------|
| At 1 January 2008 | (44,265) |
| Recognised in the income statement | 399 |
| At 31 December 2008 | <u>(43,866)</u> |
| At 1 January 2007 | (31,357) |
| Recognised in the income statement | (12,908) |
| At 31 December 2007 | <u>(44,265)</u> |

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

| | Group | | Company | |
|--|--------------|-------------|----------------|-------------|
| | 2008 | 2007 | 2008 | 2007 |
| | RM | RM | RM | RM |
| Tax losses and unabsorbed capital allowances | 5,185,900 | 16,160,000 | 1,416,000 | 2,251,000 |
| Other deductible temporary difference - provisions | 589,933 | 589,933 | 52,933 | 52,933 |

The unutilised tax losses and unabsorbed capital allowances of the Group and of the Company amounting to RM5,185,900 (2007: RM16,160,000) and RM1,416,000 (2007: RM2,251,000) respectively are available indefinitely for offsetting against future taxable profits of the respective entities within the Group, subject to no substantial change in shareholdings of those entities under the Income Tax Act, 1967 and guidelines issued by the tax authority.

19. Inventory

| | Note | Group 2008 RM | 2007 RM |
|------------------------|--------|---------------------|------------|
| Cost | | | |
| Property held for sale | 14 (b) | 392,776 | - |

20. Trade and Other Receivables

| | Note | Group 2008 RM | 2007 RM | Company 2008 RM | 2007 RM |
|---|------|---------------------|-------------|-----------------------|------------|
| Current | | | | | |
| Trade receivables | | | | | |
| Third parties | | 10,674,948 | 4,561,771 | - | - |
| Accrued billings in respect of property development costs | | 15,455,687 | 12,449,260 | - | - |
| Concession income receivable within one year | 17 | 140,872,308 | 139,547,963 | - | - |
| Subsidiaries (a) | | - | - | 23,066,310 | 15,049,358 |
| Due from customer on contract | | 709,758 | - | - | - |
| | | 167,712,701 | 156,558,994 | 23,066,310 | 15,049,358 |
| Other receivables | | | | | |
| Deposits (b) | | 6,425,222 | 6,234,332 | 60,310 | 6,410 |
| Prepayments | | 611,154 | 398,366 | 336,950 | 49,444 |
| Tax recoverable | | 935,143 | 992,816 | 733,514 | 2,108,373 |
| Sundry receivables | | 2,335,814 | 4,144,099 | 81,246 | 160,187 |
| Other receivables, net | | 10,307,333 | 11,769,613 | 1,212,020 | 2,324,414 |
| Total trade and other receivables | | 178,020,034 | 168,328,607 | 24,278,330 | 17,373,772 |

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

(b) Included in deposits is an amount paid to Indi Makmur Sdn. Bhd. ("Indi Makmur") and Lunarhati Sdn. Bhd. ("Lunarhati") amounting to RM5 million (2007: RM5 million).

On 2 April 2007, the Board granted approval to a subsidiary, Encorp Must Sdn. Bhd. ("EMSB") to enter into a Joint Venture Agreement ("JVA") with Indi Makmur and Lunarhati to establish an unincorporated Joint Venture for the purpose of developing two parcels of lands into a mixed development comprising residential and commercial development. EMSB's contribution under the JVA is to:

20. Trade and Other Receivables (contd.)

- (i) undertake at its own costs and expenses, the development, building, construction works, payment of premium in respect of renewal of the approval for the alienation of the land and all other expenses payable in respect of the land held for intended development;
- (ii) provide the technical, commercial, financial and managerial expertise required to carry out and complete the intended development; and
- (iii) carry out the advertising and promotion of the development.

The deposit represents an advance consideration paid according to the terms of the JVA between Indi Makmur, Lunarhati and EMSB.

On 3 April 2009, the Board granted an approval to Indi Makmur and Lunarhati for an extension of time and variation to the JVA wherein the Conditional Period will be extended for a period of one year to 3 April 2010.

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

The Group's normal credit terms ranges from 14 to 21 (2007: 14 to 21) days.

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

21. Short Term Investment

| | Group | | Company | |
|---------------------|--------------|-------------|----------------|-------------|
| | 2008 | 2007 | 2008 | 2007 |
| | RM | RM | RM | RM |
| Fixed Maturity Fund | 104,299,587 | - | 12,273,470 | - |

The Fixed Maturity Plan Fund ("Fund") is a restricted investment scheme in short term money market instruments and deposit placements with an option to roll over the investments. During the year, the gain on disposal of short term investment realised is disclosed in Note 5.

Included in the fund of the Group is an amount of RM77,453,519 held in trust for the holders of the Notes.

Other information on financial risks of short term investment are disclosed in Note 31.

22. Cash and Bank Balances

| | Group | | Company | |
|-------------------------------|--------------|-------------|----------------|-------------|
| | 2008 | 2007 | 2008 | 2007 |
| | RM | RM | RM | RM |
| Cash on hand and at banks (a) | 9,718,187 | 3,070,601 | 422,322 | 628,726 |
| Deposits with: | | | | |
| - licensed banks (b) | 18,212,035 | 111,674,627 | 6,978,345 | 78,932,062 |
| - a licensed corporation (c) | 53,385,973 | 120,849,357 | - | - |
| Cash and bank balances | 81,316,195 | 235,594,585 | 7,400,667 | 79,560,788 |

22. Cash and Bank Balances (contd.)

- (a) Included in the cash at bank of the Group are the following:
- (i) An amount of RM16,772 (2007: RM16,684) held by a licensed corporation in trust for the holders of the Notes; and
 - (ii) An amount of RM2,846,388 (2007: RM1,348,275) held pursuant to Section 7A of the Housing and Development (Control & Licensing) Act 1966 and restricted from use in other operations.
- (b) The deposits with licensed banks of the Group and the Company which are pledged or on lien are:
- (i) Deposits with licensed banks of the Group in the previous financial year of RM1,072,800 on lien for a bank guarantee granted to the Government as performance bonds by a subsidiary;
 - (ii) Deposits of RM1,428,690 (2007: RM827,890) pledged to bank for credit facilities granted to a subsidiary company, Must Ehsan Development Sdn. Bhd.;
 - (iii) Deposits of RM5,221,655 and RM3,750,000 (2007: RM Nil) on lien for bank guarantees granted to the customers in respect of projects awarded to the Company and a subsidiary respectively;
 - (iv) Designated deposits of RM1,378,345 (2007: RM3,032,062) of the Company on lien for settlement of payables in Encorp Systembilt Sdn. Bhd. and Encorp Construct Sdn. Bhd.
- (c) The deposit of RM53,385,973 (2007: RM120,849,357) is held by a licensed corporation in trust for the holders of the Notes.

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

| | Group | | Company | |
|---------------------------|--------------|---------------|-------------|-------------|
| | 2008 | 2007 | 2008 | 2007 |
| | RM | RM | RM | RM |
| Cash and bank balances | 81,316,195 | 235,594,585 | 7,400,667 | 79,560,788 |
| Less: Pledged/designated | (68,027,823) | (127,147,068) | (6,600,000) | (3,032,062) |
| Cash and cash equivalents | 13,288,372 | 108,447,517 | 800,667 | 76,528,726 |

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

23. Share Capital

| | Number of ordinary shares of RM1 each | | Amount | |
|-------------------------------|--|-------------|-------------|-------------|
| | 2008 | 2007 | 2008 | 2007 |
| | | | RM | RM |
| Authorised: | | | | |
| At 1 January/31 December | 300,000,000 | 300,000,000 | 300,000,000 | 300,000,000 |
| Issued and fully paid: | | | | |
| At 1 January/31 December | 223,508,536 | 223,508,536 | 223,508,536 | 223,508,536 |

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

Treasury Shares

The shareholders of the Company, by an ordinary resolution passed in a general meeting held on 25 June 2008, renewed their approval for the Company's plan to repurchase its own ordinary shares. The directors of the Company are committed to enhancing the value of the Company for its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders.

During the financial year, the Company repurchased 7,641,800 of its issued ordinary shares from the open market at an average price of RM0.87 per share. The total consideration paid for the repurchase was RM6,673,032 comprising of consideration paid amounting to RM6,638,396 and transaction costs of RM34,636. The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

Of the total 223,508,536 (2007: 223,508,536) issued and fully paid ordinary shares as at 31 December 2008, 7,641,800 (2007: Nil) are held as treasury shares by the Company. As at 31 December 2008, the number of outstanding ordinary shares in issue after the setoff is therefore 215,866,736 (2007: 223,508,536) ordinary shares of RM1 each.

24. Trade and Other Payables

| | Group | | Company | |
|--|------------|-------------|------------|------------|
| | 2008 | 2007 | 2008 | 2007 |
| | RM | RM | RM | RM |
| Current | | | | |
| Trade payables | | | | |
| Third parties (a) | 54,034,688 | 61,566,427 | - | - |
| Amount due to an affiliated company (b) | 10,840,846 | 9,547,166 | - | - |
| Subsidiaries (c) | - | - | 28,521,468 | 33,778,248 |
| Progress billings in respect of property development costs | - | 29,708,026 | - | - |
| | 64,875,534 | 100,821,619 | 28,521,468 | 33,778,248 |
| Other payables | | | | |
| Amounts due to (d): | | | | |
| -affiliated companies | 2,268 | 115,787 | 519 | 968 |
| -corporate shareholder | 914 | 3,247 | - | - |
| Sundry payables | 2,459,527 | 2,530,588 | 133,477 | 139,744 |
| Provision for defect liability (e) | 537,400 | 537,400 | - | - |
| Accruals for construction costs | 5,224,372 | 5,224,372 | - | - |
| Provision for short-term accumulating compensated absences (f) | 77,686 | 89,855 | 52,789 | 52,789 |
| Other accruals | 19,691,804 | 20,918,808 | 1,309,401 | 2,471,031 |
| Provision for liquidated ascertained damages (g) | 182,338 | 420,743 | - | - |
| | 28,176,309 | 29,840,800 | 1,496,186 | 2,664,532 |
| | 93,051,843 | 130,662,419 | 30,017,654 | 36,442,780 |
| Non-current | | | | |
| Trade payables | | | | |
| Amount due to an affiliated company (b) | 66,040,845 | 74,214,393 | - | - |

- (a) Save and except for an amount of RM15,331,964 (2007: RM26,985,430) due to a contractor of a subsidiary company bearing interest of 1.5% per annum above the Base Lending Rate ("BLR"), the trade payables are non-interest bearing and the normal trade credit terms granted to the Group is 21 days (2007: 21 days).

24. Trade and Other Payables (contd.)

- (b) These are amounts due to PKNS in relation to the purchase of two plots of land, namely
- (i) a 209.7 acres plot of land at U12 Shah Alam, Selangor Darul Ehsan; and
 - (ii) approximately 45 acres plot of land at PBI, Pusat Bandar Kota Damansara for development as a mixed development project.
- (c) The amounts due to subsidiaries are unsecured, interest-free and have no fixed terms of repayment.
- (d) Amounts due to the affiliated companies and corporate shareholder are non-interest bearing and are repayable on demand. The amounts are unsecured and are to be settled in cash.
- (e) Provision for defect liability is in respect of a project undertaken by a subsidiary.
- (f) The movement of provision for short term accumulating compensated absences is as follows:

| | Note | Group | | Company | |
|--------------------------------|------|------------|------------|------------|------------|
| | | 2008 RM | 2007 RM | 2008 RM | 2007 RM |
| At beginning of year | | 89,855 | 89,855 | 52,789 | 52,789 |
| Recognised in income statement | 8 | (12,169) | - | - | - |
| At the end of year | | 77,686 | 89,855 | 52,789 | 52,789 |

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

| | Note | Group | |
|--|------|------------|------------|
| | | 2008 RM | 2007 RM |
| At beginning of year | | 420,743 | 212,308 |
| Recognised in income statement | | | |
| - Additional provision during the year | 7 | 58,298 | 315,822 |
| Amount paid during the year | | (296,703) | (107,387) |
| At the end of year | | 182,338 | 420,743 |

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

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

25. Borrowings

| | | Group | | Company | |
|--|------|-----------------|-----------------|------------|------------|
| | Note | 2008 RM | 2007 RM | 2008 RM | 2007 RM |
| Short term borrowings | | | | | |
| Secured: | | | | | |
| Notes | | 128,000,000 | 128,000,000 | - | - |
| Advance from a contractor | | 8,000,000 | - | - | - |
| Hire purchase payables | 26 | 314,628 | 300,709 | 314,628 | 300,709 |
| | | 136,314,628 | 128,300,709 | 314,628 | 300,709 |
| Long term borrowings | | | | | |
| Secured: | | | | | |
| Notes | | 1,056,293,697 | 1,080,136,434 | - | - |
| Advance from a contractor | | - | 8,000,000 | - | - |
| Hire purchase payables | 26 | 444,740 | 759,368 | 444,740 | 759,368 |
| | | 1,056,738,437 | 1,088,895,802 | 444,740 | 759,368 |
| | | 1,193,053,065 | 1,217,196,511 | 759,368 | 1,060,077 |
| Total borrowings | | | | | |
| Secured: | | | | | |
| Notes are payable (a): | | | | | |
| - within one year | | 128,000,000 | 128,000,000 | - | - |
| - more than one year and less than two years | | 128,000,000 | 128,000,000 | - | - |
| - more than two years and less than five years | | 396,334,793 | 413,134,794 | - | - |
| - more than five years | | 1,782,898,602 | 1,894,098,600 | - | - |
| | | 2,435,233,395 | 2,563,233,394 | - | - |
| Less: Finance charges | | (1,250,939,698) | (1,355,096,960) | - | - |
| | | 1,184,293,697 | 1,208,136,434 | - | - |
| Advance from a contractor (b) | | 8,000,000 | 8,000,000 | - | - |
| | | 1,192,293,697 | 1,216,136,434 | - | - |
| Hire purchase payables | 26 | 759,368 | 1,060,077 | 759,368 | 1,060,077 |
| | | 1,193,053,065 | 1,217,196,511 | 759,368 | 1,060,077 |
| Analysed as follows: | | | | | |
| Due within one year | | 136,314,628 | 128,300,709 | 314,628 | 300,709 |
| Due after one year | | 1,056,738,437 | 1,088,895,802 | 444,740 | 759,368 |
| | | 1,193,053,065 | 1,217,196,511 | 759,368 | 1,060,077 |

25. Borrowings (contd.)

- (a) The secured Notes were issued by a subsidiary company to finance the planning, design, construction and completion costs of 10,000 units of teachers' quarters for the Government of Malaysia. The Notes were undertaken in four tranches as follows:
- (i) RM1.3216 billion Notes 2002/2018 were issued in the year 2000, maturing on 3 January 2018 and are repayable by 32 semi-annual instalments commencing on 3 July 2002. During the year, RM82,600,000 (2007: RM41,300,000) has been paid towards the redemption of the Notes.
 - (ii) RM510 million Notes 2002/2018 were issued in the year 2000, maturing on 15 September 2018 and are repayable by 34 semi-annual instalments commencing on 15 March 2002. During the year, RM30,000,000 (2007: RM30,000,000) has been paid towards the redemption of the Notes; and
 - (iii) RM250 million Primary Notes 2007/2028 and RM276.893 million Secondary Notes 2004/2028 issued in the year 2002 with the following maturity and redemption dates.

| Maturity Dates | Face value of primary notes RM | Aggregate face value of secondary notes RM |
|---------------------------|---|---|
| 29 May 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 |

During the year, RM15,400,000 (2007: RM46,231,218) has been paid towards the redemption of the Notes.

The Primary Notes due on 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 due on 29 May 2012 are redeemable in 17 semi-annual instalments commencing on 29 May 2004.

The Secondary Notes due on 29 May 2017 are redeemable in 27 semi-annual instalments commencing on 29 May 2004.

The Secondary Notes due on 29 May 2022 are redeemable in 37 semi-annual instalments commencing on 29 May 2004 and those due on 29 May 2028 are redeemable in 49 semi-annual instalments commencing on 29 May 2004.

25. Borrowings (contd.)

- (a) (iv) RM625 million Primary Notes 2019/2026 and RM252.5 million Secondary Notes 2004/2026 issued in the year 2004 with the following maturity and redemption dates:

| Maturity Dates | Face value of primary notes RM | Aggregate face value of secondary notes RM |
|---------------------------|---|---|
| 31 December 2019 | 62,500,000 | 50,000,000 |
| 31 December 2020 | 62,500,000 | 45,000,000 |
| 31 December 2021 | 62,500,000 | 40,000,000 |
| 31 December 2022 | 62,500,000 | 35,000,000 |
| 31 December 2023 | 62,500,000 | 30,000,000 |
| 31 December 2024 | 93,750,000 | 25,000,000 |
| 31 December 2025 | 93,750,000 | 17,500,000 |
| 31 December 2026 | 125,000,000 | 10,000,000 |

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

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

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

| Maturity Dates | Face value of primary notes RM | Aggregate face value of secondary notes RM |
|---------------------------|---|---|
| 31 December 2019 | 4,200,000 | 3,360,000 |
| 31 December 2020 | 4,200,000 | 3,024,000 |
| 31 December 2021 | 4,200,000 | 2,688,000 |
| 31 December 2022 | 4,200,000 | 2,352,000 |
| 31 December 2023 | 4,200,000 | 2,016,000 |
| 31 December 2024 | 6,300,000 | 1,680,000 |
| 31 December 2025 | 6,300,000 | 1,176,000 |
| 31 December 2026 | 8,400,000 | 672,000 |

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

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

25. Borrowings (contd.)

- (a) All Notes are secured by the assignment of the contract Concession Payments and the Project Escrow Account, and a negative pledge on all assets of the subsidiary company. The subsidiary company is a special purpose vehicle and these Notes raised do not have any financial recourse to the Group and the Company.
- (b) The advance received from a contractor is in respect of a turnkey development project undertaken for the Group. Interest will be charged at the rate of 1.5% above the BLR after five years from date of advance.

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

26. Hire Purchase Payables

| | | Group | | Company | |
|--|-------------|--------------|-------------|----------------|-------------|
| | Note | 2008 | 2007 | 2008 | 2007 |
| | | RM | RM | RM | RM |
| Future minimum lease payments: | | | | | |
| Not later than 1 year | | 340,692 | 340,692 | 340,692 | 340,692 |
| Later than 1 year and not later than 2 years | | 292,117 | 340,692 | 292,117 | 340,692 |
| Later than 2 years and not later than 5 years | | 148,212 | 390,924 | 148,212 | 390,924 |
| Later than 5 years | | 28,771 | 78,175 | 28,771 | 78,175 |
| Total future minimum lease payment | | 809,792 | 1,150,483 | 809,792 | 1,150,483 |
| Less: Future finance charges | | (50,424) | (90,406) | (50,424) | (90,406) |
| Present value of finance lease liabilities | 25 | 759,368 | 1,060,077 | 759,368 | 1,060,077 |
| Analysis of present value of finance lease liabilities: | | | | | |
| Not later than 1 year | | 314,628 | 300,709 | 314,628 | 300,709 |
| Later than 1 year and not later than 2 years | | 279,888 | 314,627 | 279,888 | 314,627 |
| Later than 2 years and not later than 5 years | | 136,440 | 369,002 | 136,440 | 369,002 |
| Later than 5 years | | 28,412 | 75,739 | 28,412 | 75,739 |
| | | 759,368 | 1,060,077 | 759,368 | 1,060,077 |
| Less: Amount due within 12 months | 25 | (314,628) | (300,709) | (314,628) | (300,709) |
| Amount due after 12 months | 25 | 444,740 | 759,368 | 444,740 | 759,368 |

26. Hire Purchase Payables (contd.)

The weighted average interest rate of the hire purchase payables at the end of the financial year was 2.25% (2007: 2.25%).

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

27. Retained Earnings

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

As at 31 December 2008, the Company has no Section 108 balance. The Company may distribute dividends out of its entire retained earnings as at 31 December 2008 under the single tier system.

28. Contingent Liabilities

| | Group | |
|--|----------------|-------------|
| | 2008 | 2007 |
| | RM | RM |
| Contingent liabilities: | | |
| Corporate guarantee given by the Company to contractors of teachers' quarters project in relation to design guarantees to the Government | - | 31,807,200 |
| | | |
| | Company | |
| | 2008 | 2007 |
| | RM | RM |
| Contingent liabilities: | | |
| Corporate guarantee given to banks for credit facilities granted to subsidiaries | 2,460,706 | - |

29. Related Party Disclosures

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

| | Group | | Company | |
|---|-------------|-------------|--------------|-------------|
| | 2008 | 2007 | 2008 | 2007 |
| | RM | RM | RM | RM |
| Management fees charged to subsidiaries: (i) | | | | |
| - Encorp Construct Sdn Bhd | - | - | (1,920,000) | (960,000) |
| - Encorp Systembilt Sdn Bhd | - | - | (1,920,000) | (1,920,000) |
| - Must Ehsan Development Sdn Bhd | - | - | (600,000) | (409,676) |
| Rental payable to: | | | | |
| - Encorp Construct Sdn Bhd (ii) | - | - | 240,000 | 240,000 |
| Sales of properties under development to persons who are connected to a director of the Company (iii) | (4,256,550) | - | - | - |
| Sales of properties under development to the directors of the Company (iv) | - | (7,131,443) | - | - |
| Deposits paid on behalf of a subsidiary (v) | - | (5,000,000) | - | (5,000,000) |
| Transfer of 8 units of properties under development to PKNS (vi) | - | 12,688,650 | - | - |
| Advances (to)/from subsidiaries | - | - | (1,540,050) | 45,332,591 |
| Payments on behalf of subsidiaries | - | - | (11,733,682) | - |

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

29. Related Party Disclosures (contd.)

- (a) (iii) The sales of properties under development to persons who are connected to a director, Efeida binti Mohd Effendi, were made according to the published prices and conditions offered to the major customers of the Group.
- (iv) The sales of properties under development to the directors of the Company were made according to the published prices and conditions offered to the major customers of the Group except for a preferential discount rate of 17% accorded to the directors as employees of the Group.
- (v) The deposit represents an advance consideration paid by the Company on behalf of its subsidiary according to the terms of a JVA between the subsidiary and Indi Makmur and Lunarhati. Further details are disclosed in Note 20(b).
- (vi) Pursuant to the terms and conditions of the original sale and purchase agreement ("SPA") dated 23 May 2000, PKNS had agreed to sell and a subsidiary, Must Ehsan Development Sdn Bhd ("MEDSB"), had agreed to purchase 2 plots of lands at an agreed consideration sum of RM105,500,775 ("purchase price"). The details of the purchase of land are disclosed in Note 24. In addition to the purchase price, PKNS is also entitled to redeemable preference shares ("RPS") of RM1 each in the issued and paid up share capital of MEDSB amounting to RM10,500,000.

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

- (i) transferring a total of 8 units of shop offices comprising part of the project of MEDSB at an aggregate consideration sum of RM12,688,650 ("contra units consideration"); and
- (ii) EMSB paying to PKNS a cash amount of RM499,300 ("cash consideration").

As at the date of this report, the above transactions have been partially completed pending the payment of the cash consideration.

Information regarding outstanding balances arising from related party transactions as at 31 December 2008 are disclosed in Notes 20 and 24.

29. Related Party Disclosures (contd.)**(b) Compensation of Key Management Personnel**

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

| | Group | | Company | |
|---|------------------|------------------|------------------|------------------|
| | 2008 | 2007 | 2008 | 2007 |
| | RM | RM | RM | RM |
| Wages and salaries | 4,062,224 | 4,192,447 | 3,187,341 | 3,007,391 |
| Social security costs | 6,663 | 8,499 | 5,113 | 5,297 |
| Pension cost - defined contribution plans | 434,198 | 454,696 | 336,626 | 311,476 |
| Other staff related expenses | 219,627 | 285,345 | 221,632 | 178,330 |
| | 4,722,712 | 4,940,987 | 3,750,712 | 3,502,494 |

Included in the total remuneration of key management personnel is:

| | Group | | Company | |
|-------------------------|--------------|-------------|----------------|-------------|
| | 2008 | 2007 | 2008 | 2007 |
| | RM | RM | RM | RM |
| Directors' remuneration | 2,160,043 | 2,161,026 | 1,754,979 | 1,852,301 |

30. Subsequent Events**(a) Incorporation of a New Subsidiary, Encorp Trading Services Sdn Bhd**

On 7 January 2009, Encorp Construct Sdn. Bhd ("ECSB") incorporated a wholly-owned subsidiary known as Encorp Trading Services Sdn Bhd ("ETSSB").

ETSSB was incorporated as a private company limited by shares and the authorised share capital of ETSSB is 100,000 ordinary shares of RM1 each. The issued and paid-up share capital of ETSSB is two (2) ordinary shares of RM1 each. The principal activity of ETSSB is general trading.

Subsequently, on 13 Feb 2009, ETSSB increased the authorised share capital from RM100,000 to RM5,000,000 and ECSB has subscribed 99,998 ordinary shares of RM1 each in ETSSB. The investment in ETSSB by ECSB has increased from RM2 to RM100,000 accordingly.

(b) Acquisition of a New Subsidiary, Encorp Development Sdn Bhd

Encorp Must Sdn Bhd ("EMSB"), has acquired a wholly-owned subsidiary known as Encorp Development Sdn Bhd ("EDSB") on 13 March 2009 at a total purchase consideration of RM2 from the directors of the Group.

EDSB was incorporated as a private company limited by shares and the authorised share capital is 100,000 ordinary shares of RM1 each. The issued and paid-up share capital of EDSB is two (2) ordinary shares of RM1 each. The principal activity of EDSB is property development.

31. Financial Instruments

(a) Financial Risk Management Objectives and Policies

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

(b) Interest Rate Risk

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

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

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

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

31. Financial Instruments (contd.)

(b) Interest Rate Risk (contd.)

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

| | Note | WAEIR % | Within 1 year RM | 1-2 years RM | 2-3 years RM | 3-4 years RM | 4-5 years RM | More than 5 years RM | Total RM |
|----------------------------|------|------------|------------------------|--------------------|--------------------|--------------------|--------------------|----------------------------|---------------|
| At 31 December 2008 | | | | | | | | | |
| Group | | | | | | | | | |
| Fixed rate | | | | | | | | | |
| Notes | 25 | 9.07 | 26,133,046 | 28,312,072 | 30,671,753 | 34,446,174 | 50,866,072 | 1,013,864,580 | 1,184,293,697 |
| Hire purchase payables | 26 | 2.25 | 314,628 | 279,888 | 43,633 | 45,480 | 47,327 | 28,412 | 759,368 |
| Floating rate | | | | | | | | | |
| Short term investment | 21 | 3.42 | 104,299,588 | - | - | - | - | - | 104,299,588 |
| Cash and bank balances | 22 | 3.24 | 71,598,008 | - | - | - | - | - | 71,598,008 |
| Trade payables | 24 | 8.25 | 15,331,964 | - | - | - | - | - | 15,331,964 |
| Company | | | | | | | | | |
| Fixed rate | | | | | | | | | |
| Hire purchase payables | 26 | 2.25 | 314,628 | 279,888 | 43,633 | 45,480 | 47,327 | 28,412 | 759,368 |
| Floating rate | | | | | | | | | |
| Short term investment | 21 | 3.52 | 12,273,470 | - | - | - | - | - | 12,273,470 |
| Cash and bank balances | 22 | 3.43 | 6,978,345 | - | - | - | - | - | 6,978,345 |

31. Financial Instruments (contd.)

(b) Interest Rate Risk (contd.)

| | Note | WAEIR % | Within 1 year RM | 1-2 years RM | 2-3 years RM | 3-4 years RM | 4-5 years RM | More than 5 years RM | Total RM |
|----------------------------|------|------------|------------------------|--------------------|--------------------|--------------------|--------------------|----------------------------|---------------|
| At 31 December 2007 | | | | | | | | | |
| Group | | | | | | | | | |
| Fixed rate | | | | | | | | | |
| Notes | 25 | 9.05 | 23,884,933 | 26,133,046 | 28,312,072 | 30,671,753 | 63,580,968 | 1,035,553,662 | 1,208,136,434 |
| Hire purchase payables | 26 | 2.25 | 300,709 | 314,627 | 279,889 | 43,633 | 45,480 | 75,739 | 1,060,077 |
| Floating rate | | | | | | | | | |
| Cash and bank balances | 22 | 3.29 | 232,523,984 | - | - | - | - | - | 232,523,984 |
| Trade payables | 24 | 8.25 | 26,985,430 | - | - | - | - | - | 26,985,430 |
| Company | | | | | | | | | |
| Fixed rate | | | | | | | | | |
| Hire purchase payables | 26 | 2.25 | 300,709 | 314,627 | 279,889 | 43,633 | 45,480 | 75,739 | 1,060,077 |
| Floating rate | | | | | | | | | |
| Cash and bank balances | 22 | 3.38 | 78,932,062 | - | - | - | - | - | 78,932,062 |

31. Financial Instruments (contd.)

(c) Foreign Exchange Risk

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

(d) Liquidity Risk

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

(e) Credit Risk

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

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

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

31. Financial Instruments (contd.)

(f) Fair Values

| | Note | Group Carrying amount RM | Group Fair value RM | Company Carrying amount RM | Company Fair value RM |
|-------------------------------|------|-----------------------------------|------------------------------|-------------------------------------|--------------------------------|
| At 31 December 2008 | | | | | |
| Financial assets | | | | | |
| Concession income receivables | 17 | 1,167,298,609 | 1,283,024,418 | - | - |
| Financial liabilities | | | | | |
| Secured borrowings | 25 | 1,184,293,697 | 1,214,159,459 | - | - |
| Hire purchase payables | 26 | 759,368 | 971,176 | 759,368 | 971,176 |
| At 31 December 2007 | | | | | |
| Financial assets | | | | | |
| Concession income receivables | 17 | 1,185,360,056 | 1,389,703,888 | - | - |
| Financial liabilities | | | | | |
| Secured borrowings | 25 | 1,208,136,434 | 1,313,879,688 | - | - |
| Hire purchase payables | 26 | 1,060,077 | 1,056,032 | 1,060,077 | 1,056,032 |

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

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

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

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

32. Segment Information

(a) Reporting Format

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

(b) Business Segments

The Group comprises the following main business segments:

(i) Investment Holding

This segment refers to investment holding companies of the Group.

(ii) Concessionaire

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

(iii) Construction

This segment refers to property construction and general contracting services.

(iv) Property Development

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

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

(c) Allocation Basis and Transfer Pricing

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

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

32. Segment Information (contd.)

Business Segments

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

| | Investment holding RM | Concessionaire RM | Construction RM | Property development RM | Elimination RM | Total RM |
|-----------------------------|-----------------------------|----------------------|--------------------|-------------------------------|-------------------|---------------|
| At 31 December 2008 | | | | | | |
| Revenue | | | | | | |
| Sales to external customers | - | 117,372,107 | - | 170,138,157 | - | 287,510,264 |
| Inter-segment sales | 4,440,000 | - | 29,844,145 | - | (34,284,145) | - |
| Total revenue | 4,440,000 | 117,372,107 | 29,844,145 | 170,138,157 | (34,284,145) | 287,510,264 |
| Results | | | | | | |
| Segment results | (2,874,704) | 114,890,103 | (2,923,649) | 72,967,783 | (10,616,742) | 171,442,791 |
| Interest expense | (39,983) | (104,157,263) | - | - | - | (104,197,246) |
| Interest income | 725,359 | 1,770,706 | 74,039 | 906,744 | - | 3,476,848 |
| Profit before tax | | | | | | 70,722,393 |
| Income tax income | | | | | | (17,863,973) |
| Profit for the year | | | | | | 52,858,420 |

32. Segment Information (contd.)

Business Segments (contd.)

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

32. Segment Information (contd.)
Business Segments (contd.)

| | Investment holding RM | Concessionaire RM | Construction RM | Property development RM | Elimination RM | Total RM |
|----------------------------------|-----------------------------|----------------------|--------------------|-------------------------------|-------------------|----------------------|
| At 31 December 2008 | | | | | | |
| Assets | | | | | | |
| Segment assets | 438,431,135 | 1,328,213,388 | 29,996,864 | 226,639,819 | (314,214,784) | 1,709,066,422 |
| Unallocated assets | 846,098 | 89,045 | - | 75,986 | - | 1,011,129 |
| Total assets | | | | | | <u>1,710,077,551</u> |
| Liabilities | | | | | | |
| Segment liabilities | 54,907,557 | 1,197,386,828 | 42,601,626 | 139,115,999 | (81,866,257) | 1,352,145,753 |
| Unallocated liabilities | - | 30,093,389 | 2,708,271 | 7,057,968 | - | 39,859,628 |
| Total liabilities | | | | | | <u>1,392,005,381</u> |
| Other segment information | | | | | | |
| Capital expenditure | 16,233,827 | - | 232,046 | 10,538 | - | 16,476,411 |
| Depreciation | 366,082 | - | 439,830 | 51,827 | - | 857,739 |
| Impairment of goodwill | - | - | - | - | 10,400,305 | 10,400,305 |

32. Segment Information (contd.)
Business Segments (contd.)

| | Investment holding RM | Concessionaire RM | Construction RM | Property development RM | Elimination RM | Total RM |
|----------------------------------|-----------------------------|----------------------|--------------------|-------------------------------|-------------------|----------------------|
| At 31 December 2007 | | | | | | |
| Assets | | | | | | |
| Segment assets | 474,201,104 | 1,341,934,490 | 24,011,806 | 209,482,132 | (298,824,877) | 1,750,804,655 |
| Unallocated assets | 2,220,958 | 89,045 | - | 150,532 | (1,317,187) | 1,143,348 |
| Total assets | | | | | | <u>1,751,948,003</u> |
| Liabilities | | | | | | |
| Segment liabilities | 61,346,545 | 1,223,611,476 | 32,774,881 | 181,433,511 | (77,093,090) | 1,422,073,323 |
| Unallocated liabilities | - | 30,093,389 | 3,792,748 | 2,274,175 | - | 36,160,312 |
| Total liabilities | | | | | | <u>1,458,233,635</u> |
| Other segment information | | | | | | |
| Capital expenditure | 1,515,940 | - | 6,375 | 57,849 | - | 1,580,164 |
| Depreciation | 163,583 | 2,252 | 456,925 | 73,359 | - | 696,119 |
| Impairment of goodwill | - | - | - | - | 12,326,466 | 12,326,466 |

LIST OF PROPERTIES

| Location | Description and Existing Use | Land Area (sq. m) | Build-up (sq. m) | Age of Building (years) | Net Book Value as at 31.12.2008 (RM '000) | Year of Acquisition |
|--|--|-------------------|------------------|-------------------------|---|---------------------|
| Parcel No. Level 18, (PN21876/M1/17/16) Wisma SunwayMas, No. 1, Jalan Tengku Ampuan Zabedah C9/C, Section 9, 40100 Shah Alam, Selangor Darul Ehsan | Office building (99 years lease expiring on 29/08/2094), currently in use as office for Encorp Berhad Group of Companies | N/A | 1,505 | 9.5 | 3,099 | 2000 |
| Lot 8093 (Seksyen U12), Shah Alam, Mukim Bukit Raja, Daerah Petaling Selangor Darul Ehsan | Land held for property development (99 years lease expiring on 28/03/2104) | 763,926 | N/A | N/A | 53,703 | 2000 |
| PB1, Kota Damansara Town Centre, Selangor Darul Ehsan | Commercial land held for property development (99 years lease expiring on 14/11/2107) | 120,681 | N/A | N/A | 26,708 | 2000 |
| No. Hakmilik GRN 35127, Nombor Lot 289, Seksyen 2, Bandar Batu Feringgi, Daerah Timor Laut, Pulau Pinang | Freehold land held for property development | 23,597 | N/A | N/A | 16,115 | 2008 |

ANALYSIS OF SHAREHOLDINGS AS AT 24 APRIL 2009

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

* Including 9,200,800 shares bought and retained as treasury shares.

| Size of Holdings | No. of Shareholders | % | No. of Shares | % of Shareholdings |
|---|---------------------|---------------|--------------------|--------------------|
| 1 – 99 | 67 | 2.10 | 627 | 0.00 |
| 100 – 1,000 | 413 | 12.95 | 355,162 | 0.17 |
| 1,001 – 10,000 | 2,217 | 69.50 | 8,568,115 | 4.00 |
| 10,001 – 100,000 | 413 | 12.95 | 12,641,896 | 5.90 |
| 100,001 – less than 5% of issued shares | 77 | 2.41 | 49,353,900 | 23.03 |
| 5% and above of issued shares | 3 | 0.09 | 143,388,036 | 66.91 |
| TOTAL | 3,190 | 100.00 | 214,307,736 | 100.00 |

INFORMATION OF SUBSTANTIAL SHAREHOLDERS

| Name of Substantial Shareholders | Direct | | Indirect | |
|--|---------------|-------|-------------------------|-------|
| | No. of Shares | % | No. of Shares | % |
| Lavista Sdn. Bhd. | 66,636,036 | 31.09 | - | - |
| Efeida binti Mohd Effendi | - | - | 66,636,036 ^① | 31.09 |
| Tan Sri Datuk (Dr) Omar bin Abdul Rahman | - | - | 66,636,036 ^② | 31.09 |
| Datuk Ramli bin Shamsudin | - | - | 66,636,036 ^② | 31.09 |
| Anjakan Masyhur Sdn. Bhd. | 40,000,000 | 18.66 | - | - |
| Azhar bin Mohd Awal | - | - | 40,000,000 ^③ | 18.66 |
| Azman Hanafi bin Abdullah | - | - | 40,000,000 ^③ | 18.66 |
| Pegang Impian Holdings Sdn. Bhd. | 43,752,000 | 20.42 | - | - |
| Abang Ariffin Bin Abang Bohan | - | - | 43,752,000 ^④ | 20.42 |
| Taufiq bin Abdul Khalid | - | - | 43,752,000 ^④ | 20.42 |

^① Deemed substantial interest through the substantial shareholdings in Lavista Sdn. Bhd. held by her and persons connected to her.

^② Deemed interest by virtue of their substantial shareholdings in Lavista Sdn. Bhd. held by them in trust.

^③ Deemed interest by virtue of their substantial shareholdings in Anjakan Masyhur Sdn. Bhd.

^④ Deemed interest by virtue of their substantial shareholdings in Pegang Impian Holdings Sdn. Bhd.

LIST OF DIRECTORS' SHAREHOLDINGS

| Directors | Shareholdings | | | | |
|--|---------------|----------------------|------|------------------------|-------|
| | Note | Direct No. of Shares | % | Indirect No. of Shares | % |
| Tan Sri Datuk (Dr) Omar bin Abdul Rahman | a | - | - | 66,636,036 | 31.09 |
| Yeoh Soo Ann | | - | - | - | - |
| Efeida binti Mohd Effendi | b | - | - | 66,636,036 | 31.09 |
| Datuk Ramli bin Shamsudin | a | - | - | 66,636,036 | 31.09 |
| Dato' Chew Kong Seng @ Chew Kong Huat | | - | - | - | - |
| Datuk Fong Joo Chung | | - | - | - | - |
| Datuk (Dr) Philip Ting Ding Ing | | 2,278,000 | 1.06 | - | - |
| Datuk (Dr) Zainal Aznam bin Mohd Yusof | | - | - | - | - |

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

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

LIST OF 30 LARGEST SECURITIES ACCOUNT HOLDERS

(as at 24 April 2009)

| No. | Name | No. of Shares | % |
|-----|--|---------------|-------|
| 1. | LAVISTA SDN. BHD. | 66,636,036 | 31.09 |
| 2. | ANJAKAN MASYHUR SDN. BHD. | 40,000,000 | 18.66 |
| 3. | PEGANG IMPIAN HOLDINGS SDN. BHD. | 36,752,000 | 17.15 |
| 4. | PEGANG IMPIAN HOLDINGS SDN. BHD. | 7,000,000 | 3.27 |
| 5. | HDM NOMINEES (TEMPATAN) SDN. BHD. Pledged Securities Account for Oh Kim Sun (M12) | 4,254,200 | 1.99 |
| 6. | ROBIN LO BING | 3,466,500 | 1.62 |
| 7. | MAYBAN NOMINEES (TEMPATAN) SDN. BHD. Avenue Invest Berhad for Kumpulan Wang Amanah Pencen (E00170-220136) | 3,000,000 | 1.40 |
| 8. | MERIT ICON SDN. BHD. | 2,970,000 | 1.39 |
| 9. | NG GUO-LIANG | 2,896,000 | 1.35 |
| 10. | DATUK (DR.) PHILIP TING DING ING | 2,278,000 | 1.06 |
| 11. | MAYBAN NOMINEES (TEMPATAN) SDN. BHD. Pledged Securities Account for Chew Pok Oi | 2,096,400 | 0.98 |
| 12. | LIM PECK HOON | 1,712,900 | 0.80 |
| 13. | TM ASIA LIFE MALAYSIA BHD. as beneficial owner (PF) | 1,360,000 | 0.63 |
| 14. | SBB NOMINEES (TEMPATAN) SDN. BHD. Kumpulan Wang Persaraan (CAFM A/C 1) | 1,158,700 | 0.54 |
| 15. | CHING CHOOI SIM | 821,500 | 0.38 |
| 16. | KE-ZAN NOMINEES (ASING) SDN. BHD. Kim Eng Securities Pte. Ltd. for Exquisite Holdings Limited | 820,000 | 0.38 |
| 17. | CHING CHOOI KUAN | 730,900 | 0.34 |
| 18. | CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. Pledged Securities Account for Tan Siong An (470676) | 667,800 | 0.31 |
| 19. | YEOW MAY LEE | 658,900 | 0.31 |

| No. | Name | No. of Shares | % |
|--------------|---|--------------------|--------------|
| 20. | AZILA BINTI AHMAD | 579,600 | 0.27 |
| 21. | DYNAQUEST SDN. BERHAD | 570,000 | 0.27 |
| 22. | ALLIANCEGROUP NOMINEES (TEMPATAN) SDN. BHD. Pledged Securities Account for Ng Yoke Yen | 502,000 | 0.23 |
| 23. | EE BENG YEE | 491,500 | 0.23 |
| 24. | NG YOK LEE | 462,200 | 0.22 |
| 25. | KENANGA NOMINEES (TEMPATAN) SDN. BHD. Pledged Securities Account for Kiu Chiong Chin | 402,000 | 0.19 |
| 26. | ONG BENG KEE | 400,000 | 0.19 |
| 27. | RHB CAPITAL NOMINEES (TEMPATAN) SDN. BHD. Pledged Securities Account for Chan Bee Hoon | 365,900 | 0.17 |
| 28. | RHB NOMINEES (TEMPATAN) SDN. BHD. Pledged Securities Account for Gan Soh Choo | 360,000 | 0.17 |
| 29. | KIU CHIONG CHIN | 341,300 | 0.16 |
| 30. | TAN MEI YING | 317,600 | 0.15 |
| TOTAL | | 184,071,936 | 85.89 |

STATEMENT OF SHARE BUY-BACK



STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING PURSUANT TO PARAGRAPH 12.06(2)(a) OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

1. Disclaimer Statement

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

2. Rationale for Renewal of Authority From Shareholders of the Company to Enable the Company to Purchase and/or Hold Up to Ten percent (10%) of its Issued and Paid-Up Share Capital Pursuant to Section 67A of the Companies Act, 1965 ("Proposed Renewal of Authority for Share Buy-Back")

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

- (a) The proposed share buy-back will provide the Company the option to return its surplus financial resources to its shareholders;
- (b) Depending on the effective cost of funding of the shares to be purchased, the earnings per share of the Group may be enhanced (in the case where the shares so purchased are cancelled), and thereby long term investors are expected to enjoy a corresponding increase in the value of their investments in the Company;

- (c) If the shares purchased are kept as treasury shares, the treasury shares may be realised with potential gain without affecting the total issued and paid-up share capital of the Company. Alternatively, the shares purchased can be distributed as share dividends to reward the shareholders of the Company; and
- (d) The Company may be able to stabilise the supply and demand of its shares in the open market and thereby supporting its fundamental value.

3. Retained Profits and Share Premium

Based on the Audited Financial Statements of the Company for the financial year ended 31 December 2008, the retained profits and share premium account of the Company stood at RM6.1 million and RM103.6 million respectively.

4. Source of Funds

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

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

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

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

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

The effects of the proposed share buy-back on the shareholdings of the Directors of Encorp based on the Register of Directors' Shareholdings as at 24 April 2009 and assuming 11,175,000 Encorp Shares, being the maximum number of shares that are purchased and retained as treasury shares authorised under the Proposed Renewal of Authority for Share Buy-Back, and there is no change in the number of shares held by the Directors of Encorp as at 24 April 2009 are as follows:

| Directors | Before Proposed Renewal of Authority for Share Buy-Back | | | | After Proposed Renewal of Authority for Share Buy-Back ^① | | | |
|--|---|------|-------------------------|-------|---|------|-------------------------|-------|
| | Direct | | Indirect | | Direct | | Indirect | |
| | No. of Shares | % | No. of Shares | % | No. of Shares | % | No. of Shares | % |
| Datuk (Dr) Philip Ting Ding Ing | 2,278,000 | 1.06 | - | - | 2,278,000 | 1.07 | - | - |
| Datuk Fong Joo Chung | - | - | - | - | - | - | - | - |
| Efeida binti Mohd Effendi | - | - | 66,636,036 ^② | 31.09 | - | - | 66,636,036 ^② | 31.38 |
| Dato' Chew Kong Seng @ Chew Kong Huat | - | - | - | - | - | - | - | - |
| Datuk Ramli bin Shamsudin | - | - | 66,636,036 ^③ | 31.09 | - | - | 66,636,036 ^③ | 31.38 |
| Datuk (Dr) Zainal Aznam bin Mohd Yusof | - | - | - | - | - | - | - | - |
| Tan Sri Datuk (Dr) Omar bin Abdul Rahman | - | - | 66,636,036 ^③ | 31.09 | - | - | 66,636,036 ^③ | 31.38 |
| Yeoh Soo Ann | - | - | - | - | - | - | - | - |

- ① Assuming that 5% of the existing issued and paid-up share capital of Encorp are bought and retained as treasury shares subsequently.
- ② Deemed substantial interest through the substantial shareholdings in Lavista Sdn. Bhd. held by her and persons connected to her.
- ③ Deemed interest by virtue of their substantial shareholdings in Lavista Sdn. Bhd. held by them in trust.

The effects of the Share Buy-Back on the shareholdings of the major shareholders based on the Register of Substantial Shareholders of the Company as at 24 April 2009 assuming 11,175,000 Encorp Shares, being the maximum number of shares that are purchased and retained as treasury shares authorised under the Proposed Renewal of Authority for Share Buy-Back and there is no change in the number of shares held by the major shareholders of Encorp as at 24 April 2009 are as follows:

| Major Shareholders | Before Proposed Renewal of Authority for Share Buy-Back | | | | After Proposed Renewal of Authority for Share Buy-Back ^① | | | |
|--|---|-------|-------------------------|-------|---|-------|-------------------------|-------|
| | Direct | | Indirect | | Direct | | Indirect | |
| | No. of Shares | % | No. of Shares | % | No. of Shares | % | No. of Shares | % |
| Lavista Sdn. Bhd. | 66,636,036 | 31.09 | - | - | 66,636,036 | 31.38 | - | - |
| Efeida binti Mohd Effendi | - | - | 66,636,036 ^② | 31.09 | - | - | 66,636,036 ^② | 31.38 |
| Tan Sri Datuk (Dr) Omar bin Abdul Rahman | - | - | 66,636,036 ^③ | 31.09 | - | - | 66,636,036 ^③ | 31.38 |
| Datuk Ramli bin Shamsudin | - | - | 66,636,036 ^③ | 31.09 | - | - | 66,636,036 ^③ | 31.38 |
| Anjakan Masyhur Sdn. Bhd. | 40,000,000 | 18.67 | - | - | 40,000,000 | 18.84 | - | - |
| Azhar bin Mohd Awal | - | - | 40,000,000 ^④ | 18.67 | - | - | 40,000,000 ^④ | 18.84 |
| Azman Hanafi bin Abdullah | - | - | 40,000,000 ^④ | 18.67 | - | - | 40,000,000 ^④ | 18.84 |
| Pegang Impian Holdings Sdn. Bhd. | 43,752,000 | 20.42 | - | - | 43,752,000 | 20.61 | - | - |
| Abang Ariffin Bin Abang Bohan | - | - | 43,752,000 ^⑤ | 20.42 | - | - | 43,752,000 ^⑤ | 20.61 |
| Taufiq bin Abdul Khalid | - | - | 43,752,000 ^⑤ | 20.42 | - | - | 43,752,000 ^⑤ | 20.61 |

- ① Assuming that 5% of the existing issued and paid-up share capital of Encorp are bought and retained as treasury shares subsequently.
- ② Deemed substantial interest through the substantial shareholdings in Lavista Sdn. Bhd. held by her and persons connected to her.
- ③ Deemed interest by virtue of their substantial shareholdings in Lavista Sdn. Bhd. held by them in trust.
- ④ Deemed interest by virtue of their substantial shareholdings in Anjakan Masyhur Sdn. Bhd.
- ⑤ Deemed interest by virtue of their substantial shareholdings in Pegang Impian Holdings Sdn. Bhd.

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

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

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

- (a) it will reduce the financial resources of the Group and may result in the Group foregoing better investment opportunities in future or, at least deprive Encorp Group of interest income that can be derived from the funds utilised for the Share Buy-Back; and
- (b) as the Share Buy-Back can only be made out of retained profits and share premium of the Company, it may result in the reduction of financial resources available for distribution to shareholders in the immediate future.

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

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

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

(a) Share capital

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

| | No. of Encorp Shares at RM1/- each (RM) | % |
|--|---|-----|
| Existing issued and paid-up share capital as at 24 April 2009 | 223,508,536 * | 100 |
| Assuming cancellation of shares pursuant to the Proposed Renewal of Authority For Share Buy-Back | (11,175,000) | (5) |
| Issued and paid-up share capital after the Proposed Renewal of Authority for Share Buy-Back and cancellation | 212,333,536 | 95 |

* Including 9,200,800 shares bought and retained as treasury shares as per the Record of Depositors dated 24 April 2009.

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

(b) NA

The effects of the share buy-back on the NA per share of the Encorp Group are dependent on the purchase price of the Encorp Shares at the time of buy back. If all Encorp Shares so purchased are cancelled, the consolidated NA per share of the Group is likely to be reduced if the purchase price exceeds the NA per share, whereas the NA per share of the Group will increase if the purchase price is less than the NA per share of the Group at the time of purchase.

For shares purchased which are kept as treasury shares, upon resale, the NA per share of the Group would increase assuming that a gain has been realised or decreased if a loss is realized. If treasury shares are distributed as share dividends, the NA of the Group would decrease by cost of the treasury shares.

(c) Working Capital

The proposed share buy-back will reduce the working capital of the Group, the quantum of which depends on, amongst others, the number of shares eventually purchased and the purchase price of the shares.

(d) EPS

Assuming that the shares purchased under the share buy-back are cancelled, the share buy-back may increase the EPS of Encorp Group. Similarly, on the assumption that the shares purchased are treated as treasury shares and subsequently resold, the extent of the effect on earnings of Encorp Group will depend on the actual selling price and number of treasury shares resold and the effective gain arising. In the event the shares purchased are held as treasury shares, i.e., neither cancelled nor resold, the effective reduction in the issued and paid-up share capital of Encorp pursuant to the share buy-back would generally, all else being equal, increase the consolidated EPS of the Company.

(e) Dividends

For the financial year ended 31 December 2008, the Company had declared and paid the 5% Single-tier Exempt Interim Dividend.

Assuming the proposed share buy-back is implemented in full and the Company's quantum of dividends is maintained at historical levels, the share buy-back will have the effect of increasing the dividend rate of the Company as a result of the reduction in the issued and paid-up share capital of the Company.

The proposed share buy-back may have an adverse impact on the Company's dividend policy for the financial year ending 31 December 2009 as it would reduce the cash available, which may otherwise be used for dividend payment. Nonetheless, the treasury shares purchased may be distributed as dividends to shareholders of the Company, if the Company so decides.

(f) Shareholdings

The effect of the proposed share buy-back on the percentage of shareholdings of the Directors and substantial shareholders of the Company would depend on the timing of the purchase, the number of shares purchased, if any, and their actual shareholdings at the time of such purchase.

Please refer to Section 5 above for further details on the shareholding structure of Directors and substantial shareholders of the Company.

8. Implication Under the Malaysian Code on Take-Overs and Mergers 1998 (the "Code")

Under the Code, a director and any person acting in concert with him or a relevant shareholder will be required to make a mandatory general offer for the remaining ordinary shares of the Company not already owned by him/ them if his/their stake in the Company is increased beyond 33% or if his/their existing shareholding is between 33% and 50% and exceeds by another 2% in any six (6) months period.

Assuming that the share buy-back is carried out in full, the shareholding of Lavista Sdn. Bhd. will be increased from 31.09% to 31.38% based on the issued and paid up share capital of the Company as at 24 April 2009. In such a case, Lavista Sdn. Bhd. will be obliged to make a mandatory general offer for the remaining ordinary shares in the Company not held by it pursuant to Part II Code 6 of the Code if its shareholdings is further increased beyond 33% as a result of the share buy-back.

Should such circumstances arise, Lavista Sdn. Bhd. and any person acting in concert with it intend to apply for an exemption from implementing a mandatory general offer in accordance with Practice Note 2.9.10 of the Code.

9. Purchase, Resale and Cancellation of Shares Made in the Previous Twelve (12) Months

In the preceding twelve (12) months and as at 24 April 2009, the Company has purchased 9,310,800 of its own shares, the details which are as set out below. All of the shares bought back by the Company are held as treasury shares and none of the treasury shares held were resold or cancelled in the preceding twelve (12) months:

| Date of Purchase | No. of Shares Purchased | Lowest Purchase Price (RM) | Highest Purchase Price (RM) | Average Purchase Price (RM) | Total Purchase Consideration (RM) |
|------------------|-------------------------|----------------------------|-----------------------------|-----------------------------|-----------------------------------|
| 30/04/2008 | 44,000 | 0.960 | 0.975 | 0.968 | 42,285.00 |
| 02/05/2008 | 24,400 | 0.970 | 0.985 | 0.978 | 23,889.00 |
| 05/05/2008 | 98,000 | 0.980 | 1.000 | 0.990 | 97,240.00 |
| 06/05/2008 | 31,000 | 1.000 | 1.000 | 1.000 | 31,000.00 |
| 07/05/2008 | 24,000 | 1.000 | 1.000 | 1.000 | 24,000.00 |
| 08/05/2008 | 39,000 | 0.990 | 1.000 | 0.995 | 38,700.00 |
| 09/05/2008 | 7,000 | 1.000 | 1.000 | 1.000 | 7,000.00 |
| 16/05/2008 | 10,000 | 1.000 | 1.000 | 1.000 | 10,000.00 |
| 20/05/2008 | 100,000 | 0.995 | 1.000 | 0.998 | 99,950.00 |
| 21/05/2008 | 10,000 | 0.990 | 0.990 | 0.990 | 9,900.00 |
| 22/05/2008 | 97,000 | 0.990 | 1.000 | 0.995 | 96,830.00 |
| 23/05/2008 | 100,000 | 0.990 | 1.000 | 0.995 | 99,970.00 |
| 26/05/2008 | 45,100 | 0.995 | 1.000 | 0.998 | 45,049.50 |
| 27/05/2008 | 100,000 | 0.990 | 1.000 | 0.995 | 99,850.00 |
| 28/05/2008 | 100,000 | 0.980 | 1.000 | 0.990 | 99,405.00 |
| 29/05/2008 | 908,900 | 1.000 | 1.000 | 1.000 | 908,900.00 |
| 30/05/2008 | 570,000 | 0.990 | 1.000 | 0.995 | 569,890.00 |
| 02/06/2008 | 1,000,000 | 0.990 | 1.000 | 0.995 | 999,766.00 |
| 03/06/2008 | 280,000 | 0.995 | 1.000 | 0.998 | 279,994.00 |
| 04/06/2008 | 531,000 | 0.995 | 1.000 | 0.998 | 530,995.00 |
| 05/06/2008 | 355,100 | 0.985 | 1.000 | 0.993 | 354,703.50 |
| 27/06/2008 | 47,800 | 0.850 | 0.950 | 0.900 | 44,690.00 |
| 07/07/2008 | 100,000 | 0.780 | 0.780 | 0.780 | 78,000.00 |
| 10/07/2008 | 329,900 | 0.750 | 0.770 | 0.760 | 250,824.00 |
| 11/07/2008 | 100,000 | 0.770 | 0.770 | 0.770 | 77,000.00 |
| 22/07/2008 | 461,000 | 0.680 | 0.730 | 0.705 | 328,040.00 |
| 24/07/2008 | 10,000 | 0.700 | 0.700 | 0.700 | 7,000.00 |
| 06/08/2008 | 118,400 | 0.700 | 0.710 | 0.705 | 83,930.00 |
| 08/08/2008 | 200,000 | 0.710 | 0.720 | 0.715 | 143,000.00 |
| 12/08/2008 | 142,600 | 0.690 | 0.700 | 0.695 | 99,567.00 |
| 14/08/2008 | 250,000 | 0.655 | 0.670 | 0.663 | 166,025.00 |
| 15/08/2008 | 205,500 | 0.650 | 0.660 | 0.655 | 135,575.00 |
| 18/08/2008 | 300,000 | 0.640 | 0.660 | 0.650 | 195,000.00 |
| 19/08/2008 | 300,000 | 0.620 | 0.640 | 0.630 | 189,000.00 |

| Date of Purchase | No. of Shares Purchased | Lowest Purchase Price (RM) | Highest Purchase Price (RM) | Average Purchase Price (RM) | Total Purchase Consideration (RM) |
|------------------|-------------------------|----------------------------|-----------------------------|-----------------------------|-----------------------------------|
| 20/08/2008 | 212,800 | 0.595 | 0.610 | 0.603 | 128,366.00 |
| 21/08/2008 | 2,000 | 0.570 | 0.570 | 0.570 | 1,140.00 |
| 03/09/2008 | 73,000 | 0.690 | 0.700 | 0.695 | 51,070.00 |
| 26/09/2008 | 18,900 | 0.680 | 0.680 | 0.680 | 12,852.00 |
| 30/09/2008 | 2,000 | 0.650 | 0.650 | 0.650 | 1,300.00 |
| 13/10/2008 | 30,000 | 0.600 | 0.610 | 0.605 | 18,070.00 |
| 14/10/2008 | 100,000 | 0.600 | 0.610 | 0.605 | 60,500.00 |
| 17/10/2008 | 7,400 | 0.525 | 0.550 | 0.538 | 3,980.00 |
| 27/11/2008 | 156,000 | 0.550 | 0.650 | 0.600 | 94,150.00 |
| 05/01/2009 | 140,000 | 0.610 | 0.630 | 0.620 | 87,650.00 |
| 06/01/2009 | 12,000 | 0.640 | 0.640 | 0.640 | 7,680.00 |
| 07/01/2009 | 55,000 | 0.620 | 0.630 | 0.625 | 34,600.00 |
| 08/01/2009 | 19,000 | 0.630 | 0.630 | 0.630 | 11,970.00 |
| 13/01/2009 | 29,800 | 0.630 | 0.630 | 0.630 | 18,774.00 |
| 15/01/2009 | 80,200 | 0.620 | 0.630 | 0.625 | 50,224.00 |
| 16/01/2009 | 3,000 | 0.630 | 0.630 | 0.630 | 1,890.00 |
| 19/01/2009 | 40,300 | 0.640 | 0.680 | 0.660 | 27,004.00 |
| 20/01/2009 | 93,000 | 0.670 | 0.680 | 0.675 | 62,810.00 |
| 22/01/2009 | 98,600 | 0.690 | 0.700 | 0.695 | 68,583.50 |
| 23/01/2009 | 50,000 | 0.700 | 0.700 | 0.700 | 35,000.00 |
| 03/02/2009 | 150,000 | 0.700 | 0.720 | 0.710 | 106,500.00 |
| 04/02/2009 | 13,200 | 0.700 | 0.700 | 0.700 | 9,240.00 |
| 05/02/2009 | 12,900 | 0.700 | 0.700 | 0.700 | 9,030.00 |
| 11/02/2009 | 27,000 | 0.700 | 0.700 | 0.700 | 18,900.00 |
| 24/02/2009 | 52,000 | 0.660 | 0.670 | 0.665 | 34,820.00 |
| 26/02/2009 | 1,000 | 0.660 | 0.660 | 0.660 | 660.00 |
| 27/02/2009 | 42,000 | 0.680 | 0.680 | 0.680 | 28,560.00 |
| 19/03/2009 | 150,000 | 0.660 | 0.680 | 0.670 | 100,500.00 |
| 24/03/2009 | 150,000 | 0.660 | 0.680 | 0.670 | 100,500.00 |
| 06/04/2009 | 50,000 | 0.660 | 0.660 | 0.660 | 33,000.00 |
| 07/04/2009 | 50,000 | 0.695 | 0.695 | 0.695 | 34,750.00 |
| 09/04/2009 | 30,000 | 0.680 | 0.680 | 0.680 | 20,400.00 |
| 10/04/2009 | 60,000 | 0.680 | 0.690 | 0.685 | 41,100.00 |
| 13/04/2009 | 60,000 | 0.690 | 0.710 | 0.700 | 42,000.00 |
| 16/04/2009 | 90,000 | 0.730 | 0.750 | 0.740 | 66,600.00 |
| 22/04/2009 | 90,000 | 0.700 | 0.719 | 0.710 | 63,860.00 |
| 24/04/2009 | 20,000 | 0.730 | 0.730 | 0.730 | 14,600.00 |

10. Public Shareholding Spread

As at 24 April 2009, the public shareholding spread of Encorp was 27.58%. The public shareholding spread is expected to be reduced to 26.70% assuming the share buy-back is 11,175,000 Encorp Shares with the purchase from the market and all the Encorp Shares so purchased are cancelled. The Company will not undertake any share buy-back if that will result in a breach of paragraph 8.15(1) of the Listing Requirements of Bursa Securities, which requires the Company to maintain a shareholding spread of at least 25% of its total listed shares in the hands of 1,000 public shareholders holding not less than 100 shares each applicable in relation to companies having nominal value of issued and paid-up capital of RM60 million. The Board is mindful of the shareholding spread requirement and will continue to be mindful of the requirement when making any purchase of Encorp Shares by the Company.

11. Directors' Statement

This Statement has been seen and approved by the Board of Directors and they individually and collectively accept full responsibility for the accuracy of the information given in this Statement and confirm that, after making all reasonable enquiries, to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

Having considered all aspects of the proposed share buy-back, the Board of Directors is of the opinion that the Proposed Renewal of Authority for Share Buy-Back is fair, reasonable and in the best interest of the Company.

12. Directors' Recommendation

The Board of Directors recommends that you vote in favour of the Ordinary Resolution for the Proposed Renewal of Authority for Share Buy-Back to be tabled at the forthcoming AGM.

13. Other Information

There is no other information concerning the Proposed Renewal of Authority for Share Buy-Back as shareholders and their professional advisers would reasonably require and expect to find in this Statement for the purpose of making informed assessment as to the merits of approving the Proposed Renewal of Authority for Share Buy-Back and the extent of the risks involved in doing so.



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

PROXY FORM

| | |
|--------------------|--|
| No. of shares held | |
|--------------------|--|

I / We _____ NRIC No. _____ of _____

being a member /members of ENCORP BERHAD, hereby appoint _____ of _____
_____ or failing him, _____ of _____
_____ or failing him the Chairman of the Meeting as my/our proxy to vote for me/us and on my/our
behalf at the Ninth Annual General Meeting of the Company, to be held on Wednesday, 24 June 2009 at 2.30 p.m. at Entebar Room,
1st Floor, Hilton Kuching, Jalan Tunku Abdul Rahman, 93748 Kuching, Sarawak and at any adjournment thereof.

ORDINARY BUSINESS

FOR AGAINST

| | | |
|--|--|--|
| 1. To receive the Audited Financial Statements for the financial year ended 31 December 2008 together with the Directors' Report and Auditors' Report thereon. | | |
| 2. To approve the Directors' Fees for the financial year ended 31 December 2008. | | |
| 3. To re-elect Tan Sri Datuk (Dr) Omar bin Abdul Rahman, who shall retire pursuant to Section 129(6) of the Companies Act, 1965. | | |
| 4. To re-elect Dato' Chew Kong Seng @ Chew Kong Huat, who shall retire pursuant to Section 129(6) of the Companies Act, 1965. | | |
| 5. To re-elect Yeoh Soo Ann who shall retire in accordance with Article 81 of the Company's Articles of Association. | | |
| 6. To re-elect Datuk Ramli bin Shamsudin who shall retire in accordance with Article 81 of the Company's Articles of Association. | | |
| 7. To re-appoint Messrs Ernst & Young as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. | | |

SPECIAL BUSINESS

| | | |
|---|--|--|
| 8. Ordinary Resolution 1 - Authority to allot shares pursuant to Section 132D of the Companies Act, 1965. | | |
| 9. Ordinary Resolution 2 - Proposed renewal of authority for share buy-back. | | |

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

As witness my/our hand(s) this _____ day of _____ 2009.

Signature _____

Notes:

- A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 ("the Act") shall not apply to the Company.
- If the appointer is a corporation, the form of proxy must be given under its common seal or under the hand of an officer or attorney of the corporation duly authorised.
- A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting provided that the provision of Section 149(1)(c) of the Act is complied with.
- 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.
- The instrument appointing a proxy and the power of attorney or other authority, if any, must be deposited at the Registered Office of the Company at Level 2, Block B-59, Taman Sri Sarawak Mall, Jalan Tunku Abdul Rahman, 93100 Kuching, Sarawak not less than forty-eight (48) hours before the time set for holding the meeting or any adjournment thereof.

The Company Secretary
ENCORP BERHAD (506836-X)
Level 2, Block B-59
Taman Sri Sarawak Mall
Jalan Tunku Abdul Rahman
93100 Kuching
Sarawak

PLACE
STAMP
HERE



ENCORP
BERHAD

Level 18 Wisma SunwayMas, No. 1 Jln Tengku Ampuan Zabedah C9/C, Seksyen 9, 40100 Shah Alam, Selangor Darul Ehsan, Malaysia
(Tel) 603-5891 8777 (Fax) 603-5891 8779

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