

2005



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BOARD OF DIRECTORS

Tan Sri Datuk Dr Omar bin Abdul Rahman
Yeoh Soo Ann
Efelda binti Mohd Effendi
Datuk Fong Joo Chung
Datuk (Dr) Philip Ting Ding Ing
Datuk Dr Zainal Aznam bin Mohd Yusof
Dato' Chew Kong Seng @ Chew Kong Huat
Mohd Ezra Effendi bin Mohd Effendi Norwawi
(Resigned on 25 August 2005)
Datuk Ramli bin Shamsudin
(Appointed on 27 April 2006)

Non-Executive Chairman, Independent, Non-Executive Director
Non-Independent, Executive Director
Non-Independent, Executive Director
Non-Independent, Non-Executive Director
Independent, Non-Executive Director
Independent, Non-Executive Director
Senior Independent, Non-Executive Director
Non-Independent, Non-Executive Director

Non-Independent, Executive Director

AUDIT COMMITTEE

Datuk (Dr) Philip Ting Ding Ing
Tan Sri Datuk Dr Omar bin Abdul Rahman
Datuk Dr Zainal Aznam bin Mohd Yusof
Efelda binti Mohd Effendi

Chairman
Member
Member
Member

NOMINATION COMMITTEE

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

Chairman
Member
Member

REMUNERATION COMMITTEE

Datuk Fong Joo Chung
Tan Sri Datuk Dr Omar bin Abdul Rahman
Dato' Chew Kong Seng @ Chew Kong Huat
Efelda binti Mohd Effendi

Chairman
Member
Member
Member

COMPANY SECRETARY

Chua Siew Chuan (MACSA 0777629)

REGISTERED OFFICE

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

Tel: 082-42 8 62 6 Fax: 082-42 3 62 6

SHARE REGISTRAR

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

Tel: 603-2084 9000 Fax: 603-2094 9940

PRINCIPAL BANKERS

RHB Bank Berhad
Bumiputra-Commerce Bank Berhad

AUDITORS

Ernst & Young

SOLICITORS

Kiru & Yong
Zaid Ibrahim & Co

STOCK EXCHANGE LISTING

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

ENCORP MISSION

Enriching the Quality of Life and Creating Value for all its stakeholders.

ENCORP CORE VALUES

Superior Quality

Everything that Encorp does or provides for internal and external customers will be of superior quality based on World-Class standards.

Value Focused

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

Innovative

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

Dynamic

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

Integrity

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

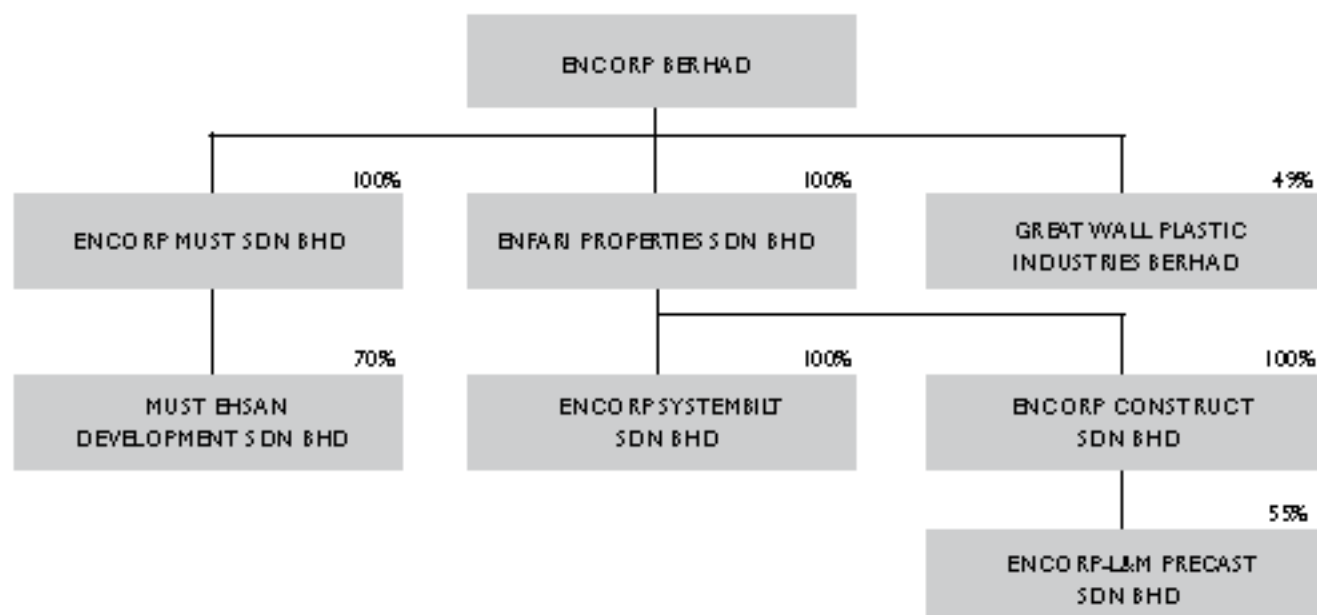
People Oriented

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

ENCORP BERHAD

Group Financial Highlights	2005 (RM'000)	2004 (RM'000)
Revenue	114,546	557,171
Profit / (loss) before taxation	4,123	(2,747)
Taxation	(617)	(2,948)
Profit / (loss) after taxation	3,506	(5,695)
Profit / (loss) attributable to shareholders	3,595	(5,784)
Paid-up capital	223,509	223,509
Shareholders' funds	350,577	346,982
Total net tangible assets	153,573	137,632
Earnings / (loss) per share (sen)	1.61	(2.59)
Net tangible assets per share (RM)	0.69	0.62





Subsidiary / Associate Company	Percentage	Principal Activity	Place of Incorporation
Encorp Must Sdn Bhd	100	Investment Holding and Property Management	Malaysia
Must Bhsan Development Sdn Bhd	70	Property Development	Malaysia
Enfari Properties Sdn Bhd	100	Investment Holding	Malaysia
Encorp Systembilt Sdn Bhd	100	Concessionaire for the design, construction and completion of 10,000 units of apartments as teachers' quarters	Malaysia
Encorp Construct Sdn Bhd	100	Property Construction	Malaysia
Encorp-L & M Precast Sdn Bhd	55	General Contracting - Dormant	Malaysia
GreatWall Plastic Industries Berhad	49	Manufacturing and marketing of plastic film packaging products	Malaysia





YBHG TAN SRI DATUK DR OMAR BIN ABDUL RAHMAN

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

Tan Sri Datuk Dr Omar (Malaysian, aged 73) was appointed to the Board on 17 June 2003. He was appointed as Non-Executive Chairman of Encorp Berhad on 23 February 2005.

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

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

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

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



YEOH SOO ANN

Non-Independent, Executive Director

Yeoh, (Malaysian, aged 45) joined the Board of Encorp Berhad and was appointed as Group Chief Executive Officer on an acting capacity on 18 November 2003.

Yeoh has been member of the Malaysian Institute of Certified Public Accountants and the Malaysian Institute of Accountants since 1988. He has worked in various public accounting firms including Ernst & Young in the United Kingdom and Pricewaterhouse Coopers for more than 12 years, before moving into the commercial sector.

Prior to joining Encorp Group, he was Executive Director of Finance of FACB Industries Incorporated Berhad, a company listed on Bursa Malaysia Securities Berhad.

Yeoh is a director of Great Wall Plastic Industries Berhad.

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



EFEIDA BINTI MOHD EFFENDI

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

Beida was appointed to the Board of Encorp Berhad on 16 April 2001.

She is Executive Director of the Centre for Advanced Design (CENRAD), a leading art and design education establishment.

A Bachelor of Fine Arts degree holder from the prestigious Parsons School of Design, New York, Beida carved a niche in several leading architectural firms in New York before returning to Malaysia.

She has deemed substantial interest in the Company through the substantial shareholdings in Lavista Sdn Bhd held by her and persons connected to her.

Beida has not been convicted of any offence within the past 10 years.



YBHG DATUK UK FONG JOO CHUNG

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

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

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

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

He is currently director of Sarawak Enterprise Corporation Berhad and Bintulu Port Holdings Berhad.

Datuk Fong does not have any family relationship with any Director and/or major shareholder and has no conflict of interest with the Company.

Datuk Fong has not been convicted of any offence within the past 10 years.

**YBHG DATUK (DR) PHILIP TING DING ING**

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

Datuk (Dr) Philip Ting (Malaysian, aged 54) was appointed to the Board of Encorp Berhad on 16 April 2001.

A Chartered Accountant of Australia by profession, Datuk (Dr) Philip Ting began his career in Touche Ross & Co. in Australia in 1974. He joined Hanafiah Raslan & Mohamad in Malaysia in 1976 and served in various capacities for 13 years. He was also Group Managing Director of conglomerate Cahya Mata Sarawak Berhad (1994-1998) and Chief Executive Officer of Sarawak Securities, Sarawak's first stock-broking company.

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

Other than the 2,278,000 shares held by Datuk (Dr) Philip Ting in the Company, he does not have any other interest in the Company. He has no family relationship with any Director and/or major shareholder, and has no conflict of interest with the Company.

Datuk (Dr) Philip has not been convicted of any offence within the past 10 years.

**YBHG DATUK DR ZAINAL AZNAM BIN MOHD YUSOF**

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

Datuk Dr Zainal Aznam (Malaysian, aged 61) joined the Board of Encorp Berhad on 21 April 2003.

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

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

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

Datuk Dr Zainal Aznam's current directorships include HSBC Bank Malaysia Berhad, Kinta Kelas Berhad and Permodalan Eon Berhad. He was a Commissioner in the Securities Commission from 1999 to 2004.

Datuk Dr Zainal Aznam has no family relationship with any Director and/or major shareholder, nor any conflict of interest with the Company.

Datuk Dr Zainal 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*

Dato' Chew (Malaysian, aged 68) was appointed to the Board of Encorp Berhad on 2 December 2002.

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

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

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

Dato' Chew has no family relationship with any Director and/or major shareholder; nor any conflict of interest with the Company.

Dato' Chew has not been convicted of any offence within the past 10 years.

**YBHG DATUK RAMLI BIN SHAMSUDIN***Non-Independent, Executive Director*

Datuk Ramli bin Shamsudin (Malaysian, aged 60) was appointed to the Board of Directors on 27 April 2006.

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

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

He has a MBA from Victoria University, Melbourne, Australia, a Masters degree in Defence Studies from Allahabad University, India and a Fellow Commoner of the Management Programme at Wolfson College of Cambridge University, United Kingdom.

Datuk Ramli is currently the Group Director of Encorp Berhad overseeing the Company's employees' development activities, cost rationalisation initiatives, procurement and also to provide assistance in business development.

Datuk Ramli has no family relationship with any Director and/or major shareholder; nor any conflict of interest with the Company.

Datuk Ramli has not been convicted of any offence within the past 10 years.

On behalf of the Board of Directors, I have pleasure in presenting Encorp Berhad's Annual Report for 2005.

We began 2005 on a high note, having successfully handed-over the teachers' quarters project to the Government of Malaysia the year before. The momentum continued with our team's attention turned to property development at Encorp's two land-banks. Although still in the early stages, we have already achieved several successes. Construction of Encorp's residential development at Cahaya Alam is ahead of schedule, whilst response to the sales launch of our vibrant commercial development in Kota Damansara called de Strand Damansara, has been beyond expectations. Apart from making significant contributions to the future profits of our Group, these early successes in property development serve as an inspiration for greater achievement in the future.

The experience from the teachers' quarters project involving the construction of 10,000 units of apartments in 109 locations throughout the country gave Encorp a valuable experience and expertise in undertaking large and physically demanding projects. As a result, Encorp is today recognized as a reputable construction management company that delivers on its promises. Our Company is also recognised for its hands-on experience in using the Industrialised Building Systems (IBS) technology which was commended by the Prime Minister of Malaysia. The Construction & Industry Development Board of Malaysia (CIDB) as well as other players in the industry also recognise Encorp for its successful use of IBS. This recognition has been hard-earned and puts Encorp on good foundation to pursue opportunities in our core businesses of construction management and property development in line with the Government's efforts in promoting IBS as a form of construction methodology.

Encorp made a profit turnaround in 2005, registering a profit before tax of RM4.12 million for the financial year ended 31 December 2005. This was an improvement over the Company's loss before tax of RM2.75 million in 2004. Profit after tax and minority interests was RM3.59 million in 2005 compared to a loss of RM5.78 million in the previous year.

The completion of the teachers' quarters in 2004, however, meant a lower revenue stream for the Group last year. Compared to a revenue of RM557.17 million in 2004, Encorp Berhad registered revenue of RM114.55 million in 2005 from annuity interest income arising from concession payments of the teachers' quarters and from sales at Encorp's two property developments. The drop in revenue is in line with the successful completion and handing over of the teachers' quarters project to Ministry of Education.

As mentioned briefly earlier, Encorp's property development sector had a busy and exciting year in 2005. Malaysia's growth rate of 5.3% last year added to the healthy core demand for property in the country. Our young population continued to actively invest in property as shown in the consistently good take-up rates of landed terraced houses, semi-detached units and bungalows. And as this population moves up the income ladder, we foresee that they will demand better quality and bigger homes.

The residential property sector remained active in 2005. Sales of houses priced at RM250,000 and above strengthened by 32% during the first half of 2005, a result of higher disposable income, and a preference for better quality housing and new lifestyle-based features. Buyers were attracted by developments promoting total lifestyle concepts that were equipped with good infrastructure, innovative architecture, attractive landscaping and security features.



This trend has helped our two property developments, which are also located in prime and easily accessible areas in the Klang Valley. In 2005, the team was kept busy with sales launches and road-shows which among others, saw better than expected response to the sales launches of the 3 ½ and 4 ½ storey commercial units at de Strand Damansara. In 2005, we have also commenced land-clearing on both our developments and construction at Cahaya Alam in Shah Alam.

The past year was also a good one for Encorp's manufacturing investment in the plastic film packaging industry. Despite increased cost of raw materials and greater competition, GreatWall Industries Berhad has contributed a revenue of RM189.87 million and profit for the year of RM10 million.

Going forward, the year of 2006 holds much promise. The outlook remains positive with the Malaysian economy expected to grow by 6%. Though inflation is anticipated to rise in 2006 from a 3% in 2005, largely due to higher global oil prices which in turn affects various segments of the value chain, the Government is taking active steps to reduce the inflation which we believe will assist to curb further increase.

The much-awaited and highly anticipated Ninth Malaysia Plan was unveiled at the end of March 2006. This well thought-out 5-year Masterplan to address the Nation's growth over the 2006 – 2010 period is all-encompassing in giving Malaysia that final push towards achieving developed nation status by 2020. Most pleasing to our ears is the optimism that Malaysia's economy will grow at 6% a year under the Ninth Malaysia Plan, and that the construction sector will receive a major boost. After 2 consecutive years of contraction, the news that the construction sector will grow by an average 3.5% per annum is much welcomed.

For Encorp, the plans and programmes announced under the Ninth Malaysia Plan could not have come at a better time. Encorp is today well-positioned and more than ready to participate in projects in the local construction and property sectors, where we can add value with our unique experience in the IBS technology.

Focusing on the local market is not the only avenue for Encorp's future growth. Our experience with IBS has opened doors for us to venture overseas. We are currently assessing several opportunities for projects in foreign countries, particularly in public housing type of ventures where we can replicate our success of raising financing and ensuring that the project is completed within the set time-frame and budget.

We expect 2006 to be a challenging year for the property sector. Competition among developers is expected to be intense. Consumers will be more selective; looking towards prime areas and projects undertaken by reputable developers. Given these challenges, we are confident that our property developments, with its unique features and prime location, will continue to do well in 2006.

In conclusion, 2005 has been a good year for the team at Encorp. We have made our mark in the construction and property sectors. And now the journey becomes more exciting. Our internal war cry of "Looking Ahead" aptly describes our mission for 2006, as the environment is right for Encorp to grow.

Getting this far would not have been possible without the support and commitment of Encorp's stakeholders. For this, I would like to say a heartfelt "Thank You" to our dedicated members of the Board of Directors for their wise counsel and direction on strategies for the Group. My appreciation also goes to our professional team of Management and employees, for their full commitment towards the success of the Company. And finally a big "Thank You" to you, shareholders of Encorp Berhad, for your trust in our team. We look forward to your continued support.

The future holds much promise. I invite you to stay on the journey with us.

Tan Sri Datuk Dr Omar Abdul Rahman
Chairman

CONSTRUCTION MANAGEMENT

Encorp Berhad's construction management arm operates under Bifari Properties Sdn Bhd. It has two subsidiaries:

- Encorp Systembilt Sdn Bhd (ESSB), the concessionaire for the development of 10,000 units of the privatised teachers' quarters project for the Ministry of Education, Malaysia.
- Encorp Construct Sdn Bhd (ECSB), the company which managed construction of the teachers' quarters project.

Encorp successfully developed 10,000 units of teachers' quarters housing in 9 states throughout Malaysia for the Government. The project's hand-over ceremony in June 2004 was witnessed by the Prime Minister of Malaysia. The project was a milestone achievement for Encorp for various reasons, mainly because:

- Our Company demonstrated an ability to build aesthetically beautiful, functional and quality housing at an affordable price for our client, the Ministry of Education, Malaysia.
- With the Government's emphasis on social development, Encorp was proud to have made an instrumental contribution to the Nation by providing sufficient and quality housing for teachers, a profession which plays an important role in nurturing future leaders.

The main achievements of Encorp's construction management sector in 2005 were related to the teachers' quarters project. These were to fulfill remaining obligations to the Ministry of Education, Malaysia under the Privatization Agreement, such as:

- Assisting to secure Certificates of Fitness for the remaining sites.
- Rectification works as provided for within the Warranty Period.
- Addressing the issue of Claims for additional works. In finding a resolution to these Claims, an external auditor, Pricewaterhouse Coopers (PwC), was appointed to provide an independent evaluation on the Claims. Under the first phase of verification of the Claims for additional works, the external auditor reviewed all documentation and correspondences between Encorp and the Ministry of Education. Where recently, the external auditor and their legal advisor, Shearn Delamore & Co, have jointly concluded that Encorp is entitled to make Claims in line with the Privatisation Agreement. These findings have been endorsed by the Ministry of Education.
- The second phase of quantifying the amount which Encorp is entitled to for the additional works is currently in progress.
- Commenced technical discussions with the Ministry of Education, Malaysia on the Extension of Time claims in order to reach a fair resolution. With the project covering a total of 109 individual sites, with different site constraints, varying dates of hand-over of the sites from the Ministry of Education to Encorp, there are differences in construction period and completion dates. As such, the issue Extension of Time is complex in nature, and requires further time for a final conclusion.



The teachers' quarters project remains a proud achievement for Encorp also for its success in using prefabricated building technology in the construction of this massive project. The use of such technology is in line with the Government's effort to shift the construction industry towards the use of more Industrialized Building Systems (IBS) technology. This is to address:

- A reduction in the country's dependence on foreign labour;
- The usage of innovation in technology for the construction industry;
- The promotion of a conducive site condition which is cleaner, safer, with overall more efficient work methods.

In the process, Encorp is most proud to have built up a technically competent internal team to face challenges of similar magnitude or greater. As a proponent of the IBS construction methodology, we are ensuring that our processes are well-documented, with actions and results analysed so that we can find improvements based on our valuable experience in the teachers' quarters project journey. This is to prepare Encorp for future projects.

In addition to building Encorp's capabilities, the experience also contributed to the transfer of technology to a large group of Bumiputera contractors to handle and implement the IBS technology.

As a result of Encorp's success in using the IBS technology, our Company has since been invited by many government agencies to share our hands-on experience on the IBS implementation.

The experience has also proved to be an added advantage in Encorp's ventures overseas. In one case, Encorp was invited to directly participate in a foreign country's public housing project.

Negotiations, some at an advanced stage, are on-going towards an effort to bring Encorp's expertise in the usage of IBS regional and global

In 2005, the Group's construction management operations recognised a revenue of RM103.76 million being annuity interest income from the Government of Malaysia for the teachers' quarters project.

PROPERTY DEVELOPMENT

With the property sector closely correlated to the health of the economy, buying interest remained sustained in 2005 for well-planned residential properties in good locations and undertaken by reputable developers. The effect of sustained high oil prices did have an effect on the market towards the second half of the year as investors on the stock market looked to find a more stable level of trading. Nevertheless, favourable structural trends such as young demographics, rapid urbanization, shrinking household size, growing per capita income and ease of financing, indicate that the property sector will continue to grow.

Competition amongst players in the Malaysian property sector was rife in 2005, with the acceleration of property launches by key market players during the year.

Another challenge for property developers was careful project planning to mitigate the impact of rising construction costs due to higher global oil prices, and to protect profit margins.

The promotion of RBTS (real estate investment trusts) was a good move as it allowed property companies to convert investment-grade assets with high income/rental yields into cash. The tax incentives offered under Budget 2005 to promote RBTS had a positive effect to encourage the growth of RBTS. RBTS also provided an alternative and more "liquid" avenue for conventional property ownership, creating a strong spillover effect for the property industry as a whole.

Going forward, concerns over increased interest rates and petrol prices in 2006 are expected to impact consumer sentiment. However, Encorp believes this situation can be overcome with strong marketing strategies and branding initiatives to create product differentiation. And with the Malaysian economy's continued growth trend, we are confident of further sales of our attractive, uniquely the mid and affordable developments set in prime locations.

Encorp is keen to build a reputation as a capable builder of affordable properties with excellent designs, superior workmanship and finishing, complete with amenities, within a well-planned development. The Group's two property developments at Cahaya Alam and de Strand Damansara give us an excellent platform to demonstrate these capabilities. The Group's property development subsidiary is Must Bisan Development Sdn Bhd, which contributed a revenue of RM10.79 million in 2005 to the Group's performance.

Cahaya Alam, Shah Alam

Encorp's Cahaya Alam project is strategically located on a 209 acre site at Section U12 of Shah Alam, Selangor Darul Bisan, with easy accessibility from both the NKVE and Section 7 of Shah Alam.

Scheduled to take between 6 to 7 years to complete, Encorp's Cahaya Alam project comprises a mixed development of 2,414 units of link and semi-detached houses, shop-houses, apartment blocks and flats.

The mid "Your Dream Home - Only It's Real", Cahaya Alam is a precinct development designed for practical, functional and modern homes that will be supported with amenities to promote an active lifestyle for its residents. These include an interactive, first-of-its-kind, landscaped linear park, smart schools and mosque.

Much of Cahaya Alam's development is centered around the central landscaped linear park. A generous provision for playing fields and recreational areas has been provided for within a comfortable walking distance from the homes. Jogging, walking and cycling tracks, as well as dedicated exercise and family recreational areas are also provided for.

Private cul-de-sac, a generous network of wide roads, and subtle segregation of residential and commercial traffic will further enhance Cahaya Alam's appeal as a choice residential investment.

Double-storey housing lots range from 22' x 75' up to 40' x 90' in size. A selection of homes has even been designed with water frontage for added quality of life.

The development of Cahaya Alam is made up of 16 parcels. The location of various parcels has been planned to allow for better security and improved access to Cahaya Alam's many recreational facilities. Lakeside landscape treatment, and hard and softscape planning will further enhance the natural tropical ambience. Careful planning of Cahaya Alam's streetscape, to enhance the tropical feel of the neighborhood, is another area of detail that is being developed for the project.

Parcel A, comprising 115 units of double-storey link houses, saw 95% take-up during its sales launch in October 2004. Construction of Parcel A is underway and is targeted to be physically complete by July 2006.

Parcel B comprises 157 units of double-storey link houses. These were launched in August 2005. Whilst sales were encouraging, a softening of the overall property market during the year saw slower take up of Parcel B compared to Parcel A.

To counter the price sensitive, buyers' market, Encorp actively participated in several property expos and road-shows in 2005. These efforts have proven to be effective in boosting sales.

Reputable contractor, IJM Construction Sdn Bhd, has been appointed as the turnkey contractor for Cahaya Alam. Encorp is confident that the appointment will ensure a high level of quality in construction of the project, and minimize our funding exposure and mitigate financial risks associated with the critical construction phase.

Kota Damansara

Encorp's plans for its 45.6 acre land-bank in the prime area of Kota Damansara is a commercial development called de Strand Damansara. Located in the town-centre of Kota Damansara, Selangor Darul Ehsan, the area is adjacent to Dataran Sunway and easily accessible from the NKVE and Lebuhraya Damansara-Puchong.

To take advantage of its excellent location which fronts major highways, the approved Masterplan of de Strand Damansara comprises:

Phase 1:

- 229 intermediate units of 3 1/2-storey shophouses/offices
- 36 corner units of 4 1/2-storey shophouses/offices
- 2 "condo-tel" service apartment towers of 11 floors each comprising 132 service apartments
- One 6-storey podium of commercial and car park complex fronting a 90' wide and 800' long "vehicle-free" pedestrian plaza with ground floor "al-fresco" dining along the Boulevard

Phase 2:

- Approximately 500,000 square feet of office space in 3 blocks of 15-storey office towers, de Strand Damansara has been planned as a modern mixed commercial/residential development centre to maximise the potential of the site. In doing so, various development designs were studied. Based on the options and in line with market sentiment, Encorp opted for the 3 1/2-storey, 24' x 65', shop offices to take up a large part of the developable land. This is to take advantage of the current buoyant market for this type of property where the additional half-storey on the third floor, which serves as a mezzanine floor, can provide for improved marketability of the upper floors and the block of shops as a whole.

The 24' x 65' unit dimension was chosen over the typical 22' x 75' unit dimension currently being developed on adjacent properties as it provides for better marketability due to a wider frontage and comparable floor area. Various retail components within the podium have also been incorporated to enhance the ambience of the development.

The "condo-tel" towers have been incorporated to provide a 24-hour flow of traffic within the development's commercial area.

Phase 1 will be developed in 6 parcels. The soft sales launch in October 2005 for 101 units of shophouses as part of Parcel 1A, 1B and 1C saw more than 90% take-up.

MANUFACTURING

GreatWall Plastic Industries Berhad

Encorp Berhad's manufacturing operations are through its associate company, GreatWall Plastic Industries Berhad (GWPB), in which Encorp holds a 49% shareholding.

GWPB is one of the largest integrated flexible plastic packaging firms in Malaysia. It has a modern and spacious integrated factory in Rawang, Selangor Darul Ehsan, which can accommodate increased production. In order to differentiate itself from domestic competitors, the Company has invested in state-of-the-art technologies including new extrusion machines. These factors make GWPB well-positioned to tap into bigger markets, both locally and in the surrounding Asia-Pacific region. GWPB's unrelenting commitment to quality has also contributed positively to its strong reputation. Apart from being certified with ISO 9001:2000, GWPB's Quality Assurance laboratory was expanded in 2002 as part of a continuous upgrading of quality control facilities to improve superiority of its products.

The year 2005 continued to be challenging for GWPB. Increased competition in the market and escalating costs of its raw material, plastic resin, as a result of increasing prices of crude oil, affected operations.

To stay ahead of the competition under such challenging market conditions, GWPB invested in another unit of the latest state-of-the-art 5-layers blown film extruder from Germany. This new machinery enabled GWPB to tap into new markets and product lines.

In order to mitigate the adverse effects of the high cost of raw materials, an emphasis was placed on cost optimisation, continued productivity and efficiency measures. These efforts, coupled with an effective production/sales mix with a higher proportion of value-added products, allowed GWPB to register a substantially higher turnover of RM189.9 million in 2005, an increase of 13.8% against RM166.8 million registered in 2004.



GWPB's profit before tax for the year ended 31 December 2005 was a record RM12.7 million against RM10.8 million in 2004, which translated to a 17.6% increase despite challenging market conditions.

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

The Board is pleased to present the following report on the application of principles and compliance with best practices as set out in the Code:

I. BOARD OF DIRECTORS

Composition of the Board – Board Balance

The Board consists of eight (8) members. The composition of the Board is well balanced with an effective mix of three (3) Executive Directors, five (5) Non-Executive Directors of whom four (4) are independent as defined under the Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Malaysia).

All Directors have vast experience in various fields and possess the necessary skills to exercise independent judgment on the issue of strategy, performance, resources and standards of conduct.

Four (4) independent Directors provide independent views, evaluation as well as advice in Board deliberations. The clear division of responsibility within the Board is to ensure the interests of the Group, shareholders, employees, customers, suppliers and other business associates are being safeguarded. No individual or small group of individuals can dominate the Board's decision making.

To ensure that there is a balance of power and authority, the roles of the Chairman and the Group Chief Executive Officer are separated and clearly defined. The Chairman is responsible for ensuring Board effectiveness and conduct, whilst the Group Chief Executive Officer has overall responsibility to manage the operations, organizational effectiveness and implementation of policies and decisions.

Six (6) Board meetings and an annual general meeting were held during the financial year ended 31 December 2005. A summary of attendance of the Board members for the financial year ended 31 December 2005 is as follows:

Name of Director	No. of Meetings Attended	Attendance (%)
Tan Sri Datuk Dr Omar bin Abdul Rahman	5/6	83
Yeoh Soo Ann	5/6	83
Belda binti Mohd Effendi	4/6	67
Datuk Fong Joo Chung	4/6	67
Datuk (Dr) Philip Ting Ding Ing	6/6	100
Datuk Dr Zainal Azam bin Mohd Yusof	6/6	100
Dato' Chew Kong Seng @ Chew Kong Huat	5/6	83
Mohd Ezra Effendi bin Mohd Effendi Norwazi (Resigned on 25 August 2005)	2/5	40

Supply of Information

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

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

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

All Directors also have direct access to advice and services of the Company Secretary who is responsible for ensuring that Board procedures are adhered to in accordance with the Companies Act, 1965 and the Memorandum and Articles of Association of the Company.

Board Responsibilities

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

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

2. BOARD COMMITTEES

• The Audit Committee

The Audit Committee was setup with the objective to assist the Board in fulfilling its responsibilities relating to financial reporting of the Company and its subsidiaries. The members and the terms of reference of the Audit Committee are set out on page 21-24.

• The Nomination Committee

The Nomination Committee has been assigned the responsibility for proposing new nominees for the Board, as well as recommending to the Board, to fill the seats on Board Committees. The Committee deliberates on the proposed re-election of retiring directors. In addition, the Committee evaluates and recommends 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 Team reporting to the Group Chief Executive Officer.

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

The Committee meets as and when required, and at least once a year.

The members of the Nomination Committee are as follow:

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

• The Remuneration Committee

The Remuneration Committee is responsible for establishing and recommending the remuneration package for the Executive Directors, Independent Directors as well as the Group Chief Executive Officer and Senior Management Team of the Company and Group. The Committee ensures that a strong link is maintained between the level of remuneration and individual performance. The Committee is also responsible for reviewing and recommending to the Board the new Employees Shares Option Scheme and/or amendments to the existing Scheme and to consider other matters as referred to the Committee by the Board.

The Committee meets as and when required, and at least once a year.

The members of the Remuneration Committee are as follow:

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

Directors' Training

All the Directors with the exception of YBhg Datuk Ramli bin Shamsudin, the newly appointed Executive Director, have attended the Bursa Malaysia Securities Berhad ("Bursa Malaysia") Mandatory Accreditation Programme ("MAP"). YBhg Datuk Ramli bin Shamsudin has a period of four months from the date of his appointment to complete the MAP.

In addition, the Directors who fall within the ambit of Practice Note No. 152003 – Continuing Education Programme ("CEP") have managed to accumulate their 72 CEP points within the timeframe allowed by Bursa Malaysia except for YBhg Datuk Dr Zainal Azam bin Mohd Yusof. Bursa Malaysia has granted an extension of time to YBhg Datuk Dr Zainal Azam to accumulate his CEP points.

During the financial year 2005, all the Directors have attended seminars / trainings.

However, all the Directors will attend further training programs from time to time to keep abreast with the relevant changes and developments in laws and regulations as well as the business development industry.

3. DIRECTORS' REMUNERATION

Remuneration Procedures

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

Remuneration Package

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

The aggregate remuneration of Directors for the financial year ended 31 December 2005 is categorised into appropriate components as follows:

Description of Payment	Executive Directors (RM'000)	Non-Executive Directors (RM'000)
Emoluments	534,147	150,543
Fees	78,000	294,613
Bonus & incentive	-	-
Benefits-in-kind	55,853	21,954
Total	668,000	467,110

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	-	3
RM50,001 – RM100,000	-	3
RM100,001 – RM150,000	-	-
RM150,001 – RM200,000	1	1
RM200,001 – RM250,000	-	-
RM250,001 – RM300,000	-	-
RM300,001 – RM350,000	-	-
Above RM350,000	1	-
Total	2	7

4. SHAREHOLDERS

Dialogue with Shareholders and Investors

The Company recognizes 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 annual general meetings.

Annual General Meeting

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

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



5. ACCOUNTABILITY AND AUDIT

Financial Reporting

The Directors aim to present a balanced and understandable 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 the approved accounting standards.

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

Internal Control

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

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

The Group's Statement of Internal Control is set out on page 24.

Relationship with the Auditors

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

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

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

Share Buy-Back

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

Options, Warrants or Convertible Securities

During the financial year ended 31 December 2005, the Company did not issue any warrants or convertible securities.

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

During the financial year ended 31 December 2005, the Company did not sponsor any ADR or GDR programme.

Sanctions/Penalties

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

Non – Audit Fees

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

Auditors	Services	Amount Paid (RM)
Ernst & Young	Professional services rendered in connection with the review of Quarterly Financial Statement	5,000
Ernst & Young	Professional services rendered in connection with the review of Statement of Internal Control	5,000
Ernst & Young	Professional services rendered for having successfully obtained a tax refund	3,000
Ernst & Young	Professional services rendered in connection with the Company's tax affairs	6,600
	Grand Total	19,600

Variation in Results

There is a variance of RM 2,410,388 between the audited and unaudited profit after tax and minority interest (PATMI) for the financial year ended 31 December 2005. The details of reconciliation are as follow:

	RM
Unaudited PATMI	1,184,401
Over provision of interest expense	2,330,000
Reclassification and audit adjustments	80,388
Audited PATMI	3,594,789

The above variance is mainly due to, inter alia, the write-back of an interest expense accrued by a subsidiary company in relation to its obligations under a joint venture agreement (JV). Subsequent to the announcement to Bursa Malaysia on 27 February 2006, of the unaudited fourth quarter 2005 results, the other JV party has agreed to a revision in the JV and a waiver of interest. The interest expense of RM 2.33 million, which was provided for earlier in the accounts have now been adjusted back to the profit and loss account.

Profit Guarantee

No profit guarantee was given by the Company for the financial year ended 31 December 2005.

Material Contracts

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

The salient features of the Undertaking Agreement are as follows:

- (i) achievement of minimum 25% public shareholding requirement, which was met prior to the Company's listing on 11 February 2003;

- (ii) compensation for shortfall in valuation of Enfari Properties Sdn Bhd ("Enfari"). Lavista, the major shareholder of the Company, has given an undertaking that the valuation of Enfari as at the date of completion of the acquisition, namely 17 April 2001 ("Completion Date"), shall not be less than RM230 million ("Guaranteed Valuation").

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

Claims for EOT have been submitted to the Government and a number of meetings have been held since. The Board is confident that the EOT costs will be honoured upon the completion of the verification process. On this basis, the Board has, on 27 April 2006, granted Lavista an extension of time and variation to the Undertaking Agreement for a further period of twelve (12) months commencing 16 May 2006 to 15 May 2007 for Lavista to achieve the Guaranteed Valuation, failing which Lavista will compensate for the shortfall.

AUDIT COMMITTEE REPORT

The Board of Directors is pleased to present the report on the Audit Committee and its activities for the financial year ended 31 December 2005.

Members of the Audit Committee

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

Datuk Dr Zairul Aznam bin Mohd Yusof (Member, Independent, Non-Executive Director)

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

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

TERMS OF REFERENCE

Policy

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

Objectives

The objectives of this policy are:

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

COMPOSITION OF THE AUDIT COMMITTEE

Members

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

- (a) the Audit Committee shall be composed of no less than three (3) members;
- (b) a majority of the Audit Committee shall be independent Directors;
- (c) at least one member of the Audit Committee:
 - (i) must be a member of the Malaysian Institute of Accountants; or
 - (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' working experience and
 - (aa) he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - (bb) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or

- (iii) fulfils such other requirements as prescribed by Bursa Malaysia Securities Berhad.
- (iv) if he is not a member of the Malaysian Institute of Accountants, he must have:
 - (aa) a degree/masters/doctorate in accounting or finance and at least three (3) years' post qualification experience in accounting or finance; or
 - (bb) at least seven (7) years' experience being a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation.
- (d) No alternate Director shall be appointed as a member of the Audit Committee.

Chairman

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

FUNCTIONS OF THE AUDIT COMMITTEE

The functions of the Audit Committee are as follow:

- (1) review the following and report the same to the Board of Directors:
 - (a) with the external auditor; the audit plan;
 - (b) with the external auditor; his evaluation of the system of internal controls;
 - (c) with the external auditor; his audit report;
 - (d) the assistance given by the employees to the external auditor;
 - (e) the adequacy of the scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work;
 - (f) the internal audit programme, processes, results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
 - (g) the quarterly results and year-end financial statements, prior to the approval by the Board of Directors, focusing particularly on:
 - (i) changes in or implementation of major accounting policy changes;
 - (ii) significant and unusual events; and
 - (iii) compliance with accounting standards and other legal requirements;
 - (h) any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;
 - (i) any letter of resignation from the external auditors of the Company; and
 - (j) whether there is reason (supported by grounds) to believe that the Company's external auditor is not suitable for re-appointment; and
- (2) recommend the nomination of a person or persons as external auditors, together with such other functions as may be determined by the Board of Directors.
- (3) resume the risk oversight responsibilities in the following manner and report the same to the Board of Directors:
 - (a) determine risk management policy;
 - (b) approve risk management philosophy;
 - (c) review the risk profile of the Group;

- (d) The Audit Committee shall approve the risk management strategies but will delegate authority for day-to-day decisions to the Risk Management Committee.

Authority of the Audit Committee

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

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

Meetings and Reporting Procedures

- (a) The Audit Committee shall meet as often as the Chairman deems necessary but not less than four times a year.
- (b) In order to form a quorum in respect of a meeting of the Audit Committee, the majority of members of the Audit Committee present at the meeting must be independent directors.

- (c) The Chairman shall be entitled, where deemed appropriate, to invite any person(s) to meetings of the Audit Committee.
- (d) The Secretary is responsible for:
 - (i) sending out notices of meetings; and
 - (ii) preparing and keeping minutes of meetings.
- (e) The Audit Committee meeting minutes are to be extended to the Board of Directors.

Summary of Activities of the Audit Committee

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

- 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.
 - Reviewed the audit reports together with the external auditors.
 - Reviewed the internal audit reports presented and considered the significant audit findings, audit recommendations and Management's responses to ensure significant findings were adequately addressed by Management.
- Discussed with the external auditors the audit plan and scope for the year as well as the audit procedures to be followed.
- Reviewed the risk management report presented and discussed the high and significant risk areas.

The record of attendance of the members is as follows:

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

Internal Audit Function

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

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

■ **Reviewing Objectives and Activities**

Review with Management the operational activities and ensure the principal objectives are aligned to overall company's objectives.

■ **Evaluating Risk**

Identify all auditable activities and relevant risk factors and to assess their significance.

■ **Confirming Information**

Research and gather information that is competent, factual and complete.

■ **Analysing Operations**

Analyse and examine that operations are effective.

■ **Providing Assurance on Compliance**

Provide assurance on compliance with statutory requirements, laws, company policies and guidelines.

■ **Recommending Internal Controls**

Recommend appropriate controls to overcome deficiencies and to enhance company operations.

■ **Assuring Safeguards**

Evaluate procedures in place to safeguard company's assets.

■ **Consulting and Facilitating**

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

STATEMENT ON INTERNAL CONTROL

Introduction

The Statement of Internal Control is made pursuant to Paragraph 15.27 (b) of the Listing Requirements of Bursa Malaysia. The Board of Directors is committed to maintain a sound system of internal control to safeguard shareholders' investments and the Group's assets.

Responsibility

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

Existing Control

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

1. There is an organization structure and job descriptions that define lines of responsibility and delegation of authority according to the 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 with explanation of major variances.
5. The Audit Committee will review quarterly results to ensure the financial results are prepared in accordance with the applicable approved accounting standards and Listing Requirements 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 to ensure compliance with internal control systems and relevant laws and regulations.
7. The Executive Committee (EXCO) comprises three (3) members involving the Directors and Senior Management who meet as and when necessary with all heads of operating units to consider financial and operational issues of the Group as well as any management proposal by the operating units.

Further Efforts

The Board recognises that risks faced by the Group play an integral part of the business and has to be addressed on a timely basis. As such, risk management is an ongoing process subject to continuous review by the Board.

The Group has a Risk Management Committee which meets to assist in identifying, analyzing, evaluating and mitigating the risk areas found within the Group. Upon analyzing and evaluating risks, action plans are detailed out to mitigate these risks. The Risk Management Department then carries out validation work to ensure that the action plans are carried out as set.

During the year, the Risk Management Department also carried out several workshops and interview sessions with the respective Heads of Departments to identify new and ongoing risk areas. A Risk Management seminar conducted by an external consultant was also organized for all Heads of Departments to ensure that the Heads were continuously educated on the subject matter to better assist the Group in identifying and managing risks.

The Internal Audit Department also conducts regular audits to ensure the adequacy and integrity of the internal control system are in place and to assist the Audit Committee to carry out its duties and responsibilities.

Conclusion

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

STATEMENT ON DIRECTORS' RESPONSIBILITY

This statement is prepared as required by Paragraph 1527 (a) of the Listing Requirements of the Bursa Malaysia.

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

In preparing these financial statements, the Directors have:

1. adopted appropriate accounting policies and applied them consistently;
2. used reasonable and prudent judgments and estimations;
3. ensure that applicable approved accounting standards have been followed; and
4. prepared the financial statements on the going concern basis.

The Directors are responsible for ensuring that the Company maintains accounting records which disclose with reasonable accuracy, the financial position of the Group and the Company; and that the financial statements are prepared in accordance with the companies act, 1965.

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



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ENCORP BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2005.

PRINCIPAL ACTIVITIES

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

The principal activities of the subsidiaries are disclosed in Note 5 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 after taxation	3,506,310	26,252,414
Minority interest	88,479	-
Net profit for the year	<u>3,594,789</u>	<u>26,252,414</u>

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the statements of changes in equity.

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

DIVIDENDS

No dividend has been paid or declared by the Company since the date of the last report. The directors do not recommend the payment of any dividend for the current financial year.

DIRECTORS

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

Tan Sri Datuk Dr. Omar bin Abdul Rahman
Datuk Fong Joo Chung
Datuk Dr. Ting Ding Ing
Efeida binti Mohd Effendi
Dato' Chew Kong Seng @ Chew Kong Huat
Datuk Dr. Zainal Aznam bin Mohd Yusof
Yeoh Soo Ann
Mohd Ezra Effendi bin Mohd Effendi Norwawi (resigned on 25 August 2005)

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 as shown in Note 28 to the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 33 to the financial statements.

DIRECTORS' INTERESTS

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

	Number of Ordinary Shares of RM1 Each			
	At 1 January 2005	Bought	Sold	At 31 December 2005
(a) Direct interest in shares of the Company:				
Datuk Dr. Ting Ding Ing	569,000	-	-	569,000

DIRECTORS' INTERESTS (CONTD.)

	Number of Ordinary Shares of RM1 Each			
	At 1 January 2005	Bought	Sold	At 31 December 2005
(b) Deemed interest in shares of the Company:				
Efeida binti Mohd Effendi	73,636,036	-	-	73,636,036

By virtue of Efeida binti Mohd Effendi's deemed interest in shares of the Company, she is deemed to have an interest in all the subsidiaries to the extent the Company has an interest.

SIGNIFICANT EVENTS

The significant events are disclosed in Note 37 to the financial statements.

SUBSEQUENT EVENTS

The subsequent events are disclosed in Note 38 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:
- to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
 - to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business were written down to an amount which they might be expected so to realise.

OTHER STATUTORY INFORMATION (CONTD.)

- (b) At the date of this report, the directors are not aware of any circumstances which would render:
 - (i) the amount written off for bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; and
 - (ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
 - (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
 - (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due, except as disclosed in the financial statements; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the directors.

Tan Sri Datuk Dr. Omar bin Abdul Rahman

Yeoh Soo Ann

Kuala Lumpur, Malaysia
27 April 2006

ENCORP BERHAD
(Incorporated in Malaysia)

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

We, Tan Sri Datuk Dr. Omar bin Abdul Rahman and Yeoh Soo Ann, being two of the directors of Encorp Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 36 to 94 are drawn up in accordance with applicable MASB Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2005 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.

Tan Sri Datuk Dr. Omar bin Abdul Rahman

Yeoh Soo Ann

Kuala Lumpur, Malaysia
27 April 2006

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

I, Kee Hock Kee, being the officer primarily responsible for the financial management of Encorp Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 36 to 94 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 27 April 2006

Kee Hock Kee

Before me,

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

We have audited the accompanying financial statements set out on pages 36 to 94. These financial statements are the responsibility of the Company's directors.

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

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

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia so as to give a true and fair view of:
 - (i) the financial position of the Group and of the Company as at 31 December 2005 and of the results and the cash flows of the Group and of the Company for the year then ended; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries have been properly kept in accordance with the provisions of the Act.

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

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

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

In forming our opinion, we draw attention to Note 9 to the financial statements, which states that the Group as at 31 December 2005, has concession income receivable amounting to RM274,872,670. These amounts have been recognised by the Group in the previous year based on circumstances envisaged in the original contracts which however is subject to final verification by the Government and thereafter, agreement by the parties concerned. The directors have reviewed this matter in detail and having considered all available known facts and information available, are of the opinion that it is probable the amounts recognised as concession income receivables will be recoverable. However, the final outcome of the verification exercise has yet to be determined. Our opinion is not qualified in this respect.

Ernst & Young
AF: 0039
Chartered Accountants

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

Kuala Lumpur, Malaysia
27 April 2006

BALANCE SHEETS AS AT 31 DECEMBER 2005

	Note	GROUP		COMPANY	
		2005 RM	2004 RM	2005 RM	2004 RM
NON-CURRENT ASSETS					
Property, plant and equipment	3	5,532,831	6,129,678	203,994	149,716
Land held for property development	4	100,557,166	6,585,938	-	-
Investment in subsidiaries	5	-	-	295,960,000	295,960,000
Investment in associate	6	45,145,364	42,508,131	37,908,295	37,908,295
Other investment	7	-	-	-	152,125,000
Goodwill on consolidation	8	197,003,142	209,349,805	-	-
Concession income receivables	9	1,293,686,681	1,307,253,434	-	-
		<u>1,641,925,184</u>	<u>1,571,826,986</u>	<u>334,072,289</u>	<u>486,143,011</u>
CURRENT ASSETS					
Property development cost	4	22,221,559	11,888,209	-	-
Trade receivables	10	30,426,373	40,957,391	-	-
Other receivables	11	3,027,591	13,478,816	175,029	8,031,050
Tax recoverable		998,755	1,364,081	1,675,249	1,162,453
Amount due from subsidiaries	12	-	-	18,354,335	1,284,315
Deposits, cash and bank balances	13	67,599,621	37,693,778	8,727,728	2,487
		<u>124,273,899</u>	<u>105,382,275</u>	<u>28,932,341</u>	<u>10,480,305</u>
CURRENT LIABILITIES					
Short term borrowings	14	23,242,017	181,336,908	-	160,000,000
Trade payables	15	34,631,438	26,115,975	-	-
Other payables	16	38,566,493	33,419,182	594,463	3,574,631
Hire purchase payables	17	176,690	148,436	12,104	11,145
Amount due to corporate shareholder	18	1,383,474	2,038,588	3,337,443	-
Amount due to associate	19	-	2,000	-	2,000
Amount due to subsidiaries	12	-	-	2,140,095	2,355,325
Provision for taxation		741,158	743,743	-	-
		<u>98,741,270</u>	<u>243,804,832</u>	<u>6,084,105</u>	<u>165,943,101</u>
NET CURRENT ASSETS/ (LIABILITIES)		<u>25,532,629</u>	<u>(138,422,557)</u>	<u>22,848,236</u>	<u>(155,462,796)</u>
		<u>1,667,457,813</u>	<u>1,433,404,429</u>	<u>356,920,525</u>	<u>330,680,215</u>

BALANCE SHEETS AS AT 31 DECEMBER 2005 (CONTD.)

		GROUP		COMPANY	
	Note	2005	2004	2005	2004
		RM	RM	RM	RM
FINANCED BY:					
Share capital	20	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
Retained earnings		23,504,696	19,909,907	29,794,727	3,542,313
Shareholders' equity		<u>350,576,624</u>	<u>346,981,835</u>	<u>356,866,655</u>	<u>330,614,241</u>
Minority interests	21	-	88,479	-	-
		<u>350,576,624</u>	<u>347,070,314</u>	<u>356,866,655</u>	<u>330,614,241</u>
Trade payables	15	87,538,067	-	-	-
Long term borrowings	14	1,220,113,181	1,076,181,864	-	-
Deferred taxation	22	8,979,935	9,740,000	-	-
Hire purchase payables	17	250,006	412,251	53,870	65,974
Non-current liabilities		<u>1,316,881,189</u>	<u>1,086,334,115</u>	<u>53,870</u>	<u>65,974</u>
		<u>1,667,457,813</u>	<u>1,433,404,429</u>	<u>356,920,525</u>	<u>330,680,215</u>

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

ENCORP BERHAD (CONTD.)
(Incorporated in Malaysia)

INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

		GROUP		COMPANY	
	Note	2005	2004	2005	2004
		RM	RM	RM	RM
Revenue	23	114,545,999	557,171,306	3,695,516	3,508,137
Cost of sales	24	(10,067,368)	(433,266,073)	-	-
Gross profit		104,478,631	123,905,233	3,695,516	3,508,137
Other income	25	27,661,612	3,432,421	33,065,675	47,259
Administrative expenses		(13,799,001)	(16,990,958)	(5,481,692)	(4,883,932)
Other operating expenses		(13,184,975)	(16,324,320)	(51,485)	(33,457)
(Loss)/gain on disposal of subsidiary	5(b)	-	(735,552)	-	5,544,427
Profit from operations	26	105,156,267	93,286,824	31,228,014	4,182,434
Finance costs	29	(107,256,749)	(96,818,871)	(4,975,600)	(6,039)
Share of result of associate		6,223,260	784,460	-	-
Profit/(loss) before taxation		4,122,778	(2,747,587)	26,252,414	4,176,395
Taxation:					
Company and subsidiaries		711,526	(2,705,189)	-	-
Associate		(1,327,994)	(242,550)	-	-
	30	(616,468)	(2,947,739)	-	-
Profit/(loss) after taxation		3,506,310	(5,695,326)	26,252,414	4,176,395
Minority interests		88,479	(88,479)	-	-
Net profit/(loss) for the year		3,594,789	(5,783,805)	26,252,414	4,176,395
Earnings/(loss) per share (sen)	31	1.61	(2.59)		

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

ENCORP BERHAD
(Incorporated in Malaysia)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2005

	← Non-distributable →		→ Distributable ←		
	Share Capital RM	Share Premium RM	Reserve on Consolidation RM	Retained Earnings RM	Total RM
At 1 January 2004	223,508,536	103,563,392	47,824,897	25,693,712	400,590,537
Net loss for the year	-	-	-	(5,783,805)	(5,783,805)
Disposal of subsidiary (Note 5 (b))	-	-	(47,824,897)	-	(47,824,897)
At 31 December 2004	<u>223,508,536</u>	<u>103,563,392</u>	<u>-</u>	<u>19,909,907</u>	<u>346,981,835</u>
At 1 January 2005	223,508,536	103,563,392	-	19,909,907	346,981,835
Net profit for the year	-	-	-	3,594,789	3,594,789
At 31 December 2005	<u>223,508,536</u>	<u>103,563,392</u>	<u>-</u>	<u>23,504,696</u>	<u>350,576,624</u>

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2005

	Share Capital RM	Non- distributable Share Premium RM	(Accumulated Losses)/ Distributable Retained Earnings RM	Total RM
At 1 January 2004	223,508,536	103,563,392	(634,082)	326,437,846
Net profit for the year	-	-	4,176,395	4,176,395
At 31 December 2004	<u>223,508,536</u>	<u>103,563,392</u>	<u>3,542,313</u>	<u>330,614,241</u>
At 1 January 2005	223,508,536	103,563,392	3,542,313	330,614,241
Net profit for the year	-	-	26,252,414	26,252,414
At 31 December 2005	<u>223,508,536</u>	<u>103,563,392</u>	<u>29,794,727</u>	<u>356,866,655</u>

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

ENCORP BERHAD
(Incorporated in Malaysia)

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

	GROUP		COMPANY	
	2005	2004	2005	2004
	RM	RM	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(loss) before taxation	4,122,778	(2,747,587)	26,252,414	4,176,395
Adjustments for:				
Depreciation	838,310	9,256,060	51,485	33,457
Interest expense	107,256,749	96,818,871	4,975,600	6,039
Loss/(gain) on disposal of subsidiary	-	735,552	-	(5,544,427)
Gain on disposal of ESSB BAIDS	(25,304,650)	-	(25,304,650)	-
Dividend income	-	-	(3,136,157)	(2,744,137)
Provision for doubtful debts	-	596,014	-	-
(Write back of)/provision for short term accumulating compensated absences	(25,494)	65,800	-	-
Amortisation of concession expenditure	-	316,377,422	-	-
Concession expenditure written-off (Note 26)	-	354,784	-	-
Interest income on deposits	(1,782,677)	(1,430,694)	(356,851)	(47,259)
Interest income on ESSB BAIDS	-	-	(7,404,174)	-
Share of profits in associate	(6,223,260)	(784,460)	-	-
Write back on interest accrued	(1,280,000)	-	-	-
Gain on disposal of land	-	(1,947,000)	-	-
Gain on disposal of property, plant and equipment	-	(27,000)	-	-
Amortisation of goodwill on consolidation	12,346,663	10,319,561	-	-
Operating profit/(loss) before working capital changes	89,948,419	427,587,323	(4,922,333)	(4,119,932)
Changes in working capital:				
Concession expenditure	-	(209,649,092)	-	-
Development expenditure	(10,333,350)	(4,845,000)	-	-
Inventories	-	(14,706,127)	-	-
Receivables	26,673,996	(36,840,534)	(897,101)	(138,844)
Operating profit/(loss) after working capital changes b/f	106,289,065	161,546,570	(5,819,434)	(4,258,776)

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005 (CONTD.)

	GROUP		COMPANY	
	2005	2004	2005	2004
	RM	RM	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES (CONTD.)				
Operating profit/(loss) after working capital changes c/f	106,289,065	161,546,570	(5,819,434)	(4,258,776)
Corporate shareholder	(655,114)	(2,021)	3,337,443	-
Payables	103,786,335	(235,517,144)	(2,980,168)	235,370
Associate	2,256,033	2,000	(2,000)	2,000
Subsidiaries	-	-	(17,285,250)	1,267,620
Cash generated from/(used in) operations	211,676,319	(73,970,595)	(22,749,409)	(2,753,786)
Interest paid	(35,390)	(315,293)	-	-
Tax refunded	365,326	-	365,326	-
Income taxes paid	(51,124)	(498,366)	-	-
Net cash flow generated from/ (used in) operating activities	211,955,131	(74,784,254)	(22,384,083)	(2,753,786)

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property, plant and equipment	(241,463)	(902,567)	(105,763)	(70,318)
Proceeds from disposal of land		6,792,000		
Proceeds from disposal of property, plant and equipment	-	27,000	-	-
Land and development cost	-	(1,963,867)	-	-
Purchase of land held for property development	(93,971,228)	-	-	-
Proceeds from disposal of ESSB BAIDS	184,833,824	-	184,833,824	-
Interest received	1,782,677	1,430,694	356,851	47,259
Dividend received	-	-	3,136,157	2,744,137
Acquisition of subsidiary (Note 5 (a))	-	419,560	-	-
Disposal of subsidiary (Note 5 (b))	-	(8,717,694)	-	-
Net cash generated from/(used in) investing activities	92,403,810	(2,914,874)	188,221,069	2,721,078

ENCORP BERHAD
(Incorporated in Malaysia)

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005 (CONTD.)

	GROUP		COMPANY	
	2005	2004	2005	2004
	RM	RM	RM	RM
CASH FLOWS FROM FINANCING ACTIVITIES				
Drawdown of term loan	-	162,667,000	-	-
Redemption of Al-Bai Bithaman Ajil Notes	(129,650,000)	(170,996,712)	-	-
Advance received	-	8,000,000	-	-
Receipt from Debt Service Reserve Accounts	2,904,479	-	2,904,479	-
Repayment of borrowings	(160,000,000)	(3,449,736)	(160,000,000)	-
Proceeds from the issuance of Al-Bai Bithaman Ajil Notes	12,431,493	-	-	-
(Placement)/release of deposits pledged	(20,730,363)	71,601,251	(3,587,135)	-
Repayment of hire purchase	(139,070)	(185,042)	(16,224)	(16,224)
Net cash (used in)/generated from financing activities	(295,183,461)	67,636,761	(160,698,880)	(16,224)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	9,175,480	(10,062,367)	5,138,106	(48,932)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	217,241	10,279,608	2,487	51,419
CASH AND CASH EQUIVALENTS AT END OF YEAR	9,392,721	217,241	5,140,593	2,487

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005 (CONTD.)

	GROUP		COMPANY	
	2005	2004	2005	2004
	RM	RM	RM	RM
Cash and cash equivalents				
comprise the following:				
Cash deposits placed with:				
- licensed banks	13,378,204	1,596,645	-	-
- licensed corporation	50,930,919	35,717,664	8,487,133	-
Cash and bank balances	3,290,498	379,469	240,595	2,487
Bank overdraft	-	-	-	-
	<u>67,599,621</u>	<u>37,693,778</u>	<u>8,727,728</u>	<u>2,487</u>
Less: Cash and bank balances and				
deposits pledged/designated	(58,206,900)	(37,476,537)	(3,587,135)	-
	<u>9,392,721</u>	<u>217,241</u>	<u>5,140,593</u>	<u>2,487</u>

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

NOTES TO THE FINANCIAL STATEMENTS- 31 DECEMBER 2005

1 CORPORATE INFORMATION

The Company's principal activities are investment holding and provision of general management support service. The principal activities of the subsidiaries are described in Note 5.

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 number of employees in the Group and the Company at the end of the financial year were 70 (2004: 78) and 28 (2004: 30) respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 27 April 2006.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

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

(b) Basis of Consolidation

(i) Subsidiaries

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

2. SIGNIFICANT ACCOUNTING POLICIES(CONTD.)

(b) Basis of Consolidation (Contd.)

(i) Subsidiaries (contd.)

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

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

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets, together with any unamortised balance of goodwill and exchange differences.

Minority interest in the consolidated balance sheet consist of the minorities' share of the fair value of the identifiable assets and liabilities of the acquiree as at acquisition date and the minorities' share of movements in the acquiree's equity since then.

(ii) Associates

Associates are those entities in which the Group exercise significant influence but not control, through participation in the financial and operating policy decisions of the entities.

Investments in associates are accounted for in the consolidated financial statements by the equity method of accounting based on the audited or management financial statements of the associates. Under the equity method of accounting, the Group's share of profits less losses of associates during the financial year is included in the consolidated income statement. The Group's interest in associates is carried in the consolidated balance sheet at cost plus the Group's share of post-acquisition profits or accumulated losses and other reserves.

Unrealised gains on transactions between the Group and the associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are eliminated unless cost cannot be recovered.

2. SIGNIFICANT ACCOUNTING POLICIES(CONTD.)

(c) Goodwill

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

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

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

(d) Investments in Subsidiaries and Associates

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

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

(e) Property, Plant and Equipment and Depreciation

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

Freehold land is not depreciated. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life at the following annual rates:

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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

(i) Land held for property development

Land held for property development consist 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 the non-current assets and is stated at cost less any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(o).

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

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

Any expected losses 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.

(g) Cash and Cash Equivalents

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(h) Leases

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

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

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

The depreciation policy for lease assets is consistent with that for depreciable property, plant and equipment as described in Note 2(e).

(i) Provision for Liabilities

Provision for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

(j) Income Tax

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

Deferred tax is provided for using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(j) Income Tax

Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted on the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

(k) Employee Benefits

(i) Short term benefits

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

(ii) Defined contribution plans

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

(l) Revenue Recognition

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

(i) Sale of goods

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

2. SIGNIFICANT ACCOUNTING POLICIES(CONTD.)

(l) Revenue Recognition (Contd.)

(ii) Dividend Income

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

(iii) Sales of properties

Revenue relating to sales of properties is accounted for by the stage of completion method as described in Note 2(f).

(iv) Concession income

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

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

(v) 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.

(vi) Management fee

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

(m) Affiliated Companies

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

(n) Foreign Currencies

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(n) Foreign Currencies (Contd.)

All exchange rate differences are taken to the income statement.

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

	2005 RM	2004 RM
United States	3.78	3.80
Singapore Dollar	2.27	2.33
Brunei Dollar	2.27	2.33
100 Thai Baht	9.19	9.76

(o) Impairment of Assets

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

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

(p) Financial Instruments

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

(i) Other Non-Current Investment

Non-current investments other than investment in subsidiaries, associates and investment properties are stated at cost less impairment losses. On disposal of an investment, the difference between the net disposal proceeds and its carrying amount is recognised in the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES(CONTD.)

(p) Financial Instruments (Contd.)

(ii) Receivables

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

(iii) Concession Income Receivable

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

(iv) Payables

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

(v) Equity Instruments

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

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

(vi) Borrowings

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

Borrowing costs directly attributable to the acquisition and construction of development properties and property, plant and equipment are capitalised as part of the cost of those assets in accordance with Note 2(f).

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

3. PROPERTY, PLANT AND EQUIPMENT

GROUP	Freehold land RM	Factory buildings and warehouse RM	Commercial office space RM	Plant machinery and equipment RM	Motor vehicles RM	Office equipment, furniture and fittings RM	Office renovation RM	Total RM
Cost								
At 1 January 2005	-	-	3,756,750	-	1,804,382	1,475,023	2,424,649	9,460,804
Additions	-	-	-	-	78,857	152,356	10,250	241,463
At 31 December 2005	-	-	3,756,750	-	1,883,239	1,627,379	2,434,899	9,702,267
Accumulated Depreciation								
At 1 January 2005	-	-	356,891	-	1,401,142	582,635	990,458	3,331,126
Charge for the year (Note 26)	-	-	75,135	-	343,039	176,783	243,353	838,310
At 31 December 2005	-	-	432,026	-	1,744,181	759,418	1,233,811	4,169,436
Net Book Value								
At 31 December 2005	-	-	3,324,724	-	139,058	867,961	1,201,088	5,532,831
At 31 December 2004	-	-	3,399,839	-	403,240	892,388	1,434,191	6,129,678
Details at 1 January 2004								
Cost	9,260,070	41,093,594	3,756,750	127,605,854	6,540,317	6,988,374	2,421,449	197,666,408
Accumulated depreciation	-	4,109,365	281,756	56,432,016	5,014,579	5,282,605	748,132	71,868,453
Depreciation charged for year 2004 (Note 26)								
	-	685,258	76,052	7,176,104	647,880	428,440	242,326	9,256,060

Net book value of property, plant and equipment under hire purchase and finance lease instalment amounted to RM56,683 (2004: RM228,652).

3. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

COMPANY	Office renovation RM	Motor vehicles RM	Office equipment RM	Total RM
Cost				
At 1 January 2005	-	95,509	96,053	191,562
Additions	10,250	-	95,513	105,763
At 31 December 2005	10,250	95,509	191,566	297,325
Accumulated Depreciation				
At 1 January 2005	-	25,469	16,377	41,846
Charge for the year (Note 26)	769	19,102	31,614	51,485
At 31 December 2005	769	44,571	47,991	93,331
Net Book Value				
At 31 December 2005	9,481	50,938	143,575	203,994
At 31 December 2004	-	70,040	79,676	149,716
Details at 1 January 2004				
Cost	-	95,509	25,735	121,244
Accumulated depreciation	-	6,367	2,022	8,389
Depreciation charged for 2004 (Note 26)				
	-	19,102	14,355	33,457

Net book value of property, plant and equipment under hire purchase arrangement amounted to RM50,938 (2004: RM70,040).

4 LAND AND DEVELOPMENT EXPENDITURE

Land and development expenditure consist of land held for property development and property development costs of a subsidiary, Must Ehsan Development Sdn. Bhd.

	GROUP	
	2005 RM	2004 RM
(a) Land Held for Property Development		
At 1 January		
Leasehold land, at cost	6,585,938	-
Cost incurred during the year		
Acquisition of subsidiary (Note 5 (a))	-	6,435,547
Additions	93,971,228	5,094,000
Disposals	-	(4,845,000)
	<u>93,971,228</u>	<u>6,684,547</u>
Transfer to property development cost	-	(98,609)
At 31 December	<u>100,557,166</u>	<u>6,585,938</u>

	GROUP	
	2005 RM	2004 RM
(b) Property Development Cost		
At 1 January		
Development cost	11,888,209	-
Cost incurred during the year		
Acquisition of subsidiary (Note 5 (a))	-	10,074,733
Development cost	20,400,718	1,714,867
	<u>20,400,718</u>	<u>11,789,600</u>
Cost recognised in the income statement		
At January	-	-
Recognised during the year	(10,067,368)	-
At 31 December	<u>(10,067,368)</u>	<u>-</u>
Transfer from land held for development	-	98,609
At 31 December 2005	<u>22,221,559</u>	<u>11,888,209</u>

5. INVESTMENT IN SUBSIDIARIES

	COMPANY	
	2005	2004
	RM	RM
Unquoted shares, at cost		
At 1 January	295,960,000	327,363,868
Add: Acquisition during the year (Note 5(a))	-	45,960,000
	295,960,000	373,323,868
Less: Disposal during the year (Note 5 (b))	-	(77,363,868)
At 31 December	295,960,000	295,960,000

Name of Subsidiaries	Country of Incorporation	Equity Interest Held (%)		Principal activities
		2005	2004	
Enfari Properties Sdn. Bhd.	Malaysia	100	100	Investment holding
Encorp Must Sdn. Bhd.	Malaysia	100	100	Investment holding and property project management

Details of the subsidiaries are as follow:

Subsidiary companies of Enfari Properties Sdn. Bhd.

Encorp Systembilt Sdn. Bhd.	Malaysia	100	100	Concessionaire to build and transfer teachers' quarters to the Government of Malaysia
Encorp Construct Sdn. Bhd.	Malaysia	100	100	Property construction

5. INVESTMENT IN SUBSIDIARIES (CONTD.)

Name of Subsidiaries	Country of Incorporation	Held (%)		Principal activities
		2005	2004	
Subsidiary company of Encorp Must Sdn. Bhd.				
Must Ehsan Development Sdn. Bhd.	Malaysia	70	70	Property development
Subsidiary company of Encorp Construct Sdn. Bhd.				
Encorp-L & M Precast Sdn. Bhd.	Malaysia	55	55	General contracting

(a) Acquisition of Subsidiary

On 28 October 2004, the Group acquired 100% equity interest in Encorp Must Sdn. Bhd. ("EMSB") together with its subsidiary, Must Ehsan Development Sdn. Bhd. ("MEDSB"), for a total consideration of RM45,960,000 consisting of cash of RM960,000 and the remaining RM45,000,000 to be paid by Megastart Sdn. Bhd., a related party, pursuant to the disposal of a subsidiary, Great Wall Plastic Industries Bhd.

The acquisition had the following effect on the Group's financial result in the previous financial year:

	2004 RM
Revenue	-
Loss from operations	(3,607,690)
Net loss for the year	<u>(1,766,170)</u>

5. INVESTMENT IN SUBSIDIARIES (CONTD.)

(a) Acquisition of Subsidiary (Contd.)

The acquisition had the following effect on the financial position of the Group in the previous financial year:

	2004 RM
Property, plant and equipment	156,871
Land and development expenditure	18,474,147
Goodwill on consolidation (Note 8)	48,650,435
Other receivables	3,561,211
Cash and bank balances	400,651
Trade and other payables	(11,622,352)
Amount due to corporate share holder	(3,341,238)
Provision for taxation	(2,585)
Borrowings	(9,700,000)
Deferred tax liabilities	(10,000)
Minority interest	(88,479)
Group share of net assets	<u>46,478,661</u>

The fair values of the assets acquired and liabilities assumed from the acquisition of the subsidiary were as follows:

	EMSB 28.10.2004 RM	MEDSB 28.10.2004 RM	Total RM
Property, plant and equipment (Note 3)	-	159,937	159,937
Land and development expenditure (Note 4)	-	16,510,280	16,510,280
Deferred tax assets (Note 22)	-	195,000	195,000
Other receivables	8,076,738	1,861,911	9,938,649
Cash and bank balances	32,192	387,368	419,560
Trade and other payables	(8,959,095)	(17,613,528)	(26,572,623)
Amount due to corporate share holder	(3,795)	(3,337,443)	(3,341,238)
Fair value of the total net assets	(853,960)	(1,836,475)	(2,690,435)
Goodwill on acquisition (Note 8)			48,650,435
Cost of acquisition			<u>45,960,000</u>

5. INVESTMENT IN SUBSIDIARIES (CONTD.)

(a) Acquisition of Subsidiary (Contd.)

	Total RM
Purchase consideration satisfied by:	
Amount owing to Encorp Group Sdn. Bhd., a related party	960,000
Pursuant to disposal of subsidiary (Note 5(b))	45,000,000
Total purchase consideration	<u>45,960,000</u>
Cost attributable to the acquisition, paid in cash	-
Total cost of acquisition	<u>45,960,000</u>
 Cash outflow arising on acquisition:	
Purchase consideration satisfied by cash	-
Cost attributable to the acquisition, paid in cash	-
Total cash outflow of the company	-
Cash and cash equivalent of subsidiaries acquired	419,560
Net cash inflow of the Group	<u>419,560</u>

There were no acquisitions in the financial year ended 31 December 2005.

(b) Disposal of Subsidiary

In the previous financial year, on 28 October 2004, the Group disposed of 51% of its 100% equity interest in Great Wall Plastic Industries Bhd. ("GWPI") for a total consideration of RM45,000,000. As a result, the Group's equity interest in GWPI was reduced to 49%, which made it an associate.

The disposal had the following effect on the Group's financial result for the previous financial year:

	2004 RM
Revenue	136,347,065
Profit from operations	9,433,675
Net profit for the year	<u>8,045,050</u>

5. INVESTMENT IN SUBSIDIARIES (CONTD.)

(b) Disposal of Subsidiary (Contd.)

The disposal had the following effect on the financial position of the Group in the previous financial year:

	2004 RM
Property, plant and equipment (Note 3)	111,474,721
Inventories	30,686,524
Trade and other receivables	42,372,827
Cash and bank balances	8,717,694
Trade and other payables	(34,635,485)
Provision for taxation	(409,832)
Borrowings	(7,167,000)
Deferred tax liabilities (Note 22)	(13,537,000)
Reserve on consolidation	(47,824,897)
Net assets and reserve on consolidation	<u>89,677,552</u>
51% of equity interest disposed:	
Share of net assets and reserve on consolidation disposed	45,735,552
Total disposal proceeds	<u>45,000,000</u>
Loss to the Group on disposal	<u>735,552</u>

Disposal proceeds was settled through payment made by Megastart Sdn. Bhd. to Encorp Group Sdn. Bhd., of which both are related parties to the Group, pursuant to the acquisition of subsidiary as disclosed in Note 5(a).

	2004 RM
Cash inflow arising on disposals:	
Cash consideration, representing cash inflow of the Company	-
Cash and cash equivalents of subsidiary disposed	(8,717,694)
Net cash outflow of the Group	<u>(8,717,694)</u>

5. INVESTMENT IN SUBSIDIARIES (CONTD.)

(b) Disposal of Subsidiary (Contd.)

The disposal of the subsidiary had the following effects on the financial results of the Company in the previous financial year:

	2004 RM
Total disposal proceeds	45,000,000
Less: Share of 51% of cost of investment in subsidiaries	(39,455,573)
Gain on disposal of subsidiary	<u>5,544,427</u>

6. INVESTMENT IN ASSOCIATE

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Unquoted shares, at cost	37,908,295	37,908,295	37,908,295	37,908,295
Share of post acquisition reserves	7,237,069	4,599,836	-	-
	<u>45,145,364</u>	<u>42,508,131</u>	<u>37,908,295</u>	<u>37,908,295</u>

The Group's interest in the associate is analysed as:

	2005 RM	2004 RM
Share of net assets	<u>45,145,364</u>	<u>42,508,131</u>
Share of capital commitments (Note 32)	<u>5,262,208</u>	<u>4,764,662</u>

6. INVESTMENT IN ASSOCIATE (CONTD.)

Details of the associate are as follow:

Name of Associate	Country of Incorporation	Equity Interest Held (%)		Principal activities
		2005	2004	
Great Wall Plastic Industries Bhd.	Malaysia	49	49	Manufacturing and marketing of plastic film packaging products

7. OTHER INVESTMENT

	COMPANY	
	2005 RM	2004 RM
ESSB BAIDS	-	152,125,000

On 30 June 2005, the Company disposed the entire ESSB BAIDS Note Series 1 for RM184 million and the net proceeds were used to settle the Company's Bridging Loan Facility.

8. GOODWILL ON CONSOLIDATION

	GROUP	
	2005 RM	2004 RM
At 1 January	209,349,805	171,018,931
Acquisition of subsidiary (Note 5(a))	-	48,650,435
	209,349,805	219,669,366
Less: Amounts recognised in income statement	(12,346,663)	(10,319,561)
At 31 December	197,003,142	209,349,805

9. CONCESSION INCOME RECEIVABLES

	GROUP	
	2005	2004
	RM	RM
Concession income receivables accrued:		
- Within 1 year	130,140,428	144,713,070
- More than 1 year and less than 2 years	118,146,800	118,261,176
- More than 2 years and less than 5 years	354,440,400	354,783,528
- More than 5 years	2,412,014,709	2,528,573,845
	<u>3,014,742,337</u>	<u>3,146,331,619</u>
Unearned interest income	(1,569,365,115)	(1,673,120,794)
	<u>1,445,377,222</u>	<u>1,473,210,825</u>
Initial concession payment recognised	(125,000,000)	(125,000,000)
	<u>1,320,377,222</u>	<u>1,348,210,825</u>
Receivable within one year (Note 10)	26,690,541	40,957,391
Receivable after one year	1,293,686,681	1,307,253,434
	<u>1,320,377,222</u>	<u>1,348,210,825</u>

The Government of Malaysia ("the Government") and a subsidiary entered into a Concession Agreement ("the Agreement") dated 9 February 1998 in connection with the design, construction and completion of 10,000 units of teachers' quarters, constructed over 109 land sites.

The Agreement recognises that the amount billed shall be based on a measurement of works on site. As of today the Government has only verified and approved the Final Account for 1 site (36 units). For the remaining 108 sites, the Government has based their concession payments on the preliminary cost estimates of each site.

As a result of delays mainly in providing the land by the Government for the commencement of the project, the company has made a claim for the extension of time.

The Group has recognised RM274,872,670 as concession income receivable during the financial year ended 31 December 2004. The income recognised represents the total claim in relation to the extension of time and the additional works in the Final Accounts. Both these claims are in line with the provisions of the Agreement.

On the 15 August 2005, an independent consultant was appointed jointly by the Government and the Group to verify the Final Accounts of the remaining sites. The said consultant completed their initial verification on 28 February 2006 and have submitted their report to the parties concerned. The report confirms that the Group has a basis to claim the additional works. The report has been accepted by both parties who have then resolved to appoint the consultant to proceed with the valuation of the claims for the additional works. The claims on the extension of time submitted by the Group are presently being evaluated by the Government. However, the final outcome of the verification exercise may result in potential adjustment, if any, to both the quantum and timing of settlement of the total claims.

9. CONCESSION INCOME RECEIVABLES (CONTD.)

The directors have reviewed this matter in detail and having considered all available known facts and information available, are of the opinion that it is probable the amounts recognised as concession income receivables will be recoverable.

The Group's normal trade credit term is 21 (2004: 21) days.

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

10. TRADE RECEIVABLES

	GROUP	
	2005 RM	2004 RM
Trade receivables	3,735,832	-
Concession income receivables within one year (Note 9)	26,690,541	40,957,391
	<u>30,426,373</u>	<u>40,957,391</u>

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

11. OTHER RECEIVABLES

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Sundry receivables	890,040	2,443,460	121,360	113,633
Prepayments	1,617,170	1,854,061	50,359	34,492
Deposits	1,100,381	1,902,309	3,310	7,925
Debts service reserve account	-	7,875,000	-	7,875,000
	<u>3,607,591</u>	<u>14,074,830</u>	<u>175,029</u>	<u>8,031,050</u>
Less: Provision for doubtful debts	(580,000)	(596,014)	-	-
	<u>3,027,591</u>	<u>13,478,816</u>	<u>175,029</u>	<u>8,031,050</u>

11. OTHER RECEIVABLES (CONTD.)

	GROUP	
	2005	2004
	RM	RM
The movement of provision for doubtful debts is as follows:		
At beginning of year	596,014	-
Recognised in income statement		
- Provision during the year	-	596,014
Write-off	(16,014)	-
At the end of year	<u>580,000</u>	<u>596,014</u>

Included in sundry receivables of the Group is an amount of RM580,000 (2004: RM580,153) due from affiliated companies. Affiliated companies comprise of companies related to a director, Efeida binti Mohd Effendi, by virtue of her being a director and/or shareholder of the companies.

12. AMOUNT DUE FROM/(TO) SUBSIDIARIES

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

13. DEPOSITS, CASH AND BANK BALANCES

		GROUP		COMPANY	
		2005	2004	2005	2004
		RM	RM	RM	RM
Cash deposits placed with:					
- licensed banks	(a)	13,378,204	1,596,645	8,487,133	-
- licensed corporation	(b)	50,930,919	35,717,664	-	-
Cash and bank balances	(c)	<u>3,290,498</u>	<u>379,469</u>	<u>240,595</u>	<u>2,487</u>
		<u>67,599,621</u>	<u>37,693,778</u>	<u>8,727,728</u>	<u>2,487</u>

13. DEPOSITS, CASH AND BANK BALANCES (CONTD.)

- (a) The deposits with licensed banks of the Group includes the following:
- (i) Deposits of RM1,191,069 (2004: RM1,396,645) on lien for a bank guarantee granted to the Government and performance bonds;
 - (ii) Deposits of RM200,000 (2004: RM200,000) pledged to bank for credit facilities granted to a subsidiary company, Must Ehsan Development Sdn. Bhd.
 - (ii) Designated deposits of RM3,587,135 (2004: nil) on lien for settlement of payables in Encorp Systembilt Sdn. Bhd. and Encorp Construct Sdn. Bhd.
- (b) The deposit of RM50,930,919 (2004: RM35,717,664) is held by a licensed corporation in trust for the holders of the ESSB BAIDS.
- (c) Included in the cash and bank balances of the Group are the following:
- (i) an amount of RM27,017 (2004: RM3,356) was held by a licensed corporation in trust for the holders of the ESSB BAIDS; and
 - (ii) an amount of RM2,270,760 (2004: RM158,872) held pursuant to Section 7A of the Housing and Development (Control & Licensing) Act 1966 and therefore restricted from use for other operations.

The range of interest rates during the financial year for deposits were as follows:

	GROUP	
	2005	2004
	%	%
Licensed banks	2.77 - 3.60	2.98 - 3.70
Licensed corporation	2.99	2.76

The range of maturity days of the deposits as at the end the financial year were as follows:

	GROUP	
	2005 Days	2004 Days
Licensed banks	1 - 198	50 - 190
Licensed corporation	34	47

14. BORROWINGS

	GROUP		COMPANY	
	2005	2004	2005	2004
	RM	RM	RM	RM
Short Term Borrowings				
Secured				
Al-Bai Bithaman Ajil				
Notes payable	88,350,000	88,350,000	-	-
Bank term loans	-	160,000,000	-	160,000,000
	<u>88,350,000</u>	<u>248,350,000</u>	<u>-</u>	<u>160,000,000</u>
Long Term Borrowings				
Secured				
Al-Bai Bithaman Ajil				
Notes payable	1,147,005,198	1,001,168,772	-	-
Advance for a contractor	8,000,000	8,000,000	-	-
	<u>1,155,005,198</u>	<u>1,009,168,772</u>	<u>-</u>	<u>-</u>
Total Borrowings				
Secured				
(a) Al-Bai Bithaman Ajil				
Notes are payable:				
- within one year	88,350,000	88,350,000	-	-
- more than one year and less than two years	151,054,934	129,650,003	-	-
- more than two years and less than five years	391,805,480	414,860,411	-	-
- more than five years	1,407,661,404	1,370,736,203	-	-
	<u>2,038,871,818</u>	<u>2,003,596,617</u>	<u>-</u>	<u>-</u>
Less: Finance charges	(803,516,620)	(914,077,845)	-	-
	<u>1,235,355,198</u>	<u>1,089,518,772</u>	<u>-</u>	<u>-</u>
(b) Bank term loans are payable:				
- within one year	-	160,000,000	-	160,000,000
- more than one year and less than five years	-	-	-	-
(c) Advance from a contractor	8,000,000	8,000,000	-	-
	<u>1,243,355,198</u>	<u>1,257,518,772</u>	<u>-</u>	<u>160,000,000</u>

14. BORROWINGS(CONTD.)

	GROUP		COMPANY	
	2005	2004	2005	2004
	RM	RM	RM	RM
Analysed as follows:				
Due within one year	23,242,017	181,336,908	-	160,000,000
Due after one year	1,220,113,181	1,076,181,864	-	-
	<u>1,243,355,198</u>	<u>1,257,518,772</u>	<u>-</u>	<u>160,000,000</u>

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

- (i) RM13216 billion Notes 2002/2018 were issued in the year 2000, maturing on 3 January 2018 and are repayable by 32 semi-annual instalments commencing on 3 July 2002;
- (ii) RM510 million Notes 2002/2018 were issued in the year 2000, maturing on 15 September 2018 and are repayable by 34 semi-annual instalments commencing on 15 March 2002; and
- (iii) RM250 million Primary Notes 2007/2028 and RM276.893 million Secondary Notes 2007/2028 issued in the year 2002 with the following maturity and redemption dates:

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

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

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

14. BORROWINGS(CONTD.)

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

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

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

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

All Notes in the fourth tranche were issued to the holding company, Encorp Berhad in the previous financial year via Notes Series 1 of ESSB BAIDS at an issue price of RM152.125 million as disclosed in Note 7 and thus disclosed as a related party transaction in Note 33. The Note Series 2 issued on 30 June 2005 and the details of the notes are further disclosed in Note 14(v).

- (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

14. BORROWINGS (CONTD.)

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.

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

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

- (b) The term loan of RM160 million, had been fully settled during the financial year through the net proceeds from the disposal of the entire ESSB BAIDS Note Series 1 to a third party. The term loan attracted an interest of 4.6% per annum and was secured against the ESSB BAIDS as disclosed in Note 7.
- (c) The advance received from a contractor is in respect of a turnkey development project undertaken for the Group. The advance does not attract interest and is not payable within the next 12 months.

15. TRADE PAYABLES

	GROUP		COMPANY	
	2005	2004	2005	2004
	RM	RM	RM	RM
Short term payables				
Trade payables	34,631,438	26,115,975	-	-
Long term payables				
Trade payables	87,538,067	-	-	-
Total trade payables	122,169,505	26,115,975	-	-

The normal credit term granted to the Group is 21 days (2004: 21 days).

16. OTHER PAYABLES

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Advance payment (a)	12,635,000	12,635,000	-	-
Sundry payables (b)	1,078,858	6,138,949	138,383	3,041,253
Provision for defect liability	537,400	550,000	-	-
Provision for short-term accumulated compensated absences	40,306	65,800	-	-
Accruals	16,615,668	12,329,433	456,080	533,378
Interest accrual (c)	420,000	1,700,000	-	-
Deposits from House Buyers	7,239,261	-	-	-
	<u>38,566,493</u>	<u>33,419,182</u>	<u>594,463</u>	<u>3,574,631</u>

- (a) Advance payment is in respect of amount received from Government for the earlier mentioned concession. The payment received will be utilised for the settlement of concession income receivables, subject to agreement with Government of Malaysia.
- (b) Included in sundry payables of the Group and the Company are amounts due to affiliated companies, amounting to RM31,718 (2004: RM2,543,634) and RM4,783 (2004: RM2,478,641) respectively and amounts due to a former affiliated company, amounting to RM289,631 (2004: nil).
- (c) The accrual of interest relates to interest charged to a subsidiary, Encorp Must Sdn. Bhd by the joint venture partner, Perbadanan Kemajuan Negeri Selangor, on the extension of time granted to fulfill the terms and conditions of the joint venture agreement as disclosed in Note 32.

The movement of provision for defect liability is as follows:

	GROUP	
	2005 RM	2004 RM
At beginning of year	550,000	3,449,300
Recognised in income statement		
- Unused amount reversed during the year	-	(2,899,300)
Utilisation of provision during the year	(12,600)	-
At the end of year	<u>537,400</u>	<u>550,000</u>

16. OTHER PAYABLES (CONTD.)

The movement of provision for employee benefits is as follows:

	GROUP	
	2005	2004
	RM	RM
At beginning of year	65,800	68,160
Recognised in income statement		
- Provision made during the year	-	65,800
- Unused amount reversed during the year	(25,494)	-
Utilisation of provision during the year	-	(68,160)
At the end of year	<u>40,306</u>	<u>65,800</u>

17. HIRE PURCHASE PAYABLES

	GROUP		COMPANY	
	2005	2004	2005	2004
	RM	RM	RM	RM
Minimum lease payments:				
Not later than 1 year	203,228	188,845	16,224	16,224
Later than 1 year and not later than 2 years	222,193	394,813	16,224	16,224
Later than 2 years and not later than 5 years	44,545	48,672	44,545	48,672
Later than 5 years	-	12,097	-	12,097
	<u>469,966</u>	<u>644,427</u>	<u>76,993</u>	<u>93,217</u>
Less: Finance charges	(43,270)	(83,740)	(11,019)	(16,098)
Present value of finance lease liabilities	<u>426,696</u>	<u>560,687</u>	<u>65,974</u>	<u>77,119</u>

17. HIRE PURCHASE PAYABLES (CONTD.)

	GROUP		COMPANY	
	2005	2004	2005	2004
	RM	RM	RM	RM
Present value of finance lease liabilities:				
Not later than 1 year	176,690	148,436	12,104	11,145
Later than 1 year and not later than 2 years	209,200	358,381	13,064	12,104
Later than 2 years and not later than 5 years	40,806	42,073	40,806	42,073
Later than 5 years	-	11,797	-	11,797
	<u>426,696</u>	<u>560,687</u>	<u>65,974</u>	<u>77,119</u>
Analysed as:				
Due within 12 months	176,690	148,436	12,104	11,145
Due after 12 months	250,006	412,251	53,870	65,974
	<u>426,696</u>	<u>560,687</u>	<u>65,974</u>	<u>77,119</u>

The hire purchase and lease payables bear interest ranging from 3.65% to 5.15% (2004: 3.65% to 5.15%) per annum.

18. AMOUNT DUE TO CORPORATE SHAREHOLDER

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

19. AMOUNT DUE TO ASSOCIATE

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

20. SHARE CAPITAL

	Number of Ordinary Shares of RM1 Each		Amount	
	2005	2004	2005 RM	2004 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

21. MINORITY INTERESTS

	GROUP	
	2005 RM	2004 RM
At 1 January	88,479	-
Transfer (to)/from income statement	(88,479)	88,479
At 31 December	-	88,479

22. DEFERRED TAXATION

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
At 1 January	9,740,000	20,545,295	-	-
Acquisition of subsidiary	-	(195,000)	-	-
Transfer (to)/from income statement (Note 30)	(760,065)	2,926,705	-	-
Disposal of subsidiary (Note 5 (b))	-	(13,537,000)	-	-
At 31 December	8,979,935	9,740,000	-	-

22. DEFERRED TAXATION (CONTID.)

	GROUP		COMPANY	
	2005	2004	2005	2004
	RM	RM	RM	RM
Presented after appropriate offsetting as follows:				
Deferred tax assets	(236,898,000)	(241,252,000)	(39,481)	(31,461)
Deferred tax liabilities	245,877,935	250,992,000	39,481	31,461
	<u>8,979,935</u>	<u>9,740,000</u>	<u>-</u>	<u>-</u>

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

Deferred Tax Liabilities of the Group:

	Concession Expenditure RM	Progress Billings RM	Accelerated Capital Allowances RM	Total RM
At 1 January 2005	-	250,966,000	26,000	250,992,000
Recognised in the income statement	-	(5,113,000)	(1,065)	(5,114,065)
At 31 December 2005	<u>-</u>	<u>245,853,000</u>	<u>24,935</u>	<u>245,877,935</u>
At 1 January 2004	84,766,000	167,718,000	13,169,348	265,653,348
Acquisition of subsidiary (Note 5 (a))	-	-	20,000	20,000
Recognised in the income statement	(84,766,000)	83,248,000	510,852	(1,007,148)
Disposal of subsidiary (Note 5 (b))	-	-	(13,674,200)	(13,674,200)
At 31 December 2004	<u>-</u>	<u>250,966,000</u>	<u>26,000</u>	<u>250,992,000</u>

22. DEFERRED TAXATION (CONTD.)

Deferred Tax Assets of the Group:

	Tax Losses and Unabsorbed Capital Allowances RM
At 1 January 2005	(241,252,000)
Recognised in the income statement	4,354,000
At 31 December 2005	<u>(236,898,000)</u>
At 1 January 2004	(245,231,200)
Acquisition of subsidiary (Note 5 (a))	(10,000)
Recognised in the income statement	3,852,000
Disposal of subsidiary (Note 5 (b))	137,200
At 31 December 2004	<u>(241,252,000)</u>

Deferred Tax Liabilities of the Company:

	Accelerated Capital Allowances RM
At 1 January 2005	31,461
Recognised in the income statement	8,020
At 31 December 2005	<u>39,481</u>
At 1 January 2004	3,251
Recognised in the income statement	28,210
At 31 December 2004	<u>31,461</u>

22. DEFERRED TAXATION (CONTD.)

Deferred Tax Assets of the Company:

	Tax Losses and Unabsorbed Capital Allowances RM
At 1 January 2005	(31,461)
Recognised in the income statement	(8,020)
At 31 December 2005	<u>(39,481)</u>
At 1 January 2004	(3,251)
Recognised in the income statement	(28,210)
At 31 December 2004	<u>(31,461)</u>

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

	GROUP		COMPANY	
	2005	2004	2005	2004
	RM	RM	RM	RM
Tax losses and unabsorbed capital allowances	8,983,134	6,188,268	1,537,753	795,068
Others	<u>1,341,709</u>	<u>2,595,709</u>	<u>-</u>	<u>-</u>

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

23. REVENUE

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Concession income from the handover of teachers' quarters	-	314,075,164	-	-
Dividend income	-	-	3,136,157	2,744,137
Management fees	-	-	559,359	764,000
Interest income	103,755,679	106,749,077	-	-
Invoiced value of goods sold less returns and discount allowed	10,790,320	136,347,065	-	-
	<u>114,545,999</u>	<u>557,171,306</u>	<u>3,695,516</u>	<u>3,508,137</u>

24. COST OF SALES

	GROUP	
	2005 RM	2004 RM
Property development costs (Note 4(b))	10,067,368	-
Attributable concession expenditure amortised	-	316,377,422
Cost of inventories sold	-	116,888,651
	<u>10,067,368</u>	<u>433,266,073</u>

25. OTHER INCOME

Included in other income are:

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Interest income on deposits	1,782,677	1,430,694	356,851	47,259
Interest income on ESSB BAIDS	-	-	7,404,174	-
Gain on disposal of ESSB BAIDS	25,304,650	-	25,304,650	-
Gain on disposal of property, plant and equipment	-	27,000	-	-
Gain on disposal of land	-	1,947,000	-	-

26. PROFIT FROM OPERATIONS

The profit from operations is after charging/(crediting):

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Auditors' remuneration				
- current year	75,300	67,500	30,000	25,000
- (over)/under provision in prior year	5,000	(7,000)	5,000	(7,000)
Non-executive directors' remuneration (Note 28)	447,556	302,700	445,156	301,500
Provision for doubtful debts	-	596,014	-	-
Depreciation of property, plant and equipment	838,310	9,256,060	51,485	33,457
Rent of premises	127,296	-	213,600	213,600
Rent of equipment	34,950	24,600	7,800	7,800
Amortisation of goodwill on consolidation	12,346,663	10,319,561	-	-
Realised gain on foreign exchange	-	(3,061)	-	-
Staff costs (Note 27)	5,407,399	19,410,109	3,240,121	3,273,085
Concession expenditure written off	-	354,784	-	-

27. STAFF COSTS

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Wages and salaries	4,503,510	14,817,959	2,749,590	2,809,444
Social security costs	26,372	408,046	13,193	9,172
Pension cost - defined contribution plans	501,393	1,383,336	300,810	213,355
(Write back of)/provision for short term accumulating compensated balances (Note 16)	(25,494)	65,800	-	-
Other staff related expenses	401,618	2,734,968	176,528	241,114
	<u>5,407,399</u>	<u>19,410,109</u>	<u>3,240,121</u>	<u>3,273,085</u>

Included in staff costs of the Group and of the Company are executive directors' remuneration amounting to RM746,547 (2004: RM1,094,489) and RM612,147 (2004: RM960,089) respectively as further disclosed in Note 28.

28. DIRECTORS' REMUNERATION

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Directors of the Company				
Executive:				
- fees	78,000	123,161	78,000	123,161
- emoluments	668,547	971,328	534,147	836,928
- benefits-in-kind	55,853	88,026	55,853	88,026
	<u>802,400</u>	<u>1,182,515</u>	<u>668,000</u>	<u>1,048,115</u>
Non-Executive:				
- fees	294,613	273,000	294,613	273,000
- emoluments	150,543	28,500	150,543	28,500
- benefits-in-kind	21,954	-	21,954	-
	<u>467,110</u>	<u>301,500</u>	<u>467,110</u>	<u>301,500</u>

28. DIRECTORS' REMUNERATION (CONTD.)

	GROUP		COMPANY	
	2005	2004	2005	2004
	RM	RM	RM	RM
Directors of subsidiaries				
Non-Executive:				
- fees	-	-	-	-
- emoluments	2,400	1,200	-	-
	<u>2,400</u>	<u>1,200</u>	<u>-</u>	<u>-</u>
Total	<u>1,271,910</u>	<u>1,485,215</u>	<u>1,135,110</u>	<u>1,349,615</u>
Analysis excluding benefits-in-kind:				
Total executive directors' remuneration excluding benefits-in-kind	746,547	1,094,489	612,147	960,089
Total non-executive directors' remuneration excluding benefits-in-kind	<u>447,556</u>	<u>302,700</u>	<u>445,156</u>	<u>301,500</u>
Total directors' remuneration excluding benefits-in-kind	<u>1,194,103</u>	<u>1,397,189</u>	<u>1,057,303</u>	<u>1,261,589</u>

28. 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	
	2005	2004
Executive directors:		
Below RM50,000	-	-
RM50,001-100,000	-	-
RM100,001-150,000	-	-
RM150,001-200,000	1	1
RM200,001-250,000	-	-
RM250,001-300,000	-	-
RM300,001-350,000	-	1
RM350,001-400,000	-	-
RM400,001-450,000	-	-
RM450,001-500,000	-	-
RM500,001-550,000	-	-
RM550,001-600,000	-	-
RM600,001-650,000	1	-
RM650,001-700,000	-	1
	<u>2</u>	<u>3</u>
Non-executive directors:		
Below RM50,000	3	2
RM50,001-100,000	3	4
RM100,001-150,000	-	-
RM150,001-200,000	1	-
	<u>7</u>	<u>6</u>

29. FINANCE COSTS

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Interest expense:				
- hire purchase	40,469	59,477	5,079	6,039
- finance lease	-	27,893	-	-
- term loan	4,970,521	353,083	4,970,521	-
- bank overdraft	-	8,502	-	-
- Al-Bai Bithaman Ajil notes	103,525,759	96,369,916	-	-
Write back on interest accrued	(1,280,000)	-	-	-
	<u>107,256,749</u>	<u>96,818,871</u>	<u>4,975,600</u>	<u>6,039</u>

30. TAXATION

	GROUP		COMPANY	
	2005	2004	2005	2004
	RM	RM	RM	RM
Tax expense for the year:				
Malaysian taxation				
- current year	-	(229,357)	-	-
- under provision in prior year	48,539	7,841	-	-
Deferred taxation (Note 22)				
- current year	(756,591)	2,926,705	-	-
- under provision in prior year	(3,474)	-	-	-
	<u>(711,526)</u>	<u>2,705,189</u>	<u>-</u>	<u>-</u>
Share of taxation of associate	<u>1,327,994</u>	<u>242,550</u>	<u>-</u>	<u>-</u>
	<u>616,468</u>	<u>2,947,739</u>	<u>-</u>	<u>-</u>

Domestic income tax is calculated at the Malaysian statutory tax rate of 28% (2004: 28%) of the estimated assessable profit for the year.

30. TAXATION (CONTD.)

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	
	2005 RM	2004 RM	2005 RM	2004 RM
Profit/(loss) before taxation	4,122,778	(2,747,587)	26,252,414	4,176,395
Taxation at Malaysian statutory tax rate of 28% (2004: 28%)	1,154,378	(769,324)	7,350,676	1,169,391
Effects of income not subject to tax	(9,414,662)	-	(9,158,471)	(1,552,440)
Effects of expenses not deductible for tax purpose	8,825,330	2,635,832	1,599,843	142,252
Deferred tax assets not recognised during the year	431,442	1,141,305	207,952	219,887
Utilisation of previously unrecognised unutilised reinvestment allowances	(425,085)	(67,915)	-	-
Under/(over) provided in prior years				
- current taxation	48,539	7,841	-	20,910
- deferred tax	(3,474)	-	-	-
Tax expense for the year	616,468	2,947,739	-	-

30. TAXATION (CONTD.)

	GROUP		COMPANY	
	2005	2004	2005	2004
	RM	RM	RM	RM
Tax savings recognised during the year arising from:				
(i) Utilisation of current year tax losses	1,087,213	781,591	978,042	781,591
(ii) Utilisation of previously unrecognised tax losses	1,951,472	-	-	-
Unutilised tax losses carried forward	854,650,112	952,329,289	1,538,142	826,531

As at 31 December 2005, the Company has sufficient tax credit under Section 108 of the Income Tax Act 1967 to frank the payment of dividends amounting to RM453,000 (2004: RM453,000) out of its retained profits. If the balance of the retained profits were to be distributed as dividends prior to there being sufficient tax credit, the Company would have a Section 108 shortfall of approximately RM8,216,000 (2004: RM865,000).

31. EARNINGS/(LOSS) PER SHARE

Earnings/(loss) per share is calculated by dividing the net profit/(loss) for the year by the weighted average number of ordinary shares in issue during the financial year held by the Company.

	GROUP	
	2005	2004
Net profit/(loss) for the year (RM)	3,594,789	(5,783,805)
Weighted average number of ordinary shares in issue	223,508,536	223,508,536
Basic earnings/(loss) per share (sen)	1.61	(2.59)

As at the end of the current financial year, the Company does not have any dilutive potential ordinary shares. Accordingly, the diluted earnings per share is not presented.

32. COMMITMENTS

	GROUP	
	2005 RM	2004 RM
Commitment to subscribe for 5,000,000 ordinary shares of RM1 each in Must Ehsan Development, a subsidiary company	5,000,000	-
Commitment to increase cost of investment in Must Ehsan Development	12,768,000	-
Commitment to subscribe for 5,000,000 ordinary shares and 10,500,000 preference shares of RM1 each in Must Ehsan Development	-	15,500,000
Capital expenditure approved and contracted for	-	93,971,228
	<u>17,768,000</u>	<u>109,471,228</u>
Share of capital commitments of associate (Note 6):		
Capital expenditure approved and contracted for	87,808	4,459,000
Capital expenditure approved but not contracted for	5,174,400	305,662
	<u>5,262,208</u>	<u>4,764,662</u>
	<u>23,030,208</u>	<u>114,235,890</u>

33. SIGNIFICANT RELATED PARTY TRANSACTIONS

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
ESSB BAIDS subscribed by Encorp Berhad from a subsidiary, Encorp Systembilt Sdn. Bhd.	-	-	-	152,125,000
Management fees charged to subsidiaries:				
- Encorp Construct Sdn. Bhd.	-	-	180,000	474,000
- Encorp Systembilt Sdn. Bhd.	-	-	180,000	-
- Great Wall Plastic Industries Berhad	-	-	-	290,000
Management fees charged to subsidiaries:				
- Encorp Must Sdn. Bhd.	-	-	199,359	-

33. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTD.)

	GROUP		COMPANY	
	2005	2004	2005	2004
	RM	RM	RM	RM
Rental payable to:				
- Encorp Construct Sdn. Bhd.	-	-	213,600	213,600
Fee paid to a company owned by a director for services rendered	-	65,000	-	65,000
Purchase of land from PKNS	93,971,228	6,684,547	-	-
Sales of properties under development to a person who is connected to a director	222,200	-	-	-
Professional fee payable to Natseven TV Sdn. Bhd., a former affiliated company	475,691	-	-	-

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

34. CONTINGENT LIABILITIES AND MATERIAL LITIGATION

	GROUP	
	2005	2004
	RM	RM
Contingent liabilities:		
Corporate guarantee given by the Company to contractors of teachers' quarters project in relation to design guarantees to the Government	31,807,200	31,807,200

34. CONTINGENT LIABILITIES AND MATERIAL LITIGATION (CONTD.)

	GROUP 2005 RM	2004 RM
Material litigation: Claim by a third party against two subsidiary companies, for loss and damage arising from construction works on its land.	7,703,686	7,703,686

The directors are of the opinion that the likelihood of the above claims crystallising are remote as:

- (i) the designs guarantee is to cover for any defect in the design of the teachers' quarters which have been undertaken by professional architects and consultants; and
- (ii) the Government is obliged to handover sites free from any encumbrance.

35. SEGMENT INFORMATION

Business Segment

The Group is organised into four major business segments:

(i) Investment holding

This segment refers to investment holding companies of the Group.

(ii) Manufacturing

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

(iii) Construction

This segment refers to property construction and general contracting activities.

(iv) Others

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

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

26. RECONCILIATION OF RELATIONS (CONT'D.)

Business Revenues (continued)

	Investment Holding		Construction		Leasing development		Manufacturing		Other*		Eliminations		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
REVENUES AND EXPENSES														
Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Leasing revenue	3,894,874	3,503,127	-	-	10,790,320	-	1,363,347,063	420,834,241	103,753,679	-	(3,894,874)	-	114,343,999	557,171,306
Total revenue	-	-	-	-	-	-	-	-	-	-	(3,894,874)	-	-	-
Expenses														
Leasing revenue	(1,820,537)	3,101,891	(739,102)	(3,623,637)	(1,809,700)	499,908	-	9,488,379	98,704,278	102,092,008	(15,675,918)	(18,966,670)	78,068,941	92,391,439
Leasing expense	(3,095,600)	(4,039)	(3,390)	(9,667)	-	-	-	(3,461,254)	(110,929,933)	(94,389,916)	7,404,174	-	(107,250,749)	(96,818,871)
Leasing expense	7,761,024	211,064	2,992	-	37,704	23	-	38,925	1,383,130	1,180,705	(7,404,174)	-	1,782,676	1,430,717
Other as a result of														
ESSB SA TOG	25,304,650	-	-	-	-	-	-	-	-	-	-	-	25,304,650	-
Share of result of														
operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loss as a result of														
subsidies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Minority interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net profit for the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-

* This revenue refers to the construction of buildings and other assets of the company.

26. SUPPLEMENTAL INFORMATION (CONT'D.)

Business Segment (cont'd.)

	Investment Holding		Construction		Transportation		Manufacturing		Other ¹		Eliminations		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
ASSETS AND LIABILITIES	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	As restated	\$M	\$M	\$M	\$M
Segment assets														
Consolidated net assets	441,363,570	575,300,477	10,788,030	77,404,923	134,863,613	77,560,688	-	-	1,384,678,911	1,444,179,195	(715,403,695)	(438,679,063)	1,765,700,379	1,675,845,180
Unaffiliated company assets	1,787,833	1,775,036	-	-	-	-	-	-	89,045	89,045	(878,124)	-	998,754	1,364,081
Consolidated net assets	443,151,403	577,075,513	10,788,030	77,404,923	134,863,613	77,560,688	-	-	1,384,678,956	1,444,268,240	(716,271,819)	(438,679,063)	1,766,699,133	1,677,209,261
Segment liabilities														
Consolidated liabilities	30,391,305	31,370,717	34,608,054	76,349,657	138,035,114	23,853,686	-	-	41,681,180	83,557,361	(87,896,771)	(148,509,166)	163,119,477	61,575,745
Unaffiliated company liabilities	8,065,973	168,079,704	1,101,881	1,774,776	31,935	10,000	-	-	1,744,313,198	1,751,573,777	-	(157,175,000)	1,753,503,987	1,768,563,707
Consolidated net liabilities	38,457,278	199,450,421	35,709,935	78,124,433	138,067,049	23,863,686	-	-	1,785,994,378	1,834,931,138	(87,896,771)	(205,684,166)	1,717,017,464	1,830,139,452
OTHER INFORMATION														
Capital expenditures	10,5763	70,318	14,613	13,806	171,077	163,435	-	-	814,946	-	-	-	741,463	1,067,805
Depreciation	51,485	33,457	747,867	744,587	78,471	6,564	-	-	8,456,929	14,491	-	-	838,310	9,756,058
Amortization of goodwill or intangible assets	-	-	-	-	-	-	-	-	-	-	17,346,663	10,319,561	17,346,663	10,319,561
Amortization of contracts	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Acquisition of equity interest	-	-	-	-	-	-	-	-	316,377,477	-	-	-	-	316,377,477

¹ The segment refers to the corresponding historical and current quarter's quarters in the Consolidated Financial Statements.

36. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, foreign exchange, liquidity and credit risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is to not engage in speculative transactions.

(b) Interest Rate Risk

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

Meanwhile, surplus funds are placed with reputable financial institutions which generate interest income to the Group. The Group manages its interest rate risk by placing such balances on varying maturity and interest rate terms.

(c) Foreign Exchange Risk

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

(d) Liquidity Risk

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

(e) Credit Risk

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

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

36. FINANCIAL INSTRUMENTS (CONTD.)

(e) Credit Risk (Contd.)

As at the balance sheet date, the Group has a concentration of credit risk as disclosed in Note 9 to the financial statements.

(f) Fair Values

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

	GROUP		COMPANY	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM

Financial liabilities

At 31 December 2005

Secured borrowings	1,235,355,198	1,245,132,672	-	-
Hire purchase payables	426,696	420,925	65,974	63,648

Financial liabilities

At 31 December 2004

Secured borrowings	1,249,518,772	1,249,301,673	160,000,000	160,000,000
Hire purchase payables	560,687	588,447	77,119	75,311

Amount due from holding company

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

Cash and Cash Equivalents, Trade and Other Receivables/Payables

The fair value of cash and cash equivalents, trade and other receivables/payables approximate their respective carrying values on the balance sheet of the Group.

Unsecured Borrowings

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

37. SIGNIFICANT EVENTS

(a) Proposed Private Placement

The proposed private placement of up to 22,995,953 new ordinary shares of RM1 each which would represent 10% of the existing issued and paid-up capital of the Company, to places to be identified and at an issue price to be determined later, which was approved by the Securities Commission ("SC") on 30 July 2004 and the Bursa Malaysia Securities Berhad on 7 December 2004, lapsed during the financial year.

(b) ESSB BAIDS Issue

On the 30 June 2005, the Group successfully issued the second series of the Al-Bai Bithaman Ajil Notes ("BAIDS") Issue ("Notes Series 2") with a nominal value of RM42 million at an issue price of RM12.431 million to third parties. On the same date, the Company disposed its entire BAIDS Issue Note Series 1 to a third party for RM184 million, resulting in a net gain of RM25 million. The net proceeds were used to settle the Company's RM160 million Bridging Loan Facility.

(c) Proposed Share Buy Back

At the Annual General Meeting held on 16 June 2005, the Company obtain the approval from its shareholders for the authority to purchase its own shares up to ten per centum (10%) of its issued and paid-up share capital through the Bursa Malaysia.

38. SUBSEQUENT EVENTS

(a) Proposed Increase in Authorised Share Capital

On 31 March 2006, the authorised share capital of a subsidiary, Must Ehsan Development Sdn. Bhd. ("MEDSB"), was increased from 10,000,000 ordinary shares of RM1 each to 25,000,000 ordinary shares at RM1 each by the creation of 15,000,000 new ordinary shares of RM1 each. The new ordinary shares when issued shall rank pari passu in all respects with the existing ordinary shares in the capital of the Company.

(b) Proposed Rights Issue

On the same date, MEDSB issued 5,000,000 ordinary shares of RM1 each at an issue price of RM1 per ordinary shares by way of Rights Issue. The consideration arising from the Rights Issue is to be set off against part of the advances made by Encorp Must Sdn. Bhd., a fellow subsidiary, to the shareholders of MEDSB whose name appear in the Register of Members on 31 March 2006. The issuance of the Rights Issue is on the basis of one (1) new ordinary share of RM1 each for every two (2) existing ordinary shares held, and shall rank pari passu in all respects with the existing ordinary shares in the capital of MEDSB.

39. COMPARATIVES

The presentation and classification of items in the current year financial statements have been consistent with the previous financial year except that certain comparative amounts have been reclassified to conform with current year's presentation.

	As Restated RM	Adjustments RM	As Previously Stated RM
31 December 2004			
GROUP			
Concession income receivables	1,307,253,434	103,755,679	1,203,497,755
Trade receivables	40,957,391	(103,755,679)	144,713,070
Short term borrowings	181,336,908	(67,013,092)	248,350,000
Long term borrowings	1,076,181,864	67,013,092	1,009,168,772

Location	Description and Existing Use	Land Area (sq. m)	Build-Up (sq. m)	Age of Building (years)
PT No. 574, Daerah Petaling, Selangor; Level 18, Wisma SurwayMas, No. 1, Jln Tengku Ampuan Zabedah C9/C, Section 9, 40100 Shah Alam, Selangor Darul Bhsan	Office building (99 years lease expiring on 29/8/2094), currently in use as offices for Encorp Berhad Group of Companies	N/A	1,505	7.5
Lot 8093 (Seksyen U12), Shah Alam, Mukim Bukit Raja, Daerah Petaling, Selangor Darul Bhsan	Land held for property development	849,52.5	N/A	N/A
PB1, Kota Damansara Town Centre, Selangor Darul Bhsan	Commercial land held for property development	182,111	N/A	N/A

Location	Net Book Value as at 31.12.2005 (RM '000)	Year of Acquisition
PT No. 574, Daerah Petaling, Selangor; Level 18, Wisma SurwayMas, No. 1, Jln Tengku Ampuan Zabedah C9/C, Section 9, 40100 Shah Alam, Selangor Darul Bhsan	3,32.5	2000
Lot 8093 (Seksyen U12), Shah Alam, Mukim Bukit Raja, Daerah Petaling, Selangor Darul Bhsan	100,557	2000
PB1, Kota Damansara Town Centre, Selangor Darul Bhsan		

ANALYSIS OF SHAREHOLDINGS

AS AT 11 May 2006 (MALAYSIAN AND FOREIGN COMBINED)

Size of Holdings	No. Of Shareholders	%	No. Of Shares	% of Shareholdings
1 to 99	67	1.72	770	0.00
100 to 1,000	430	11.06	375,900	0.17
1,001 to 10,000	2,812	72.33	10,583,734	4.74
10,001 to 100,000	517	13.30	15,022,496	6.72
100,001 to less than 5% of issued shares	59	1.52	47,013,636	21.03
5% and above of issued shares	3	0.08	150,512,000	67.34
TOTAL	3,888	100.00	223,508,536	100.00

Substantial shareholders

The substantial shareholders and their shareholdings in Encorp Berhad as at 11 May 2006 as per the Register of Substantial Shareholders are as follows:

Name of Substantial Shareholders	Notes	Direct		Indirect	
		No. of Shares	%	No. of Shares	%
Lavista Sdn Bhd		73,636,036	32.94	-	-
Beidabini Mohd Effendi	[1]	-	-	73,636,036	32.94
Dasar Untung Sdn Bhd		59,000,000	26.40	-	-
Sanzrak Enterprise Corporation Berhad	[2]	-	-	59,000,000	26.40
Multi-Purpose Holdings Berhad	[3]	-	-	59,000,000	26.40
Lim Tiong Chin	[4]	-	-	59,000,000	26.40
Quantum Aspects Sdn Bhd	[5]	-	-	59,000,000	26.40
Datuk Surin Upatmoon	[6]	-	-	59,000,000	26.40
Dato' Tham Ka Hon	[7]	-	-	59,000,000	26.40
Dimensi Nada Sdn Bhd	[8]	-	-	59,000,000	26.40
Dynamic Icon Sdn Bhd	[9]	-	-	59,000,000	26.40
Lim Bian Yong	[10]	-	-	59,000,000	26.40
Tan Heng Kok	[10]	-	-	59,000,000	26.40
Goh Tian Joe	[10]	-	-	59,000,000	26.40

Notes:

- [1] Deemed substantial interest through the 100% shareholdings in Lavista Sdn Bhd held by her and persons connected to her
- [2] Deemed indirect interest by virtue of Section 6A(4) of the Companies Act, 1965 held through its wholly-owned subsidiary company, Dasar Untung Sdn Bhd
- [3] Deemed indirect interest by virtue of Section 6A(4) of the Companies Act, 1965 held through Sarawak Enterprise Corporation Berhad, an associate company of Multi-Purpose Holdings Berhad
- [4] Deemed substantial interest by virtue of Section 6A(4) of the Companies Act, 1965 held through his 15% shareholdings in Quantum Aspects Sdn Bhd
- [5] Deemed substantial interest in Magnum 4D Berhad by virtue of Section 6A(4) of the Companies Act, 1965 held through Multi-Purpose Holdings Berhad
- [6] Deemed indirect interest by virtue of Section 6A(4) of the Companies Act, 1965 held through his 48.9% shareholdings in Dynamic Icon Sdn Bhd
- [7] Deemed indirect interest by virtue of Section 6A(4) of the Companies Act, 1965 held through his 39.8% shareholdings in Dynamic Icon Sdn Bhd
- [8] Deemed to have indirect interest by virtue of Section 6A(4) of the Companies Act, 1965 held through their 16% shareholdings in Quantum Aspects Sdn Bhd
- [9] Deemed to have indirect interest by virtue of Section 6A(4) of the Companies Act, 1965 held through their 52.67% shareholdings in Quantum Aspects Sdn Bhd
- [10] Deemed to have indirect interest by virtue of his direct interest in Dimensi Nada Sdn Bhd pursuant to Section 6A(4)(c)

Directors shareholdings:

		Shareholdings				
		Direct		Indirect		
Name of Directors	Note	No. of Shares	%	No. of Shares	%	
Beida binti Mohd Bendi	a	-	-	73636,036	32.94	
Datuk (Dr) Ting Ding Ing		2,278,000	100	-	-	
Datuk Fong Joo Chung		-	-	-	-	
Dato' Chew Kong Seng @ Chew Kong Huat		-	-	-	-	
Datuk Dr Zainal Aznam bin Mohd Yusof		-	-	-	-	
Tan Sri Datuk Dr Omar bin Abdul Rahman		-	-	-	-	
Yeoh Soo Ann		-	-	-	-	
Datuk Ramli bin Shamsudin		-	-	-	-	

Notes:

- a Deemed substantial interest through the 100% shareholdings in Lavista Sdn Bhd held by her and persons connected to her

LIST OF 30 LARGEST SECURITIES ACCOUNT HOLDERS (as at 11 May 2009)

Name of Registered Holders	No. of Shares Held	% of Shareholdings
1. RHB CARTAL NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account for Lavista Sdn Bhd	71,800,000	32.12
2. DASAR UNTUNG SDN BHD	59,000,000	26.40
3. RHB CARTAL NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account for Molpan Holdings Sdn Bhd	19,712,000	8.82
4. A.A.ANTHONY NOMINEES (ASING) SDN BHD Magnum (Gunsey) Limited	5,026,000	2.25
5. RHB CARTAL NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account for Robin Lo Bing	5,000,000	2.24
6. HDM NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account for Oh Kim Sun	3,099,700	1.39
7. MERITICON SDN BHD	2,980,000	1.33
8. AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD Public Smallcap Fund	2,457,700	1.10
9. Datuk (Dr) Philip Ting Ding Ing	2,278,000	1.02
10. OMSEC NOMINEES (ASING) SDN BHD OMB for Sam San Tuan	2,200,300	0.98
11. LAMSTA SDN BHD	1,836,036	0.82
12. MAYBAN NOMINEES (TEMPATAN) SDN BHD Mayban Life Assurance Berhad (Par Fund)	1,591,900	0.71
13. RHB NOMINEES (TEMPATAN) SDN BHD RHB Asset Management Sdn Bhd for Kumpulan Wang Simpanan Pekerja	1,471,500	0.66
14. CHING CHO OI KUAN	1,317,400	0.59
15. OMSEC NOMINEES (TEMPATAN) SDN BHD Bumiputra-Commerce Trustee Berhad for RHB Mudharabah Fund	1,310,000	0.59
16. TA NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account for Oh Kim Sun	1,267,500	0.57
17. LIM PECK HOON	1,089,000	0.49
18. WONG POI KEN	984,500	0.44
19. LAU KUENG SUONG	971,400	0.43
20. MAYBAN NOMINEES (TEMPATAN) SDN BHD Mayban Life Assurance Berhad (Non-Par Fund)	800,000	0.36
21. MAYBAN NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account for Chew Pok Oi	736,000	0.33
22. HSBC NOMINEES (ASING) SDN BHD RCTET and CIE for ACE Fund SICAV (Emerging Market)	731,000	0.33
23. AZUZA BINTI AHMAD TAJUDIN	712,000	0.32
24. RHB NOMINEES (TEMPATAN) SDN BHD RHB Asset Management Sdn Bhd for Kumpulan Wang Amanah Pencen	645,200	0.29
25. EE BENG YEE	561,500	0.25
26. OTIGROUP NOMINEES (TEMPATAN) SDN BHD Pledged Securities Account for Tan Siong An	531,400	0.24
27. CHING CHO OI SIM	517,600	0.23
28. TAN SIAO FENG	452,000	0.20
29. OMSEC NOMINEES (TEMPATAN) SDN BHD Bumiputra-Commerce Trustee Berhad for RHB Malaysia Recovery Fund	450,000	0.20
30. MAYBAN NOMINEES (TEMPATAN) SDN BHD Mayban Life Assurance Berhad (Annuity Fund)	400,000	0.18
TOTAL	191,929,636	85.88

NOTICE OF SIXTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Sixth Annual General Meeting of **ENCORP BERHAD** will be held on **Wednesday, 28 June 2006, at 2.30 p.m.** at **Kenyaling Room, Lobby Floor, Hilton Kuching, Jalan Tunku Abdul Rahman, 93748 Kuching, Sarawak** for the following purposes:

1. To receive the Audited Financial Statements for the financial year ended 31 December 2005 together with the Directors' Report and Auditors' Report thereon. (Resolution 1)
2. To approve the payment of Directors' fees for the financial year ended 31 December 2005. (Resolution 2)
3. To consider and, if thought fit, to pass the following resolution pursuant to Section 129(6) of the Companies Act, 1965:

"That pursuant to Section 129(6) of the Companies Act, 1965, Tan Sri Datuk Dr Omar bin Abdul Rahman, who has exceeded the age of seventy (70) years, be re-appointed as Director of the Company and to hold office until the conclusion of the next Annual General Meeting." (Resolution 3)
4. To re-elect the following Directors who retire in accordance with Article 81 of the Articles of Association of the Company:

 (a) Datuk Dr Zainal Azam bin Mohd Yusof (Resolution 4)
 (b) Yeoh Soo Ann (Resolution 5)
5. To re-elect Datuk Ramli bin Shamsudin who retires in accordance with Article 88 of the Articles of Association of the Company. (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

"THAT pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby empowered to issue and allot shares in the Company, at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company subject always to the Companies Act, 1965, the Articles of Association of the Company and approval of all relevant regulatory bodies being obtained for such allotment and issues." (Resolution 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 Malaysia"), 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 Malaysia, 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. The audited retained profits and share premium account of the Company stood at RM 29,794,727 and RM 103,563,392 respectively for the financial year ended 31 December 2005; 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 Malaysia; and/or*
- (iii) *retain part of the shares so purchased as treasury shares and cancel the remainder.*

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

(Resolution 9)

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

By Order of the Board

CHUA SIEW CHUAN
(MAICSA 0777689)
Company Secretary

Kuching
6 June 2006

Explanatory Notes to Special Business

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

The above Ordinary Resolution 1, if passed, will empower the Directors of the Company to issue and allot shares 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 16 June 2005. 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 provisions of Section 149(1)(b) of the Companies Act, 1965 ("the Act") shall not apply to the Company.
2. If the appointer is a corporation, the form of proxy must be given under its common seal or under the hand of an officer or attorney of the corporation duly authorised.
3. A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting.
4. Where a member appoints more than one (1) proxy, the appointments 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, B-59, Taman Sri Sarawak Mall, Jalan Tunku Abdul Rahman, 93100 Kuching, Sarawak not less than forty-eight (48) hours before the time set for holding the meeting or any adjournment thereof.

Statement Accompanying the Notice of Annual General Meeting

The Directors standing for re-election at the Sixth Annual General Meeting of the Company to be held on **Wednesday, 28 June 2006**, at **2.30 p.m** at **Kenyatang Room, Lobby Floor, Hilton Kuching, Jalan Tunku Abdul Rahman, 93748 Kuching, Sarawak** are as follows:

1. Tan Sri Datuk Dr Omar bin Abdul Rahman (Section 129(6) of the Companies Act, 1965)
2. Datuk Dr Zainal Azam bin Mohd Yusof (Article 81 of the Articles of Association)
3. Mr Yeoh Soo Ann (Article 81 of the Articles of Association)
4. Datuk Ramli bin Shamsudin (Article 88 of the Articles of Association)

Their particulars can be found on page 6 of the Annual Report. They do not hold any shares in Company.

Information on Board Meetings

The information on Board Meetings and attendance of the Directors can be found on page 16 of the Annual Report.

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

PROXY FORM

No. of Shares Held

I/we, _____ NRIC No. _____
of (full address) _____
being a Member/Members of ENCORP BERHAD, hereby appoint _____
NRIC No. _____ of _____
or failing him, _____
NRIC No. _____ 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 Stock Annual General Meeting of the
Company, to be held at Kenyalang Room, Lobby Floor, Hilton Kuching, Jalan Tunku Abdul Rahman, 93748 Kuching, Sarawak on Wednesday, 28
June 2006 at 2.30 p.m. and at any adjournment thereof.

ORDINARY RESOLUTIONS

For

Against

1.	To receive the Audited Financial State ments for the financial year ended 31 December 2005 together with the Directors' Report and Auditors' Report thereon.		
2.	To approve the payment of Directors' fees for the financial year ended 31 December 2005.		
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 Datuk Dr Zainal Aznam bin Mohd Yusof who shall retire in accordance with Article 81 of the Company's Articles of Association.		
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 88 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.		
8.	Authority to issue shares pursuant to Section 132D of the Companies Act, 1965.		
9.	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 _____ 2006

Signature / Common seal _____

- Notes:
1. A proxy may but need not be a member of the Company and the provisions of section 149(1)(b) of the Companies Act, 1965 ("the Act") shall not apply to the Company.
 2. If the appointer is a corporation, the form of proxy must be given under its common seal or under the hand of an officer or attorney of the corporation duly authorised.
 3. A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting.
 4. Where a member appoints more than one (1) proxy the appointment shall be invalid unless he specifies the proportions of his share holdings 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, B-59, Taman Sri Sarawak Mall, Jalan Tunku Abdul Rahman, 93100 Kuching Sarawak not less than forty-eight (48) hours before the time set for holding the meeting or any adjournment thereof.

Place
Stamp
Here

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

