

ENCORP BERHAD
200001004231 (506836-X)
(Incorporated in Malaysia)

Directors' Report and Audited Financial
Statements
31 December 2019

200001004231 (506836-X)

**Encorp Berhad
(Incorporated in Malaysia)**

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**Encorp Berhad
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Directors' report

The directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

Principal activities

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

The principal activities and other information of the subsidiaries are disclosed in Note 16 to the financial statements.

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

Results

The results of the operations of the Group and of the Company for the financial year are as follows:

	Group RM'000	Company RM'000
Loss, net of tax	<u>(41,825)</u>	<u>(170,994)</u>
Loss attributable to:		
Owners of the parent	(46,397)	(170,994)
Non-controlling interests	<u>4,572</u>	<u>-</u>
	<u>(41,825)</u>	<u>(170,994)</u>

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than the impairment on investment in subsidiary of RM166,000,000 as disclosed in Note 16 to the financial statements.

Dividends

No dividend has been paid or declared by the Company since the end of the previous financial year. The directors do not recommend the payment of any dividend in respect of the current financial year.

Reserves and provisions

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

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Directors

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

Datuk Haji Jaafar Bin Abu Bakar
Abdul Rahim Bin Abdul Hamid
Hussein Bin Ismail
Datuk Muzzammil Bin Mohd Nor (Retired on 29 May 2019)
Mahadzir Bin Mustafa (Appointed on 27 June 2019)

The names of the directors of the Company's subsidiaries since the beginning of the financial year to the date of this report, excluding those who are already listed above are:

Hajah Nor Azlina Bt Haji Amran
Tuan Haji Mohamad Sharif Bin Mok Sam (Resigned on 17 December 2019)
Tuan Haji Ahmad Feruz Bin Izharuddin (Appointed on 1 February 2020)

Directors' benefits

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full time employee of the Company as shown below) 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.

The Directors' benefits are as follows:

	Group RM'000	Company RM'000
Non-executive:		
Fees	691	556
Allowances and other emoluments	90	74
	<u>781</u>	<u>630</u>

Directors' interests

None of the directors in office at the end of the financial year had any interest in shares in the Company or its related companies.

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Issue of shares

During the financial year, total number of issued and paid up ordinary shares of the Company has been increased from 293,952,417 to 306,474,217 by way issuance 12,521,800 ordinary shares of RM0.35 each for a total cash consideration of RM4,382,630 pursuant to private placement exercise as disclosed in Note 27.

Holding company and body

The immediate holding company of the Company is Felda Investment Corporation Sdn. Bhd.. The Directors regard Federal Land Development Authority ("FELDA"), a body set up under the Land Development Act 1956, as the ultimate holding body.

Other statutory information

- (a) Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts have been written off and that adequate allowance had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which the Group and the Company might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances:
 - (i) the amount written off for any bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

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Other statutory information (cont'd.)

- (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) At the date of this report, there does not exist:
 - (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
 - (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

The consolidated financial statements have been prepared on a going concern basis notwithstanding the excess of current liabilities over current assets of RM51,638,000 as at 31 December 2019. Included in current liabilities is an amount of RM235,133,000 due to the ultimate holding body, FELDA. Excluding this balance, the Group has net current assets of RM183,495,000 as at 31 December 2019. The balance due to FELDA is mainly related to the consideration for the acquisition of the development rights for a piece of land by a subsidiary, Encorp Bukit Katil Sdn. Bhd. ("EBKSB"). Currently, EBKSB is in a mutually amicable discussion with FELDA to explore various options on dealing with the land, as disclosed in Note 29(c). Consequently, the directors have assessed and concluded that the going concern basis remains appropriate.

Indemnity and insurance for directors and officers

The Company maintains directors' liability insurance for purpose of Section 289 of the Companies Act 2016, throughout the year, which provides appropriate insurance cover of the directors of the Company. The amount of insurance premium paid during the year amounted to RM27,000.

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Significant events

In addition to the significant events disclosed elsewhere in this report, other significant events are disclosed in Note 17 and Note 26 to the financial statements.

Subsequent events

Details of subsequent events are disclosed in Note 29(c) and Note 39 to the financial statements.

Auditors and auditors' remuneration

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

Auditors' remuneration is as follows:

	Group RM'000	Company RM'000
Ernst & Young PLT	<u>292</u>	<u>123</u>

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young PLT, as part of the terms of its audit engagement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young PLT for the financial year ended 31 December 2019.

Signed on behalf of the Board in accordance with a resolution of the directors dated on 22 May 2020.

Hussein Bin Ismail
Director

Abdul Rahim Bin Abdul Hamid
Director

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**Statement by directors
Pursuant to Section 251(2) of the Companies Act 2016**

We, Hussein Bin Ismail and Abdul Rahim Bin Abdul Hamid, 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 17 to 133 are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated on 22 May 2020.

Hussein Bin Ismail
Director

Abdul Rahim Bin Abdul Hamid
Director

**Statutory declaration
Pursuant to Section 251(1)(b) of the Companies Act 2016**

I, Seow Yoke Wei @ Seow Yoke Loong, 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 17 to 133 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 Seow Yoke Wei @ Seow Yoke Loong
at Petaling Jaya in the Selangor Darul Ehsan
on 22 May 2020

Seow Yoke Wei @
Seow Yoke Loong
MIA 21381

Before me,
Wong Kai Fen (No. B456)
Commissioner for Oaths

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Independent auditors' report to the members of
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Report on the audit of the financial statements

Opinion

We have audited the financial statements of Encorp Berhad, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 17 to 133.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

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Independent auditors' report to the members of
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Report on the audit of the financial statements (cont'd.)

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditors' responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

a) Revenue and cost of sales from property development activities

For the financial year ended 31 December 2019, revenue of RM80,939,000 and cost of sales of RM49,222,000 from property development activities (including sale of completed properties) account for approximately 49% and 85% of the total Group's revenue and cost of sales respectively.

Where the Group uses percentage of completion method to recognise revenue and profit from its property development activities, the amount of revenue and profit recognised are dependent on, amongst others, the extent of costs incurred to the total estimated costs of construction to derive at the percentage of completion, the actual number of units sold and the estimated total revenue for each of the respective projects.

We identified revenue and cost of sales recognised on percentage of completion method from property development activities as matters requiring audit focus.

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Independent auditors' report to the members of
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Report on the audit of the financial statements (cont'd.)

Key audit matters (cont'd.)

a) Revenue and cost of sales from property development activities (cont'd.)

These areas involved significant management's judgement and estimates in estimating the total property development costs (which is used to determine the percentage of completion and gross profit margin of property development activities undertaken by the Group).

In assessing the appropriateness of the extent of costs incurred, total estimated costs of construction and total estimated revenue collectively, we have:

- Obtained an understanding of the process in deriving the stage of completion which includes verifying the certified work done such as examining the progress claims from contractors, architect certification, and performing site visits on a sampling basis;
- Evaluated the assumptions applied in estimating the property development costs for property development phases on a sampling basis by examining documentary evidence such as letter of award issued to contractors to support the budgeted costs;
- Verified the gross development value against the signed sales and purchase agreements and estimated selling price of the unsold development to the latest transacted selling price; and
- Checked the mathematical accuracy of the revenue and profit based on the percentage of completion calculations and the adjustments to the incremental interest expense to be recognised arising from the restatement of comparatives.

The Group's accounting policies and disclosures on property development activities based on percentage of completion method, are disclosed in Notes 2.16, 2.17, 2.22(a), 3(a), 3(b), 5, and 15(b) respectively to the financial statements.

b) Valuation of investment properties

As at 31 December 2019, the carrying amount of investment properties amounted to RM303,050,000 representing approximately 20% and 15% of the Group's total non-current assets and total assets respectively.

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Independent auditors' report to the members of
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Report on the audit of the financial statements (cont'd.)

Key audit matters (cont'd.)

b) Valuation of investment properties (cont'd.)

Investment properties are stated at fair value and any gain or loss arising from changes in the fair value are included in profit or loss in the year in which they arise. The Group has appointed an independent professional valuer to perform valuations on its investment properties. The valuations are based on assumptions including, amongst others, comparable historical transactions and adjustments factors to comparable transactions including location, size, condition, accessibility and design and market knowledge, estimated rental value per square feet, expected market rental growth and discount rate.

We consider the valuation of the investment properties as an area of audit focus as such valuation involves significant judgement and estimates that are highly subjective.

Our procedures to address this area of focus include, amongst others, the following:

- Assessed the objectivity, independence, reputation, experience and expertise of the independent valuer;
- Reviewed the methodology adopted by the independent valuer in estimating the fair value of the investment properties and assessed whether such methodology is consistent with those used in the industry; and
- Evaluated the appropriateness of the data used by the independent valuer as input into their valuations. We interviewed the external valuer, discussed and challenged the significant estimates and assumptions applied in their valuation process.

The Group's accounting policies, significant judgement and estimates and disclosures on investment properties are disclosed in Notes 2.10, 2.12, 3(d), 8, 14 and 34 respectively to the financial statements.

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Independent auditors' report to the members of
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Report on the audit of the financial statements (cont'd.)

Key audit matters (cont'd.)

c) Impairment of investment in a subsidiary

The Company is required to perform an impairment test on its investments in subsidiaries whenever there is an indication that these investments may be impaired.

There is an indication that the carrying amount of the Company's cost of investment in Encorp Construction & Infrastructure Sdn. Bhd. ("ECISB") may be impaired as the consolidated net assets of ECISB and its directly held subsidiaries are lower than the cost of investment.

Based on the impairment assessment performed by the management of the Company, an impairment loss of RM166,000,000 has been recognised in the separate financial statements of the Company. This is an area of audit focus considering the significance of the quantum of the impairment adjustment.

Our procedures to address this area of focus included, amongst others, the following:

- Obtained an understanding of the relevant process and controls over management's assessment of the impairment of the investment in subsidiary;
- Evaluated the appropriateness of the methodology and approach applied; and
- Evaluated whether key assumptions were reasonable, taking into consideration the current and expected operating outlook for ECISB and its subsidiaries.

We also reviewed and assessed the adequacy of the Company's disclosures relating to the impairment of assessment of investment in subsidiaries in Notes 8 and 16.

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Independent auditors' report to the members of
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Report on the audit of the financial statements (cont'd.)

Key audit matters (cont'd.)

d) Impairment of amount due from a subsidiary

The Company is required to perform impairment test of its investment whenever there is an indication that the investment may be impaired. Included in the amounts due from subsidiaries of the Company as at 31 December 2019 is an amount due from Encorp Development Pty. Ltd. ("EDPL") of RM47,096,000, net of accumulated impairment loss of RM23,092,000, resulting in a net carrying amount of RM24,004,000.

The deteriorating financial position of EDPL is an indication that the amount due from EDPL may be impaired. The Company performed an impairment review in respect of the amount due from EDPL by comparing the carrying amount of the asset and the present value of estimated future cash flows receivable from EDPL.

This is an area of audit focus as the determination of the quantum of the impairment loss is a subjective area due to the significant level of judgement and assumptions applied by management.

Our procedures to address this area of focus included, amongst others, the following:

- Obtained an understanding of the relevant internal controls over the process of estimating the recoverable amount due from EDPL; and
- Evaluated the assumptions applied in the determination of the amount and timing of receipts from EDPL in light of the estimation of profits and the resulting cash flows to be derived from the operations of EDPL.

We also reviewed and assessed the adequacy of the disclosures in the financial statements relating to the impairment of the amount due from EDPL in Notes 8 and 19(c).

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Independent auditors' report to the members of
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Report on the audit of the financial statements (cont'd.)

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the Director's Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon, which we obtained prior to the date of this auditors' report, and the annual report, which is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Company and take appropriate action.

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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Independent auditors' report to the members of
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Report on the audit of the financial statements (cont'd.)

Responsibilities of the directors for the financial statements (cont'd.)

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

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Independent auditors' report to the members of
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Report on the audit of the financial statements (cont'd.)

Auditors' responsibilities for the audit of the financial statements (cont'd.)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also: (cont'd.)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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Independent auditors' report to the members of
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Report on the audit of the financial statements (cont'd.)

Auditors' responsibilities for the audit of the financial statements (cont'd.)

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 16 to the financial statements.

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

H'ng Boon Keng
No. 03112/08/2020 J
Chartered Accountant

Kuala Lumpur, Malaysia
22 May 2020

Encorp Berhad
(Incorporated in Malaysia)

Statements of profit or loss and other comprehensive income
For the year ended 31 December 2019

		Group		Company	
		2019	2018	2019	2018
		RM'000	RM'000	RM'000	RM'000
	Note		(Restated)		
Revenue	4	165,619	249,858	4,335	4,380
Cost of sales	5	(58,135)	(109,435)	-	-
Gross profit		107,484	140,423	4,335	4,380
Other operating income	6	11,822	9,875	3,429	3,201
Selling and marketing expenses		(1,206)	(1,992)	-	-
Administrative expenses		(17,099)	(30,446)	(7,793)	(17,255)
Finance costs	7	(127,004)	(98,818)	(2,991)	(2,023)
Other operating expenses		(9,094)	(17,043)	(168,211)	(485)
(Loss)/Profit before tax	8	(35,097)	1,999	(171,231)	(12,182)
Income tax (expense)/credit	11	(6,728)	(13,472)	237	-
Loss for the year		(41,825)	(11,473)	(170,994)	(12,182)
Other comprehensive (loss)/income					
Foreign currency translation	28	(308)	2,146	-	-
Total comprehensive loss for the year		(42,133)	(9,327)	(170,994)	(12,182)
Loss for the year attributable to:					
Owners of the parent		(46,397)	(7,471)	(170,994)	(12,182)
Non-controlling interests		4,572	(4,002)	-	-
		(41,825)	(11,473)	(170,994)	(12,182)
Total comprehensive loss attributable to:					
Owners of the parent		(46,705)	(5,325)	(170,994)	(12,182)
Non-controlling interests		4,572	(4,002)	-	-
		(42,133)	(9,327)	(170,994)	(12,182)
Loss per share attributable to owners of the parent (sen per share)					
Basic	12	(15.16)	(2.54)		

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

Encorp Berhad
(Incorporated in Malaysia)

Consolidated statement of financial position
As at 31 December 2019

		31.12.2019	Group 31.12.2018	1.1.2018
		RM'000	RM'000	RM'000
	Note		(Restated)	(Restated)
Assets				
Non-current assets				
Property, plant and equipment	13	5,298	5,623	6,258
Investment properties	14	303,050	303,620	314,740
Land held for property development	15 (a)	501,581	511,739	404,814
Investment in associate	17	-	30	30
Intangible assets	18	7,470	13,606	18,875
Trade and other receivables	19	692,239	756,275	814,222
Right-of-use assets	20 (a)	21,056	-	-
Deferred tax assets	21	15,068	20,668	11,821
Other investments	22	4,301	4,384	4,741
		<u>1,550,063</u>	<u>1,615,945</u>	<u>1,575,501</u>
Current assets				
Property development costs	15 (b)	66,903	72,501	164,524
Inventories	15 (c)	81,219	84,916	101,687
Trade and other receivables	19	115,524	149,918	92,629
Contract assets	23	5,452	8,237	56,096
Tax recoverable		1,094	584	10,067
Other investments	22	123,215	111,689	118,331
Other current assets	24	381	1,134	371
Cash and cash equivalents	25	45,853	63,785	22,689
		<u>439,641</u>	<u>492,764</u>	<u>566,394</u>
Assets of disposal group classified as held for sale	26	-	100	97
		<u>439,641</u>	<u>492,864</u>	<u>566,491</u>
Total assets		<u>1,989,704</u>	<u>2,108,809</u>	<u>2,141,992</u>
Equity and liabilities				
Equity attributable to owners of the parent				
Share capital	27	397,280	392,898	392,898
Treasury shares	27	(327)	(327)	(327)
Other reserves	28	2,902	3,210	1,064
Accumulated losses		(53,966)	(7,569)	(98)
Owners' equity		<u>345,889</u>	<u>388,212</u>	<u>393,537</u>
Non-controlling interest		87,335	82,343	86,345
Total equity		<u>433,224</u>	<u>470,555</u>	<u>479,882</u>

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Consolidated statement of financial position
As at 31 December 2019 (cont'd.)

			Group	
		31.12.2019	31.12.2018	1.1.2018
		RM'000	RM'000	RM'000
	Note		(Restated)	(Restated)
Non-current liabilities				
Trade and other payables	29	286,447	315,291	340,247
Loans and borrowings	30	775,053	861,753	909,112
Deferred tax liabilities	21	3,701	4,419	2,910
		<u>1,065,201</u>	<u>1,181,463</u>	<u>1,252,269</u>
Current liabilities				
Trade and other payables	29	346,845	311,073	231,898
Other current liabilities	31	14,538	21,923	64,776
Contract liabilities	23	4,181	2,439	2,311
Loans and borrowings	30	125,014	116,093	109,812
Income tax payable		701	4,313	99
		<u>491,279</u>	<u>455,841</u>	<u>408,896</u>
Liabilities directly associated with disposal group classified as held for sale	26	-	950	945
		<u>491,279</u>	<u>456,791</u>	<u>409,841</u>
Total liabilities		<u>1,556,480</u>	<u>1,638,254</u>	<u>1,662,110</u>
Total equity and liabilities		<u>1,989,704</u>	<u>2,108,809</u>	<u>2,141,992</u>

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

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Statement of financial position
As at 31 December 2019

		Company		
	Note	31.12.2019	31.12.2018	1.1.2018
		RM'000	RM'000	RM'000
Assets				
Non-current assets				
Property, plant and equipment	13	319	565	920
Right-of-use assets	20 (a)	21,024	-	-
Investment in subsidiaries	16	129,960	295,960	295,960
Intangible assets	18	55	167	279
Deferred tax assets	21	228	-	-
		<u>151,586</u>	<u>296,692</u>	<u>297,159</u>
Current assets				
Trade and other receivables	19	105,043	104,854	101,307
Other current assets	24	133	168	160
Other investments	22	-	5,620	2,558
Cash and cash equivalents	25	644	1,091	1,254
		<u>105,820</u>	<u>111,733</u>	<u>105,279</u>
Total assets		<u>257,406</u>	<u>408,425</u>	<u>402,438</u>
Equity and liabilities				
Equity attributable to owners of the parent				
Share capital	27	397,280	392,898	392,898
Treasury shares	27	(327)	(327)	(327)
Accumulated loss		(233,220)	(62,226)	(50,044)
Total equity		<u>163,733</u>	<u>330,345</u>	<u>342,527</u>
Non-current liabilities				
Loans and borrowings	30	20,935	-	-
Current liabilities				
Trade and other payables	29	51,699	55,071	34,880
Loans and borrowings	30	21,039	23,000	25,022
Income tax payable		-	9	9
		<u>72,738</u>	<u>78,080</u>	<u>59,911</u>
Total liabilities		<u>93,673</u>	<u>78,080</u>	<u>59,911</u>
Total equity and liabilities		<u>257,406</u>	<u>408,425</u>	<u>402,438</u>

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

200001004231 (506836-X)

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Consolidated statement of changes in equity
For the year ended 31 December 2019

	Attributable to owners of the parent				Non-distributable		
	Share capital (Note 27) RM'000	Treasury shares (Note 27) RM'000	Other reserves (Note 28) RM'000	Accumulated losses RM'000	Total RM'000	Non-controlling interest RM'000	Total equity RM'000
At 1 January 2019	392,898	(327)	3,210	(7,569)	388,212	82,343	470,555
Loss for the year	-	-	-	(46,397)	(46,397)	4,572	(41,825)
Other comprehensive loss	-	-	(308)	-	(308)	-	(308)
Total comprehensive (loss)/income	-	-	(308)	(46,397)	(46,705)	4,572	(42,133)
Transactions with owners:							
Private placement exercise (Note 27)	4,382	-	-	-	4,382	-	4,382
Derecognition of subsidiaries (Note 26)	-	-	-	-	-	420	420
Total transactions with owners	4,382	-	-	-	4,382	420	4,802
At 31 December 2019	397,280	(327)	2,902	(53,966)	345,889	87,335	433,224

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Consolidated statement of changes in equity
For the year ended 31 December 2019 (cont'd.)

	Attributable to owners of the parent						
	Non-distributable						
	Share capital (Note 27) RM'000	Treasury shares (Note 27) RM'000	Other reserves (Note 28) RM'000	Accumulated losses RM'000	Total RM'000	Non- controlling interest RM'000	Total equity RM'000
At 1 January 2018 (as previously stated)	392,898	(327)	1,064	1,322	394,957	86,345	481,302
Restatement	-	-	-	(1,420)	(1,420)	-	(1,420)
At 1 January 2018 (as restated)	392,898	(327)	1,064	(98)	393,537	86,345	479,882
Loss for the year	-	-	-	(7,471)	(7,471)	(4,002)	(11,473)
Other comprehensive income	-	-	2,146	-	2,146	-	2,146
Total comprehensive income/(loss)	-	-	2,146	(7,471)	(5,325)	(4,002)	(9,327)
At 31 December 2018 (as restated)	392,898	(327)	3,210	(7,569)	388,212	82,343	470,555

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

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Encorp Berhad
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Company statement of changes in equity
For the year ended 31 December 2019

	Non-distributable			
	Share capital (Note 27) RM'000	Treasury shares (Note 27) RM'000	Accumulated losses RM'000	Total RM'000
At 1 January 2019	392,898	(327)	(62,226)	330,345
Private placement exercise (Note 27)	4,382	-	-	4,382
Loss for the year	-	-	(170,994)	(170,994)
At 31 December 2019	<u>397,280</u>	<u>(327)</u>	<u>(233,220)</u>	<u>163,733</u>
At 1 January 2018	392,898	(327)	(50,044)	342,527
Loss for the year	-	-	(12,182)	(12,182)
At 31 December 2018	<u>392,898</u>	<u>(327)</u>	<u>(62,226)</u>	<u>330,345</u>

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

Encorp Berhad
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Statements of cash flows
For the year ended 31 December 2019

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
		(Restated)		
Cash flows from operating activities				
(Loss)/Profit before tax	(35,097)	1,999	(171,231)	(12,182)
<u>Adjustments for:</u>				
Depreciation of property, plant and equipment	542	652	270	372
Depreciation of right-of-use assets	1,845	-	1,828	-
Amortisation of intangible assets	136	169	112	112
Interest expense	127,004	98,818	2,991	2,023
Distribution income from money market investment securities	(4,346)	(4,230)	(6)	(146)
(Gain)/Loss on fair value of investment securities	(98)	(138)	(11)	21
Gain on disposal of investment in subsidiaries	(3,496)	-	-	-
Property, plant and equipment written off	4	-	4	-
Interest income	(1,969)	(3,200)	(3,410)	(3,055)
Deposit forfeited	(283)	(947)	-	-
Provision for short-term accumulating compensated absences	202	206	76	74
Net changes in fair value of investment properties	570	11,120	-	-
Inventories written down	-	3,084	-	-
Expected credit losses on:				
- trade receivables	1,228	850	100	279
- other receivables	-	254	670	3,478
Impairment on intangible assets	6,000	5,100	-	-
Impairment on land held for development	-	2,563	-	-
Impairment on investment in subsidiary	-	-	166,000	-
Unrealised foreign exchange loss	909	3,909	909	3,909
Unwinding of discount on other liabilities at amortised costs	1,607	64	-	-
Liquidated and ascertained damages	1,383	3,008	-	-
Reversal of liquidated and ascertained damages	(475)	(17,878)	-	-
Reversal of expected credit losses				
- trade receivables	(288)	-	(47)	-
- other receivables	(267)	-	(1,160)	-
Operating cash flows before working capital changes carried forward	95,111	105,403	(2,905)	(5,115)

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Statements of cash flows
For the year ended 31 December 2019 (cont'd.)

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
		(Restated)		
Cash flows from operating activities (cont'd.)				
Operating cash flows before working capital changes brought forward (cont'd.)	95,111	105,403	(2,905)	(5,115)
Changes in working capital:				
Land held for development and development expenditure	15,756	(17,465)	-	-
Inventories	3,697	13,687	-	-
Trade and other receivables	100,207	(4,351)	(661)	(11,213)
Contract assets and contract liabilities	4,527	47,987	-	-
Other current assets	753	(763)	35	(8)
Trade and other payables	(36,673)	42,402	(3,448)	20,117
Other current liabilities	(8,293)	(27,983)	-	-
Cash generated from/(used in) operations	175,085	158,917	(6,979)	3,781
Interest paid	(55,176)	(56,014)	(1,693)	(494)
Income taxes paid	(5,968)	(7,113)	-	-
Net cash flows generated from/ (used in) operating activities	113,941	95,790	(8,672)	3,287
Cash flows from investing activities				
Purchase of property, plant and equipment (Note (a))	(221)	(17)	(28)	(17)
Proceeds from disposal of associate	30	-	-	-
(Investment in)/Withdrawal of other investments	(11,443)	6,999	5,620	(3,062)
Interest received	1,969	3,338	3,410	3,034
Gain on fair value of investment securities	98	-	11	-
Distribution income from money market investment securities	4,346	4,230	6	146
Net cash flows (used in)/generated from investing activities	(5,221)	14,550	9,019	101

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Statements of cash flows
For the year ended 31 December 2019 (cont'd.)

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
		(Restated)		
Cash flows from financing activities				
Proceeds from issuance of ordinary shares	4,382	-	4,382	-
Placement of deposits	(157)	619	-	-
Drawdown of loans and borrowings (Note (b))	3,132	30,000	-	-
Repayment of loans and borrowings (Note (b))	(131,662)	(101,368)	(3,000)	(3,529)
Net repayment of finance lease payables (Note (b))	-	(22)	-	(22)
Repayment of principal portion of lease liabilities (Note (b))	(2,196)	-	(2,176)	-
Net cash flow used in financing activities	(126,501)	(70,771)	(794)	(3,551)
Net (decrease)/increase in cash and cash equivalents	(17,781)	39,569	(447)	(163)
Effect of exchange rate changes on cash and cash equivalents	(308)	2,146	-	-
Cash and cash equivalents at beginning of year	60,957	19,242	1,091	1,254
Cash and cash equivalents at end of year (Note 25)	42,868	60,957	644	1,091

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

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Cash	221	17	28	17

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Statements of cash flows
For the year ended 31 December 2019 (cont'd.)

(b) Reconciliation of movement of liabilities to cash flows arising from financing activities.

The movement of borrowings in the statements of cash flow is as follows:

At 31 December 2019				
Group	As at 1 January 2019	Net changes from financing cash flows	Non-cash changes	As at 31 December 2019
Loan and borrowings (Note 30)	977,846	(128,530)	28,746	878,062
Lease liabilities (Note 20(b))	22,901	(2,196)	1,300	22,005
Total liabilities from financing activities	1,000,747	(130,726)	30,046	900,067
Company				
Loan and borrowings (Note 30)	23,000	(3,000)	-	20,000
Lease liabilities (Note 20(b))	22,852	(2,176)	1,298	21,974
Total liabilities from financing activities	45,852	(5,176)	1,298	41,974
At 31 December 2018				
Group				
Loan and borrowings (Note 30)	1,018,902	(71,346)	30,290	977,846
Finance lease	22	(22)	-	-
Total liabilities from financing activities	1,018,924	(71,368)	30,290	977,846
Company				
Loan and borrowings (Note 30)	25,000	(3,529)	1,529	23,000
Finance lease	22	(22)	-	-
Total liabilities from financing activities	25,022	(3,551)	1,529	23,000

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

**Encorp Berhad
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**Notes to the financial statements
31 December 2019**

1. Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at No. 45-1, Jalan PJU 5/21, Pusat Perdagangan Kota Damansara, Kota Damansara PJU 5, 47810 Petaling Jaya, Selangor Darul Ehsan. The principal place of business of the Company is located at No. 45-G, Jalan PJU 5/21, Pusat Perdagangan Kota Damansara, Kota Damansara PJU 5, 47810 Petaling Jaya, Selangor Darul Ehsan.

The principal activities of the Company are investment holding and provision of general management support services. The principal activities of the subsidiaries are disclosed in Note 16.

The immediate holding company of the Company is Felda Investment Corporation Sdn. Bhd.. The Directors regard Federal Land Development Authority ("FELDA"), a body set up under the Land Development Act 1956, as the ultimate holding body.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 22 May 2020.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act 2016 in Malaysia.

The financial statements of the Group and of the Company have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

The consolidated financial statements have been prepared on a going concern basis notwithstanding the excess of current liabilities over current assets of RM51,638,000 as at 31 December 2019. Included in current liabilities is an amount of RM235,133,000 due to the ultimate holding body, FELDA. Excluding this balance, the Group has net current assets of RM183,495,000 as at 31 December 2019. The balance due to FELDA is mainly related to the consideration for the acquisition of the development rights for a piece of land by a subsidiary, Encorp Bukit Katil Sdn. Bhd. ("EBKSB"). Currently, EBKSB is in a mutually amicable discussion with FELDA to explore various options on dealing with the land, as disclosed in Note 29(c). Consequently, the directors have assessed and concluded that the going concern basis remains appropriate.

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2. Summary of significant accounting policies (cont'd.)

2.2 Adoption of new and revised pronouncements

As of 1 January 2019, the Group and the Company have adopted the following pronouncements that are applicable and have been issued by the MASB as listed below:

Effective for annual periods beginning on or after 1 January 2019

MFRS 16	Leases
Amendments to MFRS 119	Employee Benefits: Plan Amendment, Curtailment or Settlement
Amendments to MFRS 123	Borrowing Costs: Borrowing Costs Eligible for Capitalisation (Annual Improvements to MFRS 2015-2017 Cycle)
IC Interpretation 23	Uncertainty over Income Tax Treatments

The principal changes in accounting policies and their effects are set out below:

(i) MFRS 16 Leases

MFRS 16 supersedes MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Leases - Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the statement of financial position.

Lessor accounting under MFRS 16 is substantially unchanged from MFRS 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as in MFRS 117. Therefore, MFRS 16 does not have an impact for leases where the Group is the lessor.

(a) As a lessee

The Group and the Company adopted MFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application.

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2. Summary of significant accounting policies (cont'd.)

2.2 Adoption of new and revised pronouncements (cont'd.)

(i) MFRS 16 Leases (cont'd.)

(a) As a lessee (cont'd.)

The Group and the Company elected to apply following practical expedients when applying MFRS 16 to leases previously classified as operating lease under MFRS 117:

- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application;
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

The impact of MFRS 16 is as disclosed in Note 20.

(b) As a lessor

The adoption of MFRS 16 does not have any impact to the financial statements of the Group as a lessor. There are no contracts that are or contain a lease in which the Group expects to reclassify as a finance lease.

(ii) Amendments to MFRS 123 Borrowing Costs

In previous years, borrowing costs relating to a specific qualifying assets is capitalised into the cost of the asset. The capitalisation of borrowing costs cease when substantially all activities necessary to prepare the qualifying asset for its intended use or sale are completed. Any borrowing costs incurred subsequently were expensed off to profit or loss.

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

The adoption of the amendments to MFRS 119 and IC Interpretation 23 do not impact the Group and the Company.

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2. Summary of significant accounting policies (cont'd.)

2.3 Standards issued but not yet effective

The Group and the Company have not adopted the following standards and interpretations that have been issued but are not yet effective:

Effective for annual periods beginning on or after 1 January 2020:

Amendments to MFRS 3	Business Combinations (Amendments to References to the Conceptual Framework in MFRS Standards)
Amendments to MFRS 9, MFRS 139, and MFRS 7	Interest Rate Benchmark Reform (Amendments to MFRS 9 Financial Instruments, MFRS 139 Financial Instruments: Recognition and Measurement and MFRS 7 Financial Instruments: Disclosures)
Amendments to MFRS 101	Presentation of Financial Statements (Amendments to References to the Conceptual Framework in MFRS Standards)
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors (Amendments to References to the Conceptual Framework in MFRS Standards)
Amendments to MFRS 101 and MFRS 108	Definition of Material (Amendments to MFRS 101 Presentation of Financial Statements and MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors)
Amendments to MFRS 134	Interim Financial Reporting (Amendments to References to the Conceptual Framework in MFRS Standards)
Amendments to MFRS 137	Provisions, Contingent Liabilities and Contingent Assets (Amendments to References to the Conceptual Framework in MFRS Standards)
Amendments to MFRS 138	Intangible Assets (Amendments to References to the Conceptual Framework in MFRS Standards)
Amendments to IC Interpretation 19	Extinguishing Financial Liabilities With Equity Instruments (Amendments to References to the Conceptual Framework in MFRS Standards)
Amendments to IC Interpretation 22	Foreign Currency Transactions and Advance Considerations (Amendments to References to the Conceptual Framework in MFRS Standards)

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2. Summary of significant accounting policies (cont'd.)

2.3 Standards issued but not yet effective (cont'd.)

The Group and the Company have not adopted the following standards and interpretations that have been issued but are not yet effective: (cont'd.)

Effective for annual periods beginning on or after 1 January 2020: (cont'd.)

Amendments to IC Interpretation 132	Intangible Assets - Website Costs (Amendments to References to the Conceptual Framework in MFRS Standards)
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Effective for annual periods beginning on or after 1 January 2021:

MFRS 17	Insurance Contracts
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Effective for annual periods beginning on or after 1 January 2022:

MFRS 101	Classification of Liabilities as Current or Non-current (Amendments to MFRS 101 Presentation of Financial Statements)
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Deferred:

Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
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The directors expect that the adoption of the above standards will have no significant impact to the financial statements in the period of initial application.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (such as existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

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2. Summary of significant accounting policies (cont'd.)

2.4 Basis of consolidation (cont'd.)

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with other vote holder(s) of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

2.5 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

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2. Summary of significant accounting policies (cont'd.)

2.5 Business combinations and goodwill (cont'd.)

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not re-measured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with MFRS 9. Other contingent consideration that is not within the scope of MFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit ("CGU") and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

2.6 Investment in associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating decision policy decisions of the investee, but is not control or joint control over those policies.

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2. Summary of significant accounting policies (cont'd.)

2.6 Investment in associate (cont'd.)

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investment in its associate are accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate is eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Investments in associate is measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss within 'Share of profit of an associate' in the statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

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2. Summary of significant accounting policies (cont'd.)

2.7 Foreign currency

(a) Functional and presentation currency

The Group's consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

(b) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recognised in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

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2. Summary of significant accounting policies (cont'd.)

2.7 Foreign currency (cont'd.)

(c) Group companies

On consolidation, the assets and liabilities of foreign operations are translated into RM at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

2.8 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment except for freehold land are stated at cost net of accumulated depreciation and accumulated impairment losses, if any. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Motor vehicles	5 years
Office equipment, furniture and fittings	5 - 10 years
Office renovation	10 years
Crockery, cutlery and glassware	10 years
Buildings	50 years

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e. at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

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2. Summary of significant accounting policies (cont'd.)

2.8 Property, plant and equipment (cont'd.)

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.12.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

2.9 Leases

The Group and the Company assess at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For a contract that contains a lease component and non-lease components, the Group and the Company allocate the consideration in the contract to each lease and non-lease component on the basis of their relative stand alone prices.

As a lessee

The Group and the Company apply a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group and the Company recognise lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right-of-use assets

The Group and the Company recognise right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Office premise	15 years
Office equipment, furniture and fittings	3 years

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2. Summary of significant accounting policies (cont'd.)

2.9 Leases (cont'd.)

As a lessee (cont'd.)

(i) Right-of-use assets (cont'd.)

If ownership of the leased asset transfers to the Group and the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.12.

(ii) Lease liabilities

At the commencement date of the lease, the Group and the Company recognise lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and the Company and payments of penalties for terminating the lease, if the lease term reflects the Group and the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group and the Company use its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (i.e. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

(iii) Short-term leases and leases of low-value assets

The Group and the Company apply the short-term lease recognition exemption to its short-term leases of office equipments (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipments that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

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2. Summary of significant accounting policies (cont'd.)

2.9 Leases (cont'd.)

As a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.10 Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. Fair values are determined based on an annual valuation performed by an accredited external independent valuer applying a valuation model recommended by the International Valuation Standards Committee or internal appraisals by the directors.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at cost.

Investment properties are derecognised either when they have been disposed of (i.e. at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. The amount of consideration to be included in the gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in MFRS 15.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment, set out in Note 2.8 up to the date of change in use.

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2. Summary of significant accounting policies (cont'd.)

2.11 Intangible assets

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses.

Computer software

The Group and the Company have developed the following criteria to identify computer software to be classified as intangible asset:

- software or license that is embedded in computer-controlled equipment, including operating system that cannot operate without that specific software is an integral part of the related hardware and is treated as property and equipment; and
- application software that is being used on a computer is generally easily replaced and is not an integral part of the related hardware and is classified as intangible asset.

Computer softwares considered to have finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the other intangible asset may be impaired. The amortisation period and the amortisation method for other intangible assets with finite useful lives are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on other intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

An intangible asset is derecognised upon disposal (i.e. at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

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2. Summary of significant accounting policies (cont'd.)

2.12 Impairment of non-financial assets

The Group and the Company assess, the carrying amounts of the Group's and the Company's non-financial assets, other than deferred tax assets and inventories for completed properties, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group and the Company estimate the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group and the Company base its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group and the Company estimate the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually as at 31 December.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

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2. Summary of significant accounting policies (cont'd.)

2.13 Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("OCI"), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the Group and the Company initially measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient are measured at the transaction price determined under MFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's and the Company's business model for managing financial assets refer to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the Group and the Company commit to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

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2. Summary of significant accounting policies (cont'd.)

2.13 Financial assets (cont'd.)

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group and the Company. The Group and the Company measure financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's and the Company's financial assets at amortised cost include trade receivables, sundry receivables, contract assets and cash and cash equivalents included under other non-current financial assets.

Financial assets at fair value through OCI (debt instruments)

The Group and the Company measure debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group does not have debt instruments at fair value through OCI.

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2. Summary of significant accounting policies (cont'd.)

2.13 Financial assets (cont'd.)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

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2. Summary of significant accounting policies (cont'd.)

2.13 Financial assets (cont'd.)

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's and the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group and the Company have transferred its rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
 - (a) the Group and the Company have transferred substantially all the risks and rewards of the asset, or
 - (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

When the Group and the Company have transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.14 Impairment of financial assets

The Group and the Company recognise an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Company expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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2. Summary of significant accounting policies (cont'd.)

2.14 Impairment of financial assets (cont'd.)

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group and the Company apply a simplified approach in calculating ECLs. Therefore, the Group and the Company do not track changes in credit risk, but instead recognise a loss allowance based on lifetime ECLs at each reporting date. The Group and the Company have established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group and the Company consider a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group and the Company may also consider a financial asset to be in default when internal or external information indicates that the Group and the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group and the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.15 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

2.16 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- The cost of unsold properties comprises cost associated with the acquisition of land, direct costs and appropriate proportions of common costs; and
- The cost of trading goods is determined using the purchase costs on a first-in-first-out basis.

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2. Summary of significant accounting policies (cont'd.)

2.16 Inventories (cont'd.)

(a) Land held for property development

Land held for property development (classified within non-current assets) comprise land banks which are in the process of being prepared for development but have not been launched, or where development activities are not expected to be completed within the normal operating cycle. Such land is classified within non-current assets and is stated at cost less any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.12.

Cost associated with the acquisition of land includes the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies.

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

(b) 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.

Where the financial outcome of a development activity can be estimated reliably, property development revenue and expenses are recognised in profit or loss 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 estimated reliably, property development revenue is recognised only to the extent of property development costs incurred that are likely to be recoverable. Property development costs are recognised as expenses in the period in which they are incurred.

Incremental costs of obtaining a contract with a customer are recognised as assets if the entity expects to recover those costs. The incremental costs of obtaining a contract are those costs that an entity incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognised as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

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

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2. Summary of significant accounting policies (cont'd.)

2.16 Inventories (cont'd.)

(b) Property development costs (cont'd.)

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

The excess of revenue recognised in profit or loss over billings to purchasers is classified as contract assets and the excess of billings to purchasers over revenue recognised in profit or loss is classified as contract liabilities.

(c) Completed properties

Costs comprise costs of acquisition of land including all related costs incurred subsequent to the acquisition necessary to prepare the land for its intended use, related development costs to projects and direct building costs.

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

2.17 Contract assets and Contract liabilities

A contract asset is the right to consideration in exchange for goods or services transferred to the customer when that right is conditioned on something other than the passage of time, for example, billings require certification by the customer. Upon receipt of such certification from a customer, the amount recognised as contract assets is reclassified to trade receivables. Contract assets are subject to impairment assessment.

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue or other income when the Group performs the contract.

2.18 Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group and the Company expect some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

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2. Summary of significant accounting policies (cont'd.)

2.18 Provisions (cont'd.)

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.19 Financial liabilities

Initial recognition and measurement

The Group's and the Company's financial liabilities include trade and other payables, lease liabilities and loans and borrowings.

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. Refer to the accounting policy on leases for the initial recognition and measurement of lease liabilities, as this is not in the scope of MFRS 9.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group and the Company that are not designated as hedging instruments in hedge relationships as defined by MFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MFRS 9 are satisfied. The Group and the Company have not designated any financial liabilities as at fair value through profit or loss.

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2. Summary of significant accounting policies (cont'd.)

2.19 Financial liabilities (cont'd.)

(b) Other financial liabilities

The Group's and the Company's other financial liabilities include trade and other payables and loans and borrowings.

Other financial liabilities are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

After initial recognition of loans and borrowings, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2.20 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Capitalisation of borrowing costs will cease when the qualifying assets are ready for their intended use. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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2. Summary of significant accounting policies (cont'd.)

2.21 Employee benefits

(a) 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 and the Company.

Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur and they lapse if the current period's entitlement is not used in full and do not entitle employees to a cash payment for unused entitlement on leaving the Group.

(b) Defined contribution plans

The Group and the Company participate in the national pension schemes as defined by the laws of the countries in which it has operations. The Malaysian companies in the Group and the Company make contributions to the Employee Provident Fund ("EPF") in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

2.22 Revenue recognition

Revenue is recognised when or as a performance obligation in the contract with customer is satisfied, i.e. when the "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation is a promise to transfer a distinct goods or service (or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer) to the customer that is explicitly stated in the contract and implied in the Group's and the Company's customary business practices.

Revenue is measured at the amount of consideration to which the Group and the Company expect to be entitled in exchange for transferring the promised goods or services to the customers, excluding amounts collected on behalf of third parties such as taxes. If the amount of consideration varies due to discounts, rebates, refunds, credits, incentives, penalties or other similar items, the Group and the Company estimate the amount of consideration to which it will be entitled based on the expected value or the most likely outcome. If the contract with customer contains more than one performance obligation, the amount of consideration is allocated to each performance obligation based on the relative stand-alone selling prices of the goods or services promised in the contract.

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2. Summary of significant accounting policies (cont'd.)

2.22 Revenue recognition (cont'd.)

The revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The control of the promised goods or services may be transferred over time or at a point in time. The control over the goods or services is transferred at point in time unless one of the following overtime criteria is met:

- the customer simultaneously receives and consumes the benefits provided as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

(a) Property development

Contracts with buyers may include multiple promises to buyers and therefore accounted for as separate performance obligations. In this case, the transaction price will be allocated to each performance obligation based on the standalone selling prices. When these are not directly observable, they are estimated based on expected cost plus margin.

The revenue from property development is measured at the fixed transaction price agreed under the sale and purchase agreement.

Revenue from property development is recognised as and when the control of the asset is transferred to the buyer and it is probable that the Group will collect the consideration to which it will be entitled in exchange for the asset that will be transferred to the buyer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may be transferred over time or at point in time. The Group recognises revenue from property development over time if it creates an asset with no alternative use to the Group, and the Group has an enforceable right to payment for performance completed to date. Revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation.

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2. Summary of significant accounting policies (cont'd.)

2.22 Revenue recognition (cont'd.)

(a) Property development (cont'd.)

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation (i.e. by reference to the property development costs incurred to date as a percentage of the estimated total costs of development of the project). The input method depicts the Group's progress of performance in the assets created which has no alternative use to the Group. Otherwise, revenue is recognised at a point in time when the buyer obtains control of the asset.

Revenue from sales of vacant land is recognised upon delivery of vacant land where the control of the vacant land and completed development units has been transferred to the buyer.

(b) Construction contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments. Under the terms of the contracts, the Group has an enforceable right to payment for performance completed to date and that the customer controls the assets during the course of construction by the Group and that the construction services performed does not create an asset with an alternative use to the Group.

Revenue from construction contracts is recognised progressively over time based on the percentage of completion by using the cost-to-cost method ("input method"), based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. Work done is measured based on external certification of project activities. Full provision is made for any foreseeable losses which is offset against revenue. There is no significant financing component in construction contracts with customers as the period between the recognition of revenue under the percentage of completion and the milestone payment is generally less than one year.

(c) Sale of completed properties

Revenue from the sale of completed properties are recognised when the performance obligation in the contract with customer is satisfied (i.e. when the control of the asset underlying the particular performance obligation is transferred to the customer).

Revenue from the sale of completed properties are recognised upon handing over of vacant possession where control of the asset has been transferred to the customer. Revenue is recognised based on the price specified in the contract, net of rebates and discounts.

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2. Summary of significant accounting policies (cont'd.)

2.22 Revenue recognition (cont'd.)

(d) Concession income

Concession income is recognised when the performance obligation has been performed and fulfilled (i.e. when the 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 Group is compensated with deferred payment income over time in accordance to the Privatisation Agreement. The concession will expire in the year 2028.

(e) Interest income

Interest income is recognised using the effective interest method.

(f) Distribution income

Distribution income from money market investment security is recognised when the Group's received the distribution voucher from the investment security.

(g) Dividend income

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

(h) Management fees

Revenue from management fee is recognised upon performance of services are completed, net of taxes and discounts.

(i) Rental income

Rental income is recognised on a straight-line basis over the lease term. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis.

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2. Summary of significant accounting policies (cont'd.)

2.23 Taxes

(a) Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group and the Company operate and generate taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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2. Summary of significant accounting policies (cont'd.)

2.23 Taxes (cont'd.)

(b) Deferred tax (cont'd.)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.24 Equity instruments

(a) Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

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2. Summary of significant accounting policies (cont'd.)

2.24 Equity instruments (cont'd.)

(b) Treasury shares

When shares of the Company, that have not been cancelled, recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

2.25 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group and the Company.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group and the Company.

2.26 Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group and the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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2. Summary of significant accounting policies (cont'd.)

2.26 Fair value measurements (cont'd.)

The Group and the Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.27 Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

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2. Summary of significant accounting policies (cont'd.)

2.27 Non-current assets held for sale and discontinued operations (cont'd.)

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statements of profit or loss.

2.28 Current versus non-current classification

The Group and the Company present assets and liabilities in statement of financial position based on current/non-current classification. An asset as current when it is:

- (i) Expected to be realised or intended to be sold or consumed in normal operating cycle;
- (ii) Held primarily for the purpose of trading;
- (iii) Expected to be realised within twelve months after the reporting period; or
- (iv) Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- (i) It is expected to be settled in normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

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3. Significant accounting judgements and estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

In the process of applying the Group's accounting policies, management did not make any significant judgement which may have significant effect on the amount recognised in the financial statements.

Key sources of estimation uncertainty

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

(a) Property development

The Group uses percentage of completion method to recognise revenue and profit from its property development activities. The amount of revenue and profit recognised are dependent on, amongst others, the extent of costs incurred to the total estimated costs of construction to derive at the percentage of completion, the actual number of units sold and the estimated total revenue for each of the respective projects. These areas involve significant judgement and estimates in estimating the total property development costs (which is used to determine the percentage of completion and gross profit margin of property development activities undertaken by the Group).

The revenues, cost of sales, carrying amounts of assets and liabilities of the Group arising from property development activities are disclosed in Notes 4, 5, 15(a) and 15(b).

(b) Provision for affordable housing

Provision for affordable housing is recognised for anticipated losses to be incurred for the development of low cost housing under the requirements of the local Government attributable to a premium housing project. The Group is of the view that the expected costs should be accrued progressively as and when the premium housing is constructed. The provision for affordable housing represents the shortfall between the cost of constructing affordable housing and the economic benefits expected to be received from the purchasers of affordable housing in the development of affordable housing on involuntary basis. This provision is capitalised in the form of common costs for development of premium housing based on the following conditions:

- The master and building plans is approved;
- The developer commenced development; and

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3. Significant accounting judgements and estimates (cont'd.)

Key sources of estimation uncertainty (cont'd.)

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below: (cont'd.)

(b) Provision for affordable housing (cont'd.)

Provision for affordable housing is recognised for anticipated losses to be incurred for the development of low cost housing under the requirements of the local Government attributable to a premium housing project. The Group is of the view that the expected costs should be accrued progressively as and when the premium housing is constructed. The provision for affordable housing represents the shortfall between the cost of constructing affordable housing and the economic benefits expected to be received from the purchasers of affordable housing in the development of affordable housing on involuntary basis. This provision is capitalised in the form of common costs for development of premium housing based on the following conditions: (cont'd.)

- Sales of the affordable housing are controlled, whereby eligibility of buyers is dictated by the authority and the developer has no ability to impose selling price higher than what the authority dictates.

In determining the provision for affordable housing, estimates and assumptions are made by the Group on the structure and construction costs in constructing the affordable housing. In making those judgements, the Group evaluates the provisions based on past experience.

During the year, the Group has entered into a Development Rights Agreement ("DRA") with certain parties related to the non-controlling interest of the Group to transfer the development rights to develop affordable housing. The DRA is conditional and subject to the fulfillment of conditions precedent which have not yet been fulfilled as at year end. Consequently, the provision for affordable housing continues to be recognised as at 31 December 2019.

The carrying amount of the Group's provision for affordable housing as at reporting date is disclosed in Note 31(b).

(c) Provision for expected credit losses ("ECL") of trade and other receivables and contract assets

When measuring ECL, the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Where these assumptions are not readily available, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate.

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3. Significant accounting judgements and estimates (cont'd.)

Key sources of estimation uncertainty (cont'd.)

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below: (cont'd.)

(c) Provision for expected credit losses ("ECL") of trade and other receivables and contract assets (cont'd.)

Significant estimate is required in determining the impairment of trade and other receivables and contract assets. Impairment loss measured based on expected credit loss model is based on assumptions on risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation based on the Group's past collection records, existing market conditions as well as forward looking estimates as of the end of the reporting period. Details are disclosed in Note 19(c).

(d) Fair value adjustments of investment properties

The Group carries its investment properties at fair value, with changes in fair values being recognised in profit or loss. The Group engaged independent valuation specialists to determine the fair values as disclosed in Notes 14 and 34. The key assumptions in determining the fair values of investment properties, including the sensitivity analysis of key assumptions are disclosed in Note 34. The Group has concluded that the COVID-19 outbreak as disclosed in Note 39 is a non-adjusting subsequent event. Consequently, the determination of the fair values are based on the prevailing market conditions as at 31 December 2019 and does not include the potential effects of this subsequent event.

(e) Impairment of investment in a subsidiary

The Company is required to perform impairment test of its investment whenever there is an indication that the investment may be impaired. There is an indication that the carrying amount of the Company's cost of investment in Encorp Construction & Infrastructure Sdn. Bhd. ("ECISB") may be impaired as the consolidated net assets of ECISB and its directly held subsidiaries are lower than the cost of investment. The basis of determining recoverable amount is disclosed in Note 16.

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4. Revenue

Revenue of the Group and of the Company consist of the following:

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
		(Restated)		
<u>Derived from third parties</u>				
Sale of development properties	65,142	129,597	-	-
Concession income	78,813	84,308	-	-
Sale of completed properties	15,797	20,507	-	-
Rental income	5,867	5,852	-	-
Construction revenue	-	580	-	-
Facility management fees	-	854	-	-
<u>Derived from related companies</u>				
Facility management fees	-	8,160	-	-
Management fees from subsidiaries	-	-	4,335	4,380
	<u>165,619</u>	<u>249,858</u>	<u>4,335</u>	<u>4,380</u>
Timing and recognition				
Revenue from other sources	5,867	5,852	-	-
Revenue from contract customers:				
- At a point in time	15,797	20,507	4,335	4,380
- Over time	143,955	223,499	-	-
	<u>165,619</u>	<u>249,858</u>	<u>4,335</u>	<u>4,380</u>

Revenue expected to be recognised in the future relating to performance obligations that are unsatisfied (or partially satisfied) as at the reporting date, are as follows:

	2020	2021	Total
Group	RM'000	RM'000	RM'000
Sale of development properties	<u>21,167</u>	<u>15,327</u>	<u>36,494</u>

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5. Cost of sales

	Group	
	2019	2018
	RM'000	RM'000
		(Restated)
Property development costs (Note 15(b))	37,624	79,656
Costs of completed properties	11,598	13,981
Mall operating expenses	6,492	6,165
Construction costs	-	423
Facility management cost	-	7,113
Consultancy service	2,421	2,097
	<u>58,135</u>	<u>109,435</u>

6. Other operating income

Included in other operating income are as follows:

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Gain on fair value adjustment of investment securities	98	138	11	-
Rental income	650	432	-	-
Interest income				
- At amortised cost	1,969	3,200	3,410	3,055
Distribution income from money market investment securities				
- At amortised cost	4,346	4,230	6	146
Amounts recovered:				
- trade receivables (Note 19(c))	870	7	-	-
Deposit forfeited	283	947	-	-
Gain on disposal of investment in subsidiaries (Note 26)	3,496	-	-	-

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7. Finance costs

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
		(Restated)		
Interest expense of financial liabilities that are not at fair value through profit or loss:				
- Sukuk Murabahah	79,034	84,351	-	-
- bank credit facilities, bank loans and bank overdrafts	6,251	7,092	1,204	1,529
- Unwinding of discount on other liabilities at amortised costs*	1,607	64	-	-
- Interest on advances from immediate holding company	489	494	489	494
- Interest charged by ultimate holding body	10,476	7,125	-	-
- Interest on accretion of deferred payment to ultimate holding body	27,847	29,797	-	-
Interest expenses on lease liabilities	1,300	-	1,298	-
	<u>127,004</u>	<u>128,923</u>	<u>2,991</u>	<u>2,023</u>
Less:				
- interest capitalised in land held for property development (Note 15(a))	-	(29,797)	-	-
- interest capitalised in property development cost (Note 15(b))	-	(308)	-	-
	<u>127,004</u>	<u>98,818</u>	<u>2,991</u>	<u>2,023</u>

*Being the effect from the recognition of time value of money of financial liabilities of the Group at amortised cost.

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8. (Loss)/Profit before tax

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

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Auditors' remuneration:				
- current year	282	230	113	80
- other service	10	30	10	8
Expected credit losses:				
- trade receivables (Note 19(c))	1,228	850	100	279
- other receivables (Note 19(c))	-	254	670	3,478
Depreciation of:				
- property, plant and equipment (Note 13)	542	652	270	372
- right-of-use assets (Note 20(a))	1,845	-	1,828	-
Amortisation of intangible assets (Note 18)	136	169	112	112
Loss on fair value of investment properties (Note 14)	570	11,120	-	-
Impairment loss on:				
- intangible assets (Note 18)	6,000	5,100	-	-
- Investment in subsidiary (Note 16)	-	-	166,000	-
Inventories written down	-	3,084	-	-
(Gain)/Loss on fair value adjustment of investment securities	(98)	(138)	(11)	21
Operating lease - minimum lease payments on:				
- premises	87	2,088	568	2,640
- equipment	104	155	43	64
- others	14	46	4	2
Reversal of expected credit losses:				
- trade receivables (Note 19(c))	(288)	-	(47)	-
- other receivables (Note 19(c))	(267)	-	(1,160)	-
Unrealised loss on foreign exchange	909	3,909	909	3,909
Liquidated and ascertained damages	1,383	3,008	-	-
Reversal of liquidated and ascertained damages (Note 31(a))	(475)	(17,878)	-	-
Impairment on land held for development	-	2,563	-	-

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9. Employee benefits expense

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Wages and salaries	5,808	6,758	3,295	2,896
Social security contributions	66	81	36	38
Contributions to defined contribution plan	818	1,021	448	458
Provision of short term accumulating compensated absences (Note 29(e))	202	206	76	74
Other benefits	2,078	1,919	1,356	1,328
	8,972	9,985	5,211	4,794

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to Nil (2018: RM113,000) and Nil (2018: RM112,000) respectively as further disclosed in Note 10.

10. Directors' remuneration

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

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Executive:				
Salaries and other emoluments	-	99	-	98
Defined contribution plan	-	14	-	14
Total executive directors' remuneration	-	113	-	112
Non-executive:				
Fees	691	722	556	626
Allowances and other emoluments	90	107	74	99
Total non-executive directors' remuneration	781	829	630	725
Total directors' remuneration	781	942	630	837

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11. Income tax expense/(credit)

The major components of income tax expense/(credit) for the years ended 31 December 2019 and 2018 are:

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
		(Restated)		
Statement of profit or loss:				
Current income tax:				
- Malaysian income tax	5,038	21,019	-	-
- Over provision in prior years	(3,192)	(209)	(9)	-
	<u>1,846</u>	<u>20,810</u>	<u>(9)</u>	<u>-</u>
Deferred income tax (Note 21):				
- Relating to origination and reversal of temporary differences	5,640	(7,338)	(228)	-
- Under provision in prior years	(758)	-	-	-
	<u>4,882</u>	<u>(7,338)</u>	<u>(228)</u>	<u>-</u>
Income tax expense	<u>6,728</u>	<u>13,472</u>	<u>(237)</u>	<u>-</u>

Reconciliation between tax and accounting profit

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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11. Income tax expense/(credit) (cont'd.)

The reconciliation of income tax expense/(credit) and the product of accounting profit/(loss) multiplied by the applicable corporate tax rate for the years ended 31 December 2019 and 2018 are as follows:

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
		(Restated)		
(Loss)/Profit before tax	(35,097)	1,999	(171,231)	(12,182)
Tax expense/(Tax credit) at Malaysian statutory tax rate of 24%	(8,423)	480	(41,095)	(2,924)
Different tax rates in other countries	(8)	(228)	-	-
<u>Adjustments:</u>				
Non-deductible expenses	13,852	6,825	1,390	2,839
Income not subject to tax	(3,940)	(905)	(1,109)	-
Deferred tax assets not recognised	9,072	4,074	40,586	939
Utilisation of previously unrecognised deferred tax assets	-	(854)	-	(854)
Over provision of tax expense in prior years:				
- current taxation	(3,192)	(209)	(9)	-
- deferred tax	(758)	-	-	-
Deferred tax recognised at different tax rate	125	4,289	-	-
Income tax expense/(credit) recognised in profit or loss	6,728	13,472	(237)	-

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12. Loss per share

(a) Basic

Basic loss per share amounts are calculated by dividing loss for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

The following table reflects the loss and share data used in the computation of basic loss per share for the years ended 31 December:

	2019 RM'000	2018 RM'000 (Restated)
Loss for the year attributable to owners of the parent used in the computation of basic loss per share	<u>(46,397)</u>	<u>(7,471)</u>
	Number of Shares	
	2019	2018
	'000	'000
Weighted average number of ordinary shares for basic loss per share computation*	<u>306,088</u>	<u>293,566</u>

* The weighted average number of shares takes into account the weighted average effect of changes in ordinary shares transactions and net of treasury shares.

	2019 sen	2018 sen (Restated)
Basic loss per share	<u>(15.16)</u>	<u>(2.54)</u>

(b) Diluted

Diluted loss per share amounts are calculated by dividing loss for the year, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

At the date of this report, the Company has no other dilutive potential ordinary shares. Accordingly, the diluted loss per share is not presented.

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13. Property, plant and equipment

Group	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Office renovation RM'000	Buildings RM'000	Total RM'000
At 31 December 2019					
Cost					
At 1 January 2019	720	2,512	3,913	5,070	12,215
Additions	-	221	-	-	221
Disposals	-	(135)	-	-	(135)
Written off	-	(108)	(15)	-	(123)
At 31 December 2019	720	2,490	3,898	5,070	12,178
Accumulated depreciation					
At 1 January 2019	720	1,994	3,297	581	6,592
Recognised in profit or loss (Note 8)	-	142	299	101	542
Disposals	-	(135)	-	-	(135)
Written off	-	(104)	(15)	-	(119)
At 31 December 2019	720	1,897	3,581	682	6,880
Net carrying amount					
At 31 December 2018	-	518	616	4,489	5,623
At 31 December 2019	-	593	317	4,388	5,298

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13. Property, plant and equipment (cont'd.)

Company	Office renovation RM'000	Motor vehicles RM'000	Office equipment RM'000	Total RM'000
At 31 December 2019				
Cost				
At 1 January 2019	2,766	642	1,448	4,856
Additions	-	-	28	28
Disposals	-	-	(96)	(96)
Written-off	-	-	(4)	(4)
At 31 December 2019	<u>2,766</u>	<u>642</u>	<u>1,376</u>	<u>4,784</u>
Accumulated depreciation				
At 1 January 2019	2,399	642	1,250	4,291
Recognised in profit or loss (Note 8)	204	-	66	270
Disposals	-	-	(96)	(96)
At 31 December 2019	<u>2,603</u>	<u>642</u>	<u>1,220</u>	<u>4,465</u>
Net carrying amount				
At 31 December 2018	<u>367</u>	<u>-</u>	<u>198</u>	<u>565</u>
At 31 December 2019	<u>163</u>	<u>-</u>	<u>156</u>	<u>319</u>

Included in property, plant and equipment of the Group is two units of terrace shop offices amounting to RM4,388,000 (2018: RM4,489,000) have been pledged to a fixed charge for term loans and revolving credit facilities as disclosed in Note 30(b).

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14. Investment properties

Investment properties comprising shopping mall and shop office, are held either to earn rental income or for capital appreciation or for both. The shopping mall and terrace shop offices are classified as Level 3 in the fair value hierarchy as disclosed in Note 34.

	Shopping Mall RM'000	Terrace Shop office RM'000	Total RM'000
At fair value			
Group			
At 1 January 2018	194,000	120,740	314,740
Fair value adjustments (Note 8)	(11,000)	(120)	(11,120)
At 31 December 2018 and 1 January 2019	183,000	120,620	303,620
Fair value adjustments (Note 8)	-	(570)	(570)
At 31 December 2019	183,000	120,050	303,050
Fair value for financial reporting purposes			
Market value as estimated by the professional external valuer	183,000	120,050	303,050

The following properties have been pledged as security for borrowings:

- (i) 9 units of terrace shop offices are charged as security for term loans and revolving credit facilities as disclosed in Note 30(b), 30(e) and 30(f); and
- (ii) Shopping mall included in the investment properties has been pledged as security for bank loan as disclosed in Note 30(b).

15. Inventories

	Note	31.12.2019 RM'000	Group 31.12.2018 RM'000 (Restated)	1.1.2018 RM'000 (Restated)
Non-current				
Land held for property development (at cost)	(a)	501,581	511,739	404,814
Current				
Property development cost (at cost)	(b)	66,903	72,501	164,524
Properties held for sale (at lower of cost and net realisable value)	(c)	81,219	84,916	101,687
		148,122	157,417	266,211
Total inventories at the lower of cost and net realisable value		649,703	669,156	671,025

During the year, Nil (2018: RM3,084,000) was recognised as an expense for inventories carried at net realisable value.

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15. Inventories (cont'd.)

(a) Land held for property development

Group	Freehold land RM'000	Leasehold land RM'000	Development expenditure RM'000	Total RM'000
At 31 December 2019				
Cost				
At 1 January 2019	20,448	403,380	99,152	522,980
Addition	-	-	9,761	9,761
Transfer to property development cost (Note 15(b))	-	(6,115)	(13,630)	(19,745)
Exchange differences	(387)	-	-	(387)
At 31 December 2019	<u>20,061</u>	<u>397,265</u>	<u>95,283</u>	<u>512,609</u>
Accumulated impairment losses				
At 1 January 2019	(11,241)	-	-	(11,241)
Exchange differences	213	-	-	213
At 31 December 2019	<u>(11,028)</u>	<u>-</u>	<u>-</u>	<u>(11,028)</u>
Carrying amount				
At 31 December 2019	<u>9,033</u>	<u>397,265</u>	<u>95,283</u>	<u>501,581</u>
At 31 December 2018				
Cost				
At 1 January 2018 (as previously stated)	22,113	331,696	41,130	394,939
Restatements	-	-	19,345	19,345
At 1 January 2018 (as restated)	22,113	331,696	60,475	414,284
Addition	-	-	30,532	30,532
Transfer from property development cost (Note 15(b))	-	71,684	8,145	79,829
Exchange differences	(1,665)	-	-	(1,665)
At 31 December 2018 (as restated)	<u>20,448</u>	<u>403,380</u>	<u>99,152</u>	<u>522,980</u>

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15. Inventories (cont'd.)

(a) Land held for property development (cont'd.)

Group	Freehold land RM'000	Leasehold land RM'000	Development expenditure RM'000	Total RM'000
At 31 December 2018				
Accumulated impairment losses				
At 1 January 2018	(9,470)	-	-	(9,470)
Addition	(2,563)	-	-	(2,563)
Exchange differences	792	-	-	792
At 31 December 2018	<u>(11,241)</u>	<u>-</u>	<u>-</u>	<u>(11,241)</u>
Carrying amount				
At 31 December 2018 (as restated)	<u>9,207</u>	<u>403,380</u>	<u>99,152</u>	<u>511,739</u>
At 1 January 2018 (as restated)	<u>12,643</u>	<u>331,696</u>	<u>60,475</u>	<u>404,814</u>

Included in development expenditure is the following interest expense incurred during the financial year:

	2019 RM'000	2018 RM'000 (Restated)
Interest on accretion of deferred payment to ultimate holding body (Note 7)	<u>-</u>	<u>29,797</u>

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15. Inventories (cont'd.)**(b) Property development costs**

Group	Freehold land RM'000	Leasehold land (Note (ii)) RM'000	Development expenditure (Note (i)) RM'000	Total RM'000
At 31 December 2019				
Cumulative property development costs				
At 1 January 2019	26,127	8,878	520,142	555,147
Costs incurred during the year	-	-	16,654	16,654
Transferred from land held for property development (Note 15 (a))	-	6,115	13,630	19,745
Unsold units transferred to inventories	-	(216)	(3,905)	(4,121)
At 31 December 2019	<u>26,127</u>	<u>14,777</u>	<u>546,521</u>	<u>587,425</u>
Cumulative costs recognised in statements of profit or loss				
At 1 January 2019				(482,646)
Recognised during the year				<u>(37,876)</u>
At 31 December 2019				<u>(520,522)</u>
Property development costs at 31 December 2019				<u><u>66,903</u></u>
At 31 December 2018				
Cumulative property development costs				
At 1 January 2018 (as previously stated)	26,962	80,562	493,999	601,523
Restatements	-	-	(15,386)	(15,386)
Reclassification	<u>(835)</u>	<u>-</u>	<u>835</u>	<u>-</u>
At 1 January 2018 (as restated)	26,127	80,562	479,448	586,137
Costs incurred during the year	-	-	48,839	48,839
Transferred to land held for property development (Note 15 (a))	-	(71,684)	(8,145)	(79,829)
At 31 December 2018 (as restated)	<u>26,127</u>	<u>8,878</u>	<u>520,142</u>	<u>555,147</u>

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15. Inventories (cont'd.)**(b) Property development costs (cont'd.)**

Group	Total RM'000
At 31 December 2018	
Cumulative costs recognised in statements of profit or loss	
At 1 January 2018 (as previously stated)	(420,193)
Restatements	(1,420)
At 1 January 2018 (as restated)	(421,613)
Recognised during the year	(61,033)
At 31 December 2018 (as restated)	(482,646)
Property development costs at 31 December 2018 (as restated)	72,501
Property development costs at 1 January 2018 (as restated)	164,524

Reconciliation of property development costs recognised to profit or loss:

	2019 RM'000	2018 RM'000
Property development costs recognised to profit or loss	36,836	78,911
Contract assets	602	-
Consideration payable to customers	186	745
Total cost of sales (Note 5)	<u>37,624</u>	<u>79,656</u>

(i) Development expenditure

Included in development expenditure is the cost to obtain contracts relating to commission fee paid to intermediaries as a result of obtaining property sales contracts. These cost are group separately and are charged out to cost of sales based on stage of completion method.

	31.12.2019 RM'000	31.12.2018 RM'000	1.1.2018 RM'000
As at 1 January	294	-	-
Cost incurred during the year	2,399	1,082	-
Recognised during the year	(2,693)	(788)	-
At 31 December	<u>-</u>	<u>294</u>	<u>-</u>

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15. Inventories (cont'd.)

(b) Property development costs (cont'd.)

(i) Development expenditure (cont'd.)

Included in development expenditure is the interior decoration cost as a result of entering into contracts with customers. These costs are group separately and is recognised in the statements of profit or loss when the control is transferred to the recipient.

	31.12.2019	31.12.2018	1.1.2018
	RM'000	RM'000	RM'000
As at 1 January	1,901	20,890	-
Cost incurred during the year	(1,481)	2,089	20,890
Recognised during the year	1,303	(21,078)	-
At 31 December	<u>1,723</u>	<u>1,901</u>	<u>20,890</u>

Included in property development costs is interest expense incurred as follows:

	Group	
	2019	2018
	RM'000	RM'000
Interest expense (Note 7)	<u>-</u>	<u>308</u>

(ii) Leasehold land

The leasehold land held for development was purchased from Perbadanan Kemajuan Negeri Selangor ("PKNS") in prior years as disclosed in Note 29(b). Upon execution of the sale and purchase agreement, the document of title to the properties will be transferred directly from PKNS to the end purchasers.

Part of the leasehold land for property development with carrying value of RM6,837,000 in the prior year was pledged as security for a bank loan as disclosed in Note 30(d). The loan has been fully settled in the current year. The respective leasehold land for property development have been transferred to inventories upon completion of the development.

(c) Properties held for sale

	Group		
	31.12.2019	31.12.2018	1.1.2018
	RM'000	RM'000	RM'000
At cost	67,530	70,963	84,443
At net realisable value	13,689	13,953	17,244
	<u>81,219</u>	<u>84,916</u>	<u>101,687</u>

Properties held for sale with a carrying amount of RM13,689,000 (2018: RM13,953,000) and RM2,649,000 (2018: Nil) are charged as security for term loan facilities as disclosed in Note 30(c) and revolving credit facilities as disclosed in Note 30(i) respectively.

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16. Investment in subsidiaries

	Company	
	31.12.2019	31.12.2018
	RM'000	RM'000
Unquoted shares, at cost	295,960	295,960
Impairment loss on investment in subsidiary	(166,000)	-
	<u>129,960</u>	<u>295,960</u>

(a) Details of the subsidiaries are as follows:

Name of subsidiaries	Share capital RM'000	Country of incorporation	Principal activities	Proportion (%) of ownership interest		Proportion (%) of ownership interest held by non-controlling interests	
				2019	2018	2019	2018
Encorp Construction & Infrastructure Sdn. Bhd.	50,000	Malaysia	Investment holding and construction project management	100	100	-	-
Encorp Must Sdn. Bhd.	10,000	Malaysia	Investment holding and property project management	100	100	-	-
Encorp Development Pty. Ltd.^	+	Australia	Property development	100	100	-	-

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16. Investment in subsidiaries (cont'd.)

(a) Details of the subsidiaries are as follows: (cont'd.)

Name of subsidiaries	Share capital RM'000	Country of incorporation	Principal activities	Proportion (%) of ownership interest		Proportion (%) of ownership interest held by non-controlling interests	
				2019	2018	2019	2018
Encorp Facilities Management Sdn. Bhd.	@	Malaysia	Facilities management services provider	100	100	-	-
Subsidiaries of Encorp Construction & Infrastructure Sdn. Bhd.							
Encorp Systembilt Sdn. Bhd.	50,000	Malaysia	Concessionaire to build and transfer teachers' quarters to the Government of Malaysia	100	100	-	-
Encorp Construction & Engineering Sdn. Bhd. (formerly known as Encorp Trading Services Sdn. Bhd.)	1,000	Malaysia	General trading	100	100	-	-

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16. Investment in subsidiaries (cont'd.)

(a) Details of the subsidiaries are as follows: (cont'd.)

Name of subsidiaries	Share capital RM'000	Country of incorporation	Principal activities	Proportion (%) of ownership interest		Proportion (%) of ownership interest held by non-controlling interests	
				2019	2018	2019	2018
Subsidiaries of Encorp Must Sdn. Bhd.							
Must Ehsan Development Sdn. Bhd.	15,000	Malaysia	Property development	70	70	30	30
Encorp Development Sdn. Bhd.	250	Malaysia	Property development	100	100	-	-
Encorp Iskandar Development Sdn. Bhd.	2,750	Malaysia	Property development	100	100	-	-
Encorp Bukit Katil Sdn. Bhd.	@	Malaysia	Property development	100	100	-	-
Subsidiaries of Must Ehsan Development Sdn. Bhd.							
Red Carpet Avenue Sdn. Bhd.	@	Malaysia	Investment holding	100	100	-	-
Encorp Strand Mall Sdn. Bhd.	2,500	Malaysia	Property investment	100	100	-	-
Encorp Parking Sdn. Bhd.	@	Malaysia	Property investment	100	100	-	-

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16. Investment in subsidiaries (cont'd.)

(a) Details of the subsidiaries are as follows: (cont'd.)

Details of the subsidiaries are as follows: (cont'd.)

Name of subsidiaries	Share capital RM'000	Country of incorporation	Principal activities	Proportion (%) of ownership interest		Proportion (%) of ownership interest held by non-controlling interests	
				2019	2018	2019	2018
Subsidiaries of Red Carpet Avenue Sdn. Bhd.							
Etika Tapis Sdn. Bhd.*	#	Malaysia	Food and beverage	-	50	-	50
Red Carpet Culinary Sdn. Bhd.*	250	Malaysia	Food and beverage	-	50	-	50

^ This entity has no statutory audit requirement

+ Represents paid-up capital of one hundred (100) ordinary shares of 1 Australian Dollar each

@ Represents paid-up capital of two (2) ordinary shares

Represents paid-up capital of one hundred (100) ordinary shares

* Audited by firms of auditors other than Ernst & Young, Malaysia

(i) Etika Tapis Sdn. Bhd. and Red Carpet Culinary Sdn. Bhd., which were classified as held for sale have been derecognised as subsidiaries, as the Group no longer has control over these entities upon execution of certain novation and settlement agreements as disclosed in Note 26.

(ii) An impairment loss of RM166,000,000 has been recognised in respect of the Company's cost of investment in Encorp Construction & Infrastructure Sdn. Bhd. ("ECISB").

In the current year, certain projects which was previously anticipated to be awarded to ECISB have not materialised and ECISB is inactive. Thus, it was determined that the consolidated net assets of ECISB and its two directly held subsidiaries as at 31 December 2019 would approximate the recoverable amount of this investment.

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16. Investment in subsidiaries (cont'd.)

(b) Non-controlling interests in subsidiaries

Summarised financial information of Must Ehsan Development Sdn. Bhd. ("MEDSB") and its subsidiaries ("MEDSB Group") which have 30% non-controlling interests that are material to the Group is set out below. The summarised financial information presented below is the amount before inter-company elimination. During the financial year 2019, the Group has derecognised the non-controlling interest of Red Carpet Avenue Sdn. Bhd. upon execution of certain novation and settlement agreements as disclosed in Note 26.

(i) Summarised statements of financial position - MEDSB Group

	31.12.2019	31.12.2018	1.1.2018
	RM'000	RM'000	RM'000
		(Restated)	(Restated)
Non-current assets	347,218	369,497	373,227
Current assets	160,506	188,059	147,457
Total assets	<u>507,724</u>	<u>557,556</u>	<u>520,684</u>
Current liabilities	176,610	202,971	165,764
Non-current liabilities	39,997	80,108	67,103
Total liabilities	<u>216,607</u>	<u>283,079</u>	<u>232,867</u>
Net assets	<u>291,117</u>	<u>274,477</u>	<u>287,817</u>
Non-controlling interests	<u>87,335</u>	<u>82,343</u>	<u>86,345</u>

(ii) Summarised statements of comprehensive income - MEDSB Group

	2019	2018
	RM'000	RM'000
		(Restated)
Revenue	92,178	81,498
Profit/(Loss) for the year	15,240	(13,603)
Profit/(Loss) representing total comprehensive income/ (loss) attributable to the non-controlling interests	<u>4,572</u>	<u>(5)</u>

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16. Investment in subsidiaries (cont'd.)

(b) Non-controlling interests in subsidiaries (cont'd.)

(iii) Summarised cash flows - MEDSB Group

	2019 RM'000	2018 RM'000 (Restated)
Net cash generated from/(used in) operating activities	52,173	(2,061)
Net cash generated from investing activities	902	665
Net cash (used in)/generated from financing activities	(40,516)	16,949
Net increase in cash and cash equivalents	12,559	15,553
Cash and cash equivalents at beginning of the year	25,931	10,378
	<u>38,490</u>	<u>25,931</u>

17. Investment in associate

	Group 31.12.2019 RM'000	31.12.2018 RM'000
Unquoted shares in Malaysia, at cost	<u>-</u>	<u>30</u>

The associate is being held by one of the wholly-owned subsidiary, Encorp Bukit Katil Sdn. Bhd..

(a) Details of the associate is as follows:

Name of Company	Country of incorporation	Proportion (%) of ownership interest		Principal activities
		2019	2018	
Sinmah Encorp Development Sdn. Bhd. ^ (formerly known as Sinmah Development JV Sdn. Bhd.)	Malaysia	-	30	Property investment and contractor

^ Not audited by EY

The associate is dormant and has not commenced operation at the end of the financial year.

(b) Disposal of investment in associate

On 11 December 2019, Encorp Bukit Katil Sdn. Bhd. ("EBKSB"), a direct wholly-owned subsidiary of Encorp Berhad, has disposed of the share in its associate, Sinmah Development JV Sdn. Bhd. ("SDJSB"). No gain and loss was recognised arising from the disposal.

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18. Intangible assets

Group	Goodwill on consolidation RM'000	Computer software RM'000	Total RM'000
Cost			
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	<u>197,003</u>	<u>2,120</u>	<u>199,123</u>
Accumulated amortisation and impairment:			
At 1 January 2018	178,499	1,749	180,248
Amortisation (Note 8)	-	169	169
Impairment (Note 8)	<u>5,100</u>	<u>-</u>	<u>5,100</u>
At 31 December 2018 and 1 January 2019	<u>183,599</u>	<u>1,918</u>	<u>185,517</u>
Amortisation (Note 8)	-	136	136
Impairment (Note 8)	<u>6,000</u>	<u>-</u>	<u>6,000</u>
At 31 December 2019	<u>189,599</u>	<u>2,054</u>	<u>191,653</u>
Net carrying amount:			
At 31 December 2018	<u>13,404</u>	<u>202</u>	<u>13,606</u>
At 31 December 2019	<u>7,404</u>	<u>66</u>	<u>7,470</u>
Company		Computer software RM'000	
Cost			
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019			<u>1,372</u>
Accumulated amortisation:			
At 1 January 2018			1,093
Amortisation (Note 8)			<u>112</u>
At 31 December 2018 and 1 January 2019			<u>1,205</u>
Amortisation (Note 8)			<u>112</u>
At 31 December 2019			<u>1,317</u>
Net carrying amount:			
At 31 December 2018			<u>167</u>
At 31 December 2019			<u>55</u>

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18. Intangible assets (cont'd.)

Impairment testing for goodwill

Goodwill arising from business combinations have been allocated to the individual Group's cash-generating unit ("CGU") for impairment testing.

During the year, the Group recognised an impairment loss of RM6,000,000 (2018: RM5,100,000) to reduce the carrying amount of goodwill to the estimated recoverable amount of the related CGU based on the assumptions disclosed as below.

The carrying amounts of goodwill allocated to the CGU is as follows:

	Group	
	31.12.2019	31.12.2018
	RM'000	RM'000
Property development	7,404	13,404

The recoverable amount of the CGU is determined based on value-in-use calculations using cash flow projections based on financial budgets approved by management covering a five year period.

The key assumptions used in the value-in-use calculations are as follows:

	Property development segment	
	2019	2018
Budgeted gross margin	33%	30%
Discount rate	8.5%	16%

The calculation of value-in-use for CGU are most sensitive to the following assumptions:

Budgeted gross margin - Gross margins are based on average values achieved in the three years preceding the start of the budget period.

Pre-tax discount rate - The discount rates used are pre-tax and reflect specific risks relating to property development segment.

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19. Trade and other receivables

Group	Note	31.12.2019 RM'000	31.12.2018 RM'000
Current			
Trade receivables			
Amount due from:			
- third parties	(a)	44,083	89,294
Concession income receivables	(b)	64,036	57,965
		<u>108,119</u>	<u>147,259</u>
Expected credit losses	(c)	(2,042)	(6,093)
Trade receivable, net		<u>106,077</u>	<u>141,166</u>
Other receivables			
Amount due from holding company	(d)	53	53
Deposits		5,720	5,086
Sundry receivables		3,674	3,880
		<u>9,447</u>	<u>9,019</u>
Expected credit losses	(c)	-	(267)
Other receivable, net		<u>9,447</u>	<u>8,752</u>
Total current receivables		<u>115,524</u>	<u>149,918</u>
Non-current			
Trade receivables			
Concession income receivables	(b)	<u>692,239</u>	<u>756,275</u>
Other receivables			
Long term receivables	(e)	48,461	48,461
Expected credit losses	(c)	(48,461)	(48,461)
		<u>-</u>	<u>-</u>
Total non-current receivables		<u>692,239</u>	<u>756,275</u>
Total trade and other receivables		<u>807,763</u>	<u>906,193</u>

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19. Trade and other receivables (cont'd.)

Company	Note	31.12.2019 RM'000	31.12.2018 RM'000
Current			
Trade receivables			
Amount due from:			
- third parties	(a)	70	70
- subsidiaries	(d)	7,983	5,873
		<u>8,053</u>	<u>5,943</u>
Expected credit losses	(c)	<u>(1,237)</u>	<u>(1,184)</u>
Trade receivable, net		<u>6,816</u>	<u>4,759</u>
Other receivables			
Amount due from:			
- subsidiaries	(d)	133,165	135,456
- holding company	(d)	53	53
Deposits		697	685
Sundry receivables		<u>91</u>	<u>170</u>
		<u>134,006</u>	<u>136,364</u>
Expected credit losses	(c)	<u>(35,779)</u>	<u>(36,269)</u>
Other receivable, net		<u>98,227</u>	<u>100,095</u>
Total current receivables		<u>105,043</u>	<u>104,854</u>
Non-current			
Other receivables			
Long term receivables	(e)	39,019	39,019
Expected credit losses	(c)	<u>(39,019)</u>	<u>(39,019)</u>
		<u>-</u>	<u>-</u>
Total trade and other receivables		<u>105,043</u>	<u>104,854</u>

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19. Trade and other receivables (cont'd.)

(a) Trade receivables

Ageing analysis of trade receivables

Ageing analysis of the Group's and Company's trade receivables from third parties are as follows:

	Group		Company	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
Current	7,013	20,398	-	-
1 to 30 days past due	2,322	12,457	-	-
31 to 60 days past due	10,321	14,869	-	-
61 days to 90 days past due	104	8,414	-	-
91 days to 120 days past due	73	1,032	-	-
121 days to 365 days past due	22,208	26,031	-	-
	<u>42,041</u>	<u>83,201</u>	<u>-</u>	<u>-</u>
Credit impaired				
Individually impaired	2,042	6,093	70	70
	<u>44,083</u>	<u>89,294</u>	<u>70</u>	<u>70</u>

Trade receivables are non-interest bearing and are generally on 7 to 60 days (2018: 7 to 60 days) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

(b) Concession income receivables

Group	31.12.2019	31.12.2018
	RM'000	RM'000
Concession income receivables:		
Within 1 year	136,779	136,779
More than 1 year and less than 2 years	136,779	136,779
More than 2 years and less than 5 years	410,338	410,338
More than 5 years	421,752	558,530
	<u>1,105,648</u>	<u>1,242,426</u>
Unearned income	(349,373)	(428,186)
	<u>756,275</u>	<u>814,240</u>
Concession income receivables analysed as:		
Due within one year	64,036	57,965
Due after one year	692,239	756,275
	<u>756,275</u>	<u>814,240</u>

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19. Trade and other receivables (cont'd.)

(b) Concession income receivables (cont'd.)

The Group's normal trade credit term on concession income receivables is 21 days (2018: 21 days). The entire concession income receivables are pledged to the holders of the Sukuk Murabahah as disclosed in Note 30(a).

As at reporting date, the Group has a significant concentration of credit risk of 94% (2018: 90%) relating to the concession income receivable. The entire concession income receivables are due from the Government of Malaysia.

(c) Allowance for expected credit losses

The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses ("ECL"). The expected credit losses on trade and other receivables are estimated by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. Where these assumptions are not readily available, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

Movement in allowance accounts for trade receivables:

Group	2019 RM'000	2018 RM'000
At 1 January	6,093	5,300
Expected credit losses (Note 8)		
- Individually assessed	1,000	749
- Collectively assessed	228	101
- Reversal of expected credit loss	(288)	-
Written off	(4,121)	(50)
Amounts recovered (Note 6)	(870)	(7)
At 31 December	<u>2,042</u>	<u>6,093</u>
Company		
At 1 January	1,184	905
Expected credit losses (Note 8)		
- Individually assessed	100	279
- Reversal of expected credit loss	(47)	-
At 31 December	<u>1,237</u>	<u>1,184</u>

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19. Trade and other receivables (cont'd.)

(c) Allowance for expected credit losses (cont'd.)

Movement in allowance accounts for other receivables:

Group	2019 RM'000	2018 RM'000
At 1 January	48,728	48,474
Expected credit losses (Note 8)		
- Individually assessed	-	254
- Reversal of expected credit loss	(267)	-
At 31 December	<u>48,461</u>	<u>48,728</u>
Company		
At 1 January	75,288	71,810
Expected credit losses (Note 8)		
- Individually assessed	670	3,478
- Reversal of expected credit loss (Note (i))	(1,160)	-
At 31 December	<u>74,798</u>	<u>75,288</u>

- (i) Included in the amounts due from subsidiaries of the Company as at 31 December 2019 is an amount due from Encorp Development Pty. Ltd. ("EDPL"). The deteriorating financial position of EDPL is an indication that the amount due from EDPL may be impaired. The Company performed an impairment review in respect of the amount due from EDPL by comparing the carrying amount of the asset and the present value of estimated future cash flows receivable from EDPL.

Movement on impairment in amount due from subsidiary:

Company	2019 RM'000	2018 RM'000
At 1 January	24,134	23,034
Expected credit losses:		
- Individually assessed	-	1,100
- Reversal of expected credit loss	(1,042)	-
At 31 December	<u>23,092</u>	<u>24,134</u>

(d) Amounts due from subsidiaries and holding company

The amounts due from subsidiaries and holding company are unsecured, repayable on demand, and non-interest bearing except for an amount due from subsidiaries of RM56,027,000 (2018: RM59,895,000) which bears interest at rates ranging from 4.84% to 5.50% (2018: 5.94% to 6.18%).

- (e)** Long term receivables were in relation to the amount due from Pembinaan Legenda Unggul Sdn. Bhd. (formerly known as Encorp Construct Sdn. Bhd.).

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20. Leases

Group as a lessee

The Group and the Company lease 20 units office premise until June 2031. Lease payments to be increased every 3 years from July 2016 to reflect current market rentals. The Group has also leased office equipment until October 2021.

The Group and Company also have certain leases of office equipments with lease terms of 12 months or less and leases of office equipment with low value. The Group and the Company apply the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Group	Note	31.12.2019 RM'000	31.12.2018 RM'000	1.1.2018 RM'000
Non-current assets				
Right-of-use assets	(a)	<u>21,056</u>	<u>-</u>	<u>-</u>
Non-current liabilities				
Lease liabilities	(b)	<u>20,949</u>	<u>-</u>	<u>-</u>
Current liabilities				
Lease liabilities	(b)	<u>1,056</u>	<u>-</u>	<u>-</u>
Company				
Non-current assets				
Right-of-use assets	(a)	<u>21,024</u>	<u>-</u>	<u>-</u>
Non-current liabilities				
Lease liabilities	(b)	<u>20,935</u>	<u>-</u>	<u>-</u>
Current liabilities				
Lease liabilities	(b)	<u>1,039</u>	<u>-</u>	<u>-</u>

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20. Leases (cont'd.)

Group as a lessee (cont'd.)

(a) Right-of-use assets

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	2019		2018	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
At 1 January 2019	-	-	-	-
Effect of adoption of MFRS 16	22,901	22,852	-	-
At 1 January 2019 (as restated)	22,901	22,852	-	-
Depreciation (Note 8)	(1,845)	(1,828)	-	-
At 31 December 2019	<u>21,056</u>	<u>21,024</u>	<u>-</u>	<u>-</u>

(b) Lease liabilities

In prior year, before adoption of MFRS 16, operating lease commitments as a lessee are disclosed as follows:

	Group RM'000	Company RM'000
Not later than 1 year	2,296	2,222
Later than 1 year but not later than 5 years	9,523	9,474
More than 5 years	21,175	21,175
	<u>32,994</u>	<u>32,871</u>

A weighted average incremental borrowing rate at 5.66% was used to discount the lease liabilities upon the adoption of MFRS 16.

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowing (Note 30)) and the movements during the period:

	2019		2018	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
At 1 January 2019	-	-	-	-
Effect of adoption of MFRS 16	22,901	22,852	-	-
At 1 January 2019 (as restated)	22,901	22,852	-	-
Accretion of interest (Note 7)	1,300	1,298	-	-
Payments	(2,196)	(2,176)	-	-
At 31 December 2019	<u>22,005</u>	<u>21,974</u>	<u>-</u>	<u>-</u>

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20. Leases (cont'd.)

Group as a lessee (cont'd.)

(b) Lease liabilities (cont'd.)

Leases liabilities are payables as follows:

	2019	
	Group RM'000	Company RM'000
Current		
Less than one year	1,056	1,039
Non-current		
More than 1 year and less than 2 years	1,116	1,102
More than 2 years and less than 5 years	4,337	4,337
5 years or more	15,496	15,496
Total non-current lease liabilities	20,949	20,935
Total lease liabilities	22,005	21,974

The maturity analysis of lease liabilities is disclosed in Note 35(b).

Group as a lessor

Operating lease commitments

The Group has entered into commercial property leases on its investment properties. These non-cancellable leases have remaining lease terms of between six months to three years and include clauses to enable periodic upward revision of the rental charge according to prevailing market conditions.

Future minimum rentals receivable under the non-cancellable operating leases as at 31 December are as follows:

	Group	
	2019 RM'000	2018 RM'000
Not later than 1 year	1,492	3,807
Later than 1 year but not later than 5 years	850	2,189
	2,342	5,996

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21. Deferred tax

Deferred tax as at 31 December relates to the following:

	As at 1 January 2018 RM'000	Recognised in profit or loss (Note 11) RM'000	As at 31 December 2018 RM'000 (Restated)	Recognised in profit or loss (Note 11) RM'000	As at 31 December 2019 RM'000
Group					
Deferred tax liabilities:					
Property, plant and equipment	-	(5)	(5)	1	(4)
Contract assets	208,013	(12,594)	195,419	(13,844)	181,575
Investment properties	(426)	1,648	1,222	(28)	1,194
	<u>207,587</u>	<u>(10,951)</u>	<u>196,636</u>	<u>(13,871)</u>	<u>182,765</u>
Deferred tax assets:					
Right-of-use of aseets and lease liabilities	-	-	-	(228)	(228)
Tax losses and capital allowances	(172,319)	15,520	(156,799)	15,295	(141,504)
Loan and borrowings	(36,589)	(2,715)	(39,304)	(1,855)	(41,159)
Provisions	(7,590)	(9,192)	(16,782)	5,541	(11,241)
	<u>(216,498)</u>	<u>3,613</u>	<u>(212,885)</u>	<u>18,753</u>	<u>(194,132)</u>
	<u>(8,911)</u>	<u>(7,338)</u>	<u>(16,249)</u>	<u>4,882</u>	<u>(11,367)</u>

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21. Deferred tax (cont'd.)

Presented after appropriate offsetting as follows:

	31.12.2019 RM'000	31.12.2018 RM'000 (Restated)	1.1.2018 RM'000
Group			
Deferred tax assets	(15,068)	(20,668)	(11,821)
Deferred tax liabilities	3,701	4,419	2,910
	<u>(11,367)</u>	<u>(16,249)</u>	<u>(8,911)</u>
Company			
Deferred tax assets	<u>228</u>	<u>-</u>	<u>-</u>

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Unutilised tax losses	100,187	58,966	17,285	11,071
Unabsorbed capital allowances	3,536	3,422	2,913	2,863
Other deductible temporary difference	1,261	4,798	167,236	4,391
	<u>104,984</u>	<u>67,186</u>	<u>187,434</u>	<u>18,325</u>

The availability of the unutilised tax losses and unabsorbed capital allowances for offsetting against future taxable profits of the Group are subject to no substantial changes in shareholdings of the Group and guidelines issued by the tax authority.

Effective from Year of Assessment 2019, the unutilised tax losses of the Group as at 31 December 2019 and thereafter will only be available for carry forward for a period of 7 consecutive years. Upon expiry of the 7 years, the unutilised tax losses will be disregarded.

22. Other investments

		Group		Company	
	Note	31.12.2019 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 RM'000
Non-current					
<i>Amortised cost</i>					
Amount placed with a financial services advisory firm	(a)	<u>4,301</u>	<u>4,384</u>	<u>-</u>	<u>-</u>
Current					
<i>Fair value through profit or loss</i>					
Money market investment securities	(b)	<u>123,215</u>	<u>111,689</u>	<u>-</u>	<u>5,620</u>

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22. Other investments (cont'd.)

- (a) This relates to a principal amount of AUD1.5 million placed by a foreign subsidiary of the Group for a period of 24 months (2018: 36 months) and earns interest at a fixed rate of 15% (2018:12%) per annum.
- (b) The investment securities are restricted investment scheme in short term money market instruments and deposit placements with an option to roll over the investments placed with licensed fund managers.

The income received from the investment securities shall where necessary, be remitted into the Escrow Account to meet the payment obligations arising from the Sukuk Murabahah as disclosed in Note 30(a).

23. Contract assets/(liabilities)

		Group	
		31.12.2019	31.12.2018
		RM'000	RM'000
	Note		(Restated)
Contract assets			
Property development	(a)	5,452	8,237
Construction contract costs incurred to date	(b)	-	-
		<u>5,452</u>	<u>8,237</u>

Contract liabilities

Property development	(a)	<u>(4,181)</u>	<u>(2,439)</u>
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(a) Contract assets/(liabilities) from property development

		31.12.2019	31.12.2018
		RM'000	RM'000
Group			(Restated)
Contract assets			
Accrued billings		5,452	8,237
Contract liabilities			
Progress billings		<u>(4,181)</u>	<u>(2,439)</u>
		<u>1,271</u>	<u>5,798</u>

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23. Contract assets/(liabilities) (cont'd.)

(a) Contract assets/(liabilities) from property development (cont'd.)

Set out below are the carrying amounts of contract assets recognised and the movements during the period:

Group	2019 RM'000	2018 RM'000 (Restated)
At 1 January	5,798	53,537
Addition	86,679	112,431
Recognised during the year	(91,206)	(160,170)
At 31 December	<u>1,271</u>	<u>5,798</u>

The directors of the Group measure the loss allowance on amounts due from customers at an amount equal to lifetime ECL, taking into account the historical default experience and the future prospects of the respective industry. There was no impairment loss recognised on contract asset at the end of the reporting period.

(b) Contract assets from construction

	Group 31.12.2019 RM'000	31.12.2018 RM'000
Construction costs incurred to date	-	5,594
Attributable profits	-	2,656
Less: Provision for foreseeable losses	-	-
	<u>-</u>	<u>8,250</u>
Less: Progress billings	-	(8,250)
Amount due from customers on contract	<u>-</u>	<u>-</u>
<i>Presented as:</i>		
Gross amount due from customers on contract	<u>-</u>	<u>-</u>
Retention sum on construction contracts included in: - trade payables	<u>-</u>	<u>300</u>

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24. Other current assets

	Group		Company	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
Prepayments	376	389	133	168
Consideration payable to customers	5	745	-	-
	<u>381</u>	<u>1,134</u>	<u>133</u>	<u>168</u>

Included in the consideration payable to customers are the cost for free maintenance and sales and purchase agreements as a result of entering into contract with customers.

25. Cash and cash equivalents

		Group		Company	
	Note	31.12.2019	31.12.2018	31.12.2019	31.12.2018
		RM'000	RM'000	RM'000	RM'000
Cash on hand and at banks	(a)	42,868	60,857	644	1,091
Deposits with licensed banks	(b)	<u>2,985</u>	<u>2,928</u>	<u>-</u>	<u>-</u>
	(c)	<u>45,853</u>	<u>63,785</u>	<u>644</u>	<u>1,091</u>

- (a) Included in cash at bank of the Group is an amount of RM34,380,000 (2018: RM29,876,000) held pursuant to Section 7A of the Housing and Development (Control & Licensing) Act, 1966 and restricted from use in other operations.
- (b) The deposits with licensed banks of the Group and of the Company which are pledged are as follows:
- (i) Deposits of RM2,148,000 (2018: RM2,082,000) pledged to a bank for credit facilities granted to a subsidiary; and
 - (ii) Deposits of RM806,000 (2018: RM815,000) pledged to banks as securities for credit facilities granted to subsidiaries.
- (c) Cash at bank and on hand of the Group include an amount of RM99,000 (2018: RM11,630,000) minimum amount shall be maintained in Escrow Account and Finance Service Reserve Account to meet the payment obligations arising from the Sukuk Murabahah as disclosed in Note 30(a).

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25. Cash and cash equivalents (cont'd.)

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following as at reporting date:

	Group		Company	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	45,853	63,785	644	1,091
Add: Disposal group held for sale (Note 26)	-	100	-	-
Less:				
Pledged deposits	(2,985)	(2,928)	-	-
Cash and cash equivalents	<u>42,868</u>	<u>60,957</u>	<u>644</u>	<u>1,091</u>

Cash at banks earns interest at floating rates based on daily bank deposit rates. Deposits are made for varying periods of between 2 months to 12 months, depending on the immediate cash requirements of the Group and the Company, and earn interest at the respective deposit rates. As at reporting date, the effective interest rates of deposits of the Group and of the Company range from 2.7% to 3.5% (2018: 3.1% to 3.15%) per annum respectively.

26. Disposal group classified as held for sale

The disposal group classified as held for sale comprise the following assets of the Group:

- In previous financial years, Red Carpet Avenue Sdn. Bhd. ("RCASB") has exercised its right for the put option pursuant to Clause 10 of the Shareholders Agreement, to dispose of Etika Tapis Sdn. Bhd.. The latter being the subsidiary of RCASB, which in turn is an indirect subsidiary of the Company, who is operating a food & beverage business; and
- In previous financial years, RCASB has exercised its right for the put option pursuant to Clause 10 of the Shareholder Agreement, to dispose of Red Carpet Culinary Sdn. Bhd.. The latter being the subsidiary of RCASB, which in turn is an indirect subsidiary of the Company, who is operating a food & beverage business.

The details of the assets and liabilities classified as held for sale are as follows:

	Group	
	31.12.2019	31.12.2018
	RM'000	RM'000
Current asset		
Cash and bank balances, representing the asset of disposal group classified as held for sale	<u>-</u>	<u>100</u>

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26. Disposal group classified as held for sale (cont'd.)

The details of the assets and liabilities classified as held for sale are as follows: (cont'd.)

	Group	
	31.12.2019	31.12.2018
	RM'000	RM'000
Current liability		
Trade and other payables, representing the liability of disposal group classified as held for sale	-	950

On 14 August 2019, Encorp Berhad, RCASB and Encorp Strand Mall Sdn. Bhd. have entered into a novation and settlement of put option agreement with Enspire Venture Sdn. Bhd.. The disposal group classified as held for sale has been derecognised upon the execution of the novation and settlement agreements.

	Group
	RM'000
Net liabilities disposed	
Assets of disposal group	100
Liabilities of disposal Group	(938)
	<u>(838)</u>
Net cash outflow on disposal	
Cash and cash equivalents disposed	<u>(100)</u>
Gain on disposal	
Total amount novated with EVSB debt	3,078
Net liabilities disposed	838
Non-controlling interests	(420)
	<u>3,496</u>

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27. Share capital and treasury shares

Note	Group and Company			
	Number of ordinary		Amount	
	Share capital (Issued and fully paid)	Treasury shares	Share capital (Issued and fully paid) RM'000	Treasury shares RM'000
At 1 January 2018, 31 December 2018 and 1 January 2019	293,952,417	(386,000)	392,898	(327)
Transactions with owners				
Private placement exercise (a)	12,521,800	-	4,382	-
At 31 December 2019	<u>306,474,217</u>	<u>(386,000)</u>	<u>397,280</u>	<u>(327)</u>

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27. Share capital and treasury shares (cont'd.)

(a) Share capital

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

On 22 March 2019, pursuant to a private placement, the Company had increased its issued and paid up capital from RM392,898,000 to RM397,281,000 by way of the issuance of 12,521,800 ordinary shares of RM0.35 each for a total cash consideration of RM4,382,630 during the financial year.

(b) Treasury shares

Treasury shares relate to ordinary shares of the Company that are held by the Company. The amount consists of the acquisition cost of treasury shares net of the proceeds received on their subsequent sale or issuance.

The directors of the Company are committed to enhancing the value of the Company for its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders. The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares.

As at 31 December 2019, the Company held as treasury shares a total of 386,000 of its 306,474,217 issued ordinary shares. Such treasury shares are held at a carrying amount of RM326,732.

28. Other reserves

Group	Foreign currency translation reserve RM'000
At 1 January 2018	1,064
Other comprehensive income	
Foreign currency translation	2,146
At 31 December 2018 and 1 January 2019	3,210
Foreign currency translation	(308)
At 31 December 2019	<u>2,902</u>

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currency is different from that of the Group's presentation currency.

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29. Trade and other payables

Group	Note	31.12.2019 RM'000	31.12.2018 RM'000 (Restated)	1.1.2018 RM'000 (Restated)
Current				
Trade payables				
Amount due to:				
- third parties	(a)	21,610	30,392	17,857
- corporate shareholder of a subsidiary	(b)	712	4,812	5,412
- ultimate holding body	(c)	235,133	170,257	110,659
		<u>257,455</u>	<u>205,461</u>	<u>133,928</u>
Other payables				
Amount due to:				
- immediate holding company	(d)	8,754	9,315	8,822
Sundry payables		23,403	26,093	26,309
Provision for short-term accumulating compensated absences	(e)	202	215	258
Other accruals		57,031	69,989	62,581
		<u>89,390</u>	<u>105,612</u>	<u>97,970</u>
		<u>346,845</u>	<u>311,073</u>	<u>231,898</u>
Non-current				
Trade payables				
Retention sum on construction contracts		14,944	17,235	19,488
Amount due to ultimate holding body	(c)	271,503	298,056	320,759
		<u>286,447</u>	<u>315,291</u>	<u>340,247</u>
Total trade and other payables		<u>633,292</u>	<u>626,364</u>	<u>572,145</u>

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29. Trade and other payables (cont'd.)

Company	Note	31.12.2019 RM'000	31.12.2018 RM'000
Current			
Trade payables			
Amount due to third party	(a)	8	8
Other payables			
Amount due to:			
- subsidiaries	(f)	39,725	37,713
- immediate holding company	(d)	8,754	9,315
Sundry payables		1,697	5,740
Provision for short-term accumulating compensated absences	(e)	76	74
Other accruals		1,439	2,221
		<u>51,691</u>	<u>55,063</u>
Total trade and other payables		<u>51,699</u>	<u>55,071</u>

- (a) The trade payables are non-interest bearing and the normal trade credit terms granted to the Group and Company range from 14 to 60 days (2018: 14 to 60 days).

In the prior and current financial year, certain subsidiaries of the Group had commenced arbitration proceedings in relation to claims made against certain contractors which were involved in the property development projects of the Group. These contingent assets have not yet been recognised in the financial statements as at 31 December 2019, pending the outcome of the arbitration proceedings.

- (b) Corporate shareholder of a subsidiary refers to Perbadanan Kemajuan Negeri Selangor ("PKNS"). These are amounts due to PKNS in relation to the purchase of two plots of land in year 2000, namely:
- (i) a 209.7 acres plot of land at U12 Shah Alam, Selangor Darul Ehsan; and
 - (ii) approximately 45 acres plot of land at Pusat Bandar I, Pusat Bandar Kota Damansara for development as a mixed development project.

The outstanding amount is repayable to PKNS progressively in tandem with the progress billings issued to purchasers of the properties and is payable to PKNS within 2 weeks from the date of collection of the progress billings.

- (c) The amount due to the ultimate holding body, FELDA is in relation to the acquisition of a leasehold land in Bukit Katil, Melaka, measuring approximately 640.98 acres via a wholly-owned subsidiary, Encorp Bukit Katil Sdn. Bhd. ("EBKSB"). This balance is repayable over a period of thirteen (13) years commencing from year 2016 up until 2029.

On 26 March 2020, EBKSB received a letter from FELDA, requesting for the payment of an outstanding sum of RM211.9 million, which is part of the consideration for the granting of the development rights for the land, pursuant to the Master Development Agreement ("MDA") dated 20 January 2016 entered into between FELDA and EBKSB. FELDA in the same letter also agrees to waive all the late payment interest on the outstanding sum subject to certain terms.

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29. Trade and other payables (cont'd.)

- (c) Currently, EBKSB is in a mutually amicable discussion with FELDA to explore various options on dealing with the land including the restructuring of the MDA with FELDA, and where applicable, to seek the relevant approvals from the authorities and shareholders of the Company. The directors are confident that this matter can be resolved in an amicable manner and would not have a significant impact on the ability of the Group to continue as a going concern.
- (d) Amount due to immediate holding company is unsecured, repayable on demand and bears interest rate range from 4.95% to 5.06% (2018: 4.95% to 5.06%) except for an amount of RM5,725,000 which bears interest rate range from 4.84% to 5.47% (2018: 6%).
- (e) The movement of provision for short term accumulating compensated absences is as follows:

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
At beginning of financial year	215	258	74	103
Recognised in statement of comprehensive income (Note 9)	202	206	76	74
Utilised during the year	(215)	(249)	(74)	(103)
At end of financial year	<u>202</u>	<u>215</u>	<u>76</u>	<u>74</u>

- (f) The amounts due to subsidiaries are unsecured, non-interest bearing and are repayable on demand.

30. Loans and borrowings

		Group		Company	
	Note	31.12.2019	31.12.2018	31.12.2019	31.12.2018
		RM'000	RM'000	RM'000	RM'000
Current					
Secured:					
Sukuk Murabahah	(a)	63,079	56,254	-	-
Term loan 1	(b)	13,502	13,502	-	-
Term loan 2	(c)	8,477	-	-	-
Bridging loan	(d)	-	7,487	-	-
Revolving credit 1	(e)	3,350	3,350	-	-
Revolving credit 2	(b)	12,500	12,500	-	-
Revolving credit 3	(f)	15,000	15,000	15,000	15,000
Revolving credit 6	(i)	3,050	-	-	-
		<u>118,958</u>	<u>108,093</u>	<u>15,000</u>	<u>15,000</u>

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30. Loans and borrowings (cont'd.)

		Group		Company	
	Note	31.12.2019 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 RM'000
Current (cont'd.)					
Unsecured:					
Revolving credit 4	(g)	5,000	5,000	5,000	5,000
Revolving credit 5	(h)	-	3,000	-	3,000
Lease liabilities	(j)	1,056	-	1,039	-
		<u>6,056</u>	<u>8,000</u>	<u>6,039</u>	<u>8,000</u>
Total current loans and borrowings		<u>125,014</u>	<u>116,093</u>	<u>21,039</u>	<u>23,000</u>
Non-current					
Secured:					
Sukuk Murabahah	(a)	721,942	785,021	-	-
Term loan 1	(b)	32,162	45,662	-	-
Term loan 2	(c)	-	8,558	-	-
Bridging loan	(d)	-	22,512	-	-
		<u>754,104</u>	<u>861,753</u>	<u>-</u>	<u>-</u>
Unsecured:					
Lease liabilities	(j)	20,949	-	20,935	-
Total non-current loans and borrowings		<u>775,053</u>	<u>861,753</u>	<u>20,935</u>	<u>-</u>
Total loans and borrowings		900,067	977,846	41,974	23,000

The remaining maturities of loans and borrowings as at 31 December 2019 are as follows:

	Group		Company	
	31.12.2019 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 RM'000
On demand or within one year	125,014	116,093	21,039	23,000
More than 1 year and less than 2 years	84,698	85,139	1,102	-
More than 2 years and less than 5 years	273,502	282,445	4,337	-
5 years or more	416,853	494,169	15,496	-
	<u>900,067</u>	<u>977,846</u>	<u>41,974</u>	<u>23,000</u>

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30. Loans and borrowings (cont'd.)

(a) Sukuk Murabahah

On 18 May 2012, a subsidiary issued Islamic Securities ("Sukuk") based on the Shariah principle of Murabahah via a Tawarruq arrangement with a total nominal value of RM1.575 billion. The Sukuk was issued for the following purposes:

- (i) to refinance all of the amounts outstanding under the existing Al-Bai' Bithaman Ajil Notes Issuance Facilities which had previously been issued to finance the planning, design, construction and completion of 10,000 units of teachers' quarters for the Government of Malaysia;
- (ii) to fund the Trustees' Reimbursement Account; and
- (iii) the balance, for the subsidiary's general corporate expenses which includes payments to defray expenses incurred in relation to the issuance of the Sukuk and a one-time dividend payment to its immediate holding company.

The Sukuk has a tenure of up to 16 years and matures on 18 May 2028. The principal amount of the Sukuk is divided into 31 tranches and redeemable semi-annually. The yield to maturity ranges from 8.37% to 10.40% per annum, and is repayable half yearly.

The Sukuk is secured over the following:

- (i) assignment of the concession payments in respect of 10,000 units of teachers' quarters under the Privatisation Agreement dated 9 February 1998 between the Government of Malaysia and the subsidiary;
- (ii) a debenture to create a first ranking fixed and floating charge over all present and future assets of the subsidiary; and
- (iii) first ranking charge and assignment of the designated accounts which include:
 - an Escrow Account in which all the payments from the Government of Malaysia pursuant to the Privatisation Agreement and all other income, revenue or proceeds received by the subsidiary (save for proceeds from the Sukuk Murabahah) are to be deposited and shall be operated solely by the Security Trustee; and
 - a Finance Service Reserve Account utilised solely for the profit payments under the Sukuk Murabahah falling due and payable and shall be solely operated by the Security Trustee.

The major covenants that are required to be complied by the subsidiary are as follows:

- (i) to maintain a Finance Service Cover Ratio ("FSCR") of at least 1.20 times throughout the tenure of the Sukuk Murabahah to be duly confirmed by the external auditors based on the latest audited financial statements on an annual basis; and
- (ii) to maintain an amount equivalent to the next immediate profit payment in the FSRA at least three (3) months prior to such profit payment due date.

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30. Loans and borrowings (cont'd.)

(b) Term loan 1 and revolving credit 2

Term loan 1 is at bank's one-month effective cost of funds + 3.25% (2018: cost of funds + 1.75%) per annum. Revolving credit 2 of RM12.5 million is at effective cost of funds + 2.75% (2018: cost of funds + 1.75%) per annum.

These loans are secured by a fixed charge over the Group's two units of terrace shop offices recognised as property, plant and equipment as disclosed in Note 13, two units of terrace shop offices recognised as investment properties as disclosed in Note 14, leasehold land included in completed investment properties as disclosed in Note 14, assignment over the project account and debenture over fixed and floating charge.

(c) Term loan 2

Term loan 2 is at 3.72% per annum. The loan is secured by a fixed deposit as disclosed in Note 25(b), three penthouse unit located at Western Australia as disclosed in Note 15(c), corporate guarantee provided by the Company and a deed of subordination.

(d) Bridging loan

Bridging loan is at profit rate: 12.00% per annum, effective cost of funds + 1.25% per annum.

Bridging loan is secured against first party first legal charge over 266 plots of vacant residential terraced lot and a parcel of vacant residential leasehold land as disclosed in Note 15(b), assignment of company's rights, titles, benefits and interests in respect of the "construction contract" with its main-contractor and the related insurance/performance bond thereto, legal charge and assignment over the designated accounts, irrevocable letter of undertaking by company to top-up any shortfall of funds and specific project debenture.

(e) Revolving credit 1

Revolving credit 1 is at effective cost of funds + 1.25% per annum.

Two units of terrace shop offices have been charged for the revolving credit 1 facility as disclosed in Note 14 together with the assignment of rental proceeds and corporate guarantee provided by the Company.

(f) Revolving credit 3

Revolving credit is at cost of funds + 2% per annum. Five units of terrace shop offices have been charged for the revolving credit facility 3 as disclosed in Note 14.

(g) Revolving credit 4

Revolving credit is at cost of funds + 1.50% per annum.

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30. Loans and borrowings (cont'd.)

(h) Revolving credit 5

Revolving credit is at cost of funds + 1.75% per annum.

(i) Revolving credit 6

Revolving credit is at cost of funds + 1.25% per annum. The facility is secured with 10 leasehold units located at Cahaya Alam as disclosed in Note 15(c) and legal charge and assignment over Finance Service Reserve Account ("FSRA").

(j) Lease liabilities

Lease liabilities weighted average of incremental borrowing rate at 5.66% (2018: Nil).

31. Other current liabilities

Current	Note	31.12.2019	Group	1.1.2018
		RM'000	31.12.2018 RM'000 (Restated)	RM'000 (Restated)
Provision for Liquidated and Ascertained Damages	(a)	4,018	16,439	64,776
Provision for affordable housing obligations	(b)	10,520	5,484	-
		<u>14,538</u>	<u>21,923</u>	<u>64,776</u>

(a) Provision for liability - Liquidated and Ascertained Damages

Provision for liability made in the current financial year is in respect of estimated delay damages for property development projects undertaken by the Group. Amount recognised in the statements of profit or loss is as disclosed in Note 8 and is recognised based on stage of completion method.

	Group	2018
	2019 RM'000	RM'000 (Restated)
At 1 January	16,439	64,776
Addition	1,383	-
Reversal	(475)	(17,878)
Repayment	(13,329)	(30,459)
At 31 December	<u>4,018</u>	<u>16,439</u>

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31. Other current liabilities (cont'd.)

(b) Provision for affordable housing obligations

	Group	
	31.12.2019	31.12.2018
	RM'000	RM'000
		(Restated)
At 1 January	5,484	-
Addition	13,137	5,484
Reversal	(8,101)	-
At 31 December 2019	<u>10,520</u>	<u>5,484</u>

32. Financial guarantees

The Company has provided the following guarantees at the reporting date:

Corporate guarantees given to banks of RM11,837,000 (2018: RM11,908,000) for credit facilities granted to subsidiaries.

The management has assessed and concluded that there is no indication that the corporate guarantees would crystallise and no provision for expected credit loss has been provided on these guarantees as the borrowings are also secured over the land held for development of the subsidiaries. Consequently, the fair value of the corporate guarantees is assessed as nil.

33. Significant related party transactions

(a) Sales and purchases of goods and services

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

Group	Note	2019	2018
		RM'000	RM'000
Construction projection management charged to MSM Sugar Refinery (Johor) Sdn. Bhd.	(i)	-	(796)
Comprehensive facilities management fees to ultimate holding body		-	(8,160)
Interest charged on advances from immediate holding company		489	494
Interest charged by ultimate holding body		10,476	7,125
Interest on accretion of deferred payment to ultimate holding body		27,847	29,797
Legal service from a firm related to a director of the Company		-	96

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33. Significant related party transactions (cont'd.)

(a) Sales and purchases of goods and services (cont'd.)

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

Company	Note	2019 RM'000	2018 RM'000
Management fees charged to subsidiaries	(ii)	(4,335)	(4,380)
Rental payable to subsidiary	(iii)	568	568
Interest charged to subsidiaries		(241)	(476)
Coupon payable on RCSLS charged to subsidiary	(iv)	<u>(3,122)</u>	<u>(2,547)</u>

- (i) MSM Sugar Refinery (Johor) Sdn. Bhd. ("MSM Johor"), which is in the business of the production and refining of sugar products, is a wholly-owned subsidiary of MSM Malaysia Holdings Bhd., which is a direct subsidiary of Felda Global Venture Holdings Bhd., a 33.7% associate of FELDA. MSM Johor is a related party to the Group by virtue of FELDA's indirect equity interest of 17.2% in MSM Johor.
- (ii) The rendering of services to subsidiaries have been entered into in the normal course of business and are repayable at negotiated terms.
- (iii) The rental payable to the subsidiary has been entered into in the normal course of business and is repayable at negotiated term.
- (iv) The coupon payable on RCSLS charged to Must Ehsan Development Sdn. Bhd. ("MEDSB") is in relation to the interest on RCSLS proceed advanced to MEDSB for its current projects.

Information regarding outstanding balances arising from related party transactions as at 31 December 2019 and 31 December 2018 are disclosed in Notes 19 and 29.

(b) Compensation of key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the entity either directly or indirectly.

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Salaries and other emoluments	518	446	518	445
Contributions to defined contribution plans	69	55	69	55
Other staff related expenses	<u>54</u>	<u>77</u>	<u>54</u>	<u>77</u>
	<u>641</u>	<u>578</u>	<u>641</u>	<u>577</u>

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33. Significant related party transactions (cont'd.)

(b) Compensation of key management personnel (cont'd.)

Included in the total remuneration of key management personnel is:

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Directors' remuneration (Note 10)	-	113	-	112

34. Fair value measurements

Fair value hierarchy

The Group's and the Company's financial instruments are analysed in a three level fair value hierarchy based on the significance of inputs.

Level 1

Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2

Input other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3

Input for the asset or liability that are not based on observable market data (unobservable input).

The following table provides the fair value measurement hierarchy of the Group's and Company's assets:

Group	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
At 31 December 2019				
Investment properties (Note 14):				
- Shopping mall	-	-	183,000	183,000
- Terrace shop office	-	-	120,050	120,050
Financial assets:				
- Investment securities carried at fair value through profit or loss (Note 22)	-	123,215	-	123,215
	-	123,215	303,050	426,265

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34. Fair value measurements (cont'd.)

The following table provides the fair value measurement hierarchy of the Group's and Company's assets: (cont'd.)

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
At 31 December 2018				
Investment properties (Note 14):				
- Shopping mall	-	-	183,000	183,000
- Terrace shop office	-	-	120,620	120,620
Financial assets:				
- Investment securities carried at fair value through profit or loss (Note 22)	-	111,689	-	111,689
	<u>-</u>	<u>111,689</u>	<u>303,620</u>	<u>415,309</u>

Company

At 31 December 2019

Financial assets:

- Investment securities carried at fair value through profit or loss (Note 22)

-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

At 31 December 2018

Financial assets:

- Investment securities carried at fair value through profit or loss (Note 22)

-	5,620	-	5,620
<u>-</u>	<u>5,620</u>	<u>-</u>	<u>5,620</u>

Description of valuation techniques used and key inputs to valuation on investment properties measured at level 3:

Property category	Valuation technique	Significant unobservable inputs	Range
At 31 December 2019			
Terrace Shop office	Market comparable approach	Difference in location, time factor, size, land usage, tenure and main road frontage	5% - 10%
Shopping mall	Investment method	Estimated rental rates Outgoings Allowance for void Reversionary yield rates Term yield rates	RM1.00 to RM22.00 psf RM1.50 psf 10% 7% 6.5%

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34. Fair value measurements (cont'd.)

Description of valuation techniques used and key inputs to valuation on investment properties measured at level 3: (cont'd.)

Property category	Valuation technique	Significant unobservable inputs	Range
At 31 December 2018			
Terrace Shop office	Market comparable approach	Difference in location, time factor, size, land usage, tenure and main road frontage	10% - 20%
Shopping mall	Investment method	Estimated rental rates Outgoings Allowance for void Reversionary yield rates Term yield rates	RM1.50 to RM12.00 psf RM1.50 psf 10% 7% 6.5%

Terrace shop offices

In arriving at the market value, the valuer adopted the market comparison method. This method of valuation seeks to determine the value of the property being valued by comparing and adopting as a yardstick recent transactions and sale evidence involving other similar properties in the vicinity. Due considerations are given for such factors including location, plot size, land usage, tenure and proximity to the main road.

Shopping mall

The fair values were determined based on the capitalisation of net income method ("investment method") and is premised on the principle that the value of an income-producing property is represented by the "present worth of future rights to income, or utility". The values estimated under this method are derived by ascertaining the market rent of the properties ("estimated rental rates"); deducting all reasonable annual operating expenses ("outgoings") (as would be experienced under typical management) and then capitalising the resultant net operating income by an appropriate rate ("reversionary yield rates") of capitalisation to obtain the present value of the income stream. In undertaking their assessment of the value using this approach, the market rental income and expected future rental income are taken into consideration. In arriving at the net income, the outgoings i.e. quit rent, assessment, insurance coverage, repairs and maintenance and management, are deducted from gross rental income together with allowance for void ("allowance for void").

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34. Fair value measurements (cont'd.)

Sensitivity analysis for fair value of the shopping mall

The following table demonstrates the sensitivity of the fair value and the impact to the profit and loss to the changes in estimated rental rate, outgoings, allowance for void and reversionary yield rate with all other variables held constant.

		Increase/ (Decrease) RM '000
Estimated rental rates	+ 10%	24,000
	- 10%	(24,000)
Outgoings	+ 10%	(6,000)
	- 10%	6,000
Allowance for void	+ 10%	(13,000)
	- 10%	13,000
Reversionary yield rates	+ 1%	(21,000)
	- 1%	27,000
Term yield rates	+ 1%	(100)
	- 1%	100

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	Note
Trade and other receivables (non-current and current)	19
Other investments	22
Cash and cash equivalents	25
Trade and other payables (non-current and current)	29
Loans and borrowings (non-current and current)	30

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are repriced to market interest rates on or near the reporting date.

The carrying amounts of the current portion of loans and borrowings are reasonable approximation of fair values due to the insignificant impact of discounting.

Amounts due from/to related parties, finance lease obligations and loans and borrowings

The fair values of these financial instruments are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the reporting date.

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34. Fair value measurements (cont'd.)

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value (cont'd.)

Financial guarantees

Fair value is determined based on probability weighted discounted cash flow method. The probability has been estimated and assigned for the following key assumptions:

- The likelihood of the guaranteed party defaulting within the guaranteed period;
- The exposure on the portion that is not expected to be recovered due to the guaranteed party's default; and
- The estimated loss exposure if the party guaranteed was to default.

Detail is as disclosed in Note 32.

Categories of financial instrument:

Group	Note	31.12.2019 RM'000	31.12.2018 RM'000 (Restated)	1.1.2018 RM'000 (Restated)
Financial assets				
At amortised costs:				
Trade and other receivables	19	807,763	906,193	906,851
Other investment	22	4,301	4,384	4,741
Cash and cash equivalents	25	45,853	63,785	22,689
At FVTPL:				
Other investment	22	123,215	111,689	118,331
Financial liabilities				
At amortised costs:				
Trade and other payables	29	633,292	626,364	572,145
Loans and borrowings	30	900,067	977,846	1,018,924
Company				
Financial assets				
At amortised costs:				
Trade and other receivables	19	105,043	104,854	101,307
Cash and cash equivalents	25	644	1,091	1,254
At FVTPL:				
Other investment	22	-	5,620	2,558
Financial liabilities				
At amortised costs:				
Trade and other payables	29	51,699	55,071	34,880
Loans and borrowings	30	41,974	23,000	25,022

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35. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk.

The Board of Directors reviews and agrees policies and procedures for the management of these risks which are executed by the Risk Management Committee. The audit committee provides independent oversight to the effectiveness of the risk management process.

It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk management

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from sales made on deferred credit terms. For other financial assets (including cash and cash equivalents and short-term investment), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's credit risk is primarily attributable to trade receivables. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Exposure to credit risk

As at the reporting date, the Group has a concentration of credit risk as disclosed in Note 19. Apart from this, the Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial assets.

The details of the financial guarantees provided by the Company to its subsidiaries and the assessment of the expected credit loss and fair values are disclosed in Note 32.

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35. Financial risk management objectives and policies (cont'd.)

(a) Credit risk management (cont'd.)

Credit risk concentration profile

The Group determines concentration of credit risk by monitoring the industry sector profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the reporting date is as follows:

Group	2019 RM'000	% of total	2018 RM'000	% of total
<u>By industry sectors</u>				
Concessionaire sector	756,275	94%	814,240	90%
Property development sector	36,464	5%	70,901	8%
Investment property *	2,927	0%	8,263	1%
Other sector	4,692	1%	10,130	1%
	<u>800,358</u>	<u>100%</u>	<u>903,534</u>	<u>100%</u>

* Less than 1% of total receivables

Financial assets that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired as disclosed in Note 19. Deposits with banks that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

(b) Liquidity risk management

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Group aims at maintaining flexibility in funding by keeping committed credit lines available.

The considerations made by the management in relation to the Group's ability to continue as a going concern are disclosed in Notes 2 and 29(c).

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35. Financial risk management objectives and policies (cont'd.)

(b) Liquidity risk management (cont'd.)

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and of the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

Group	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
At 31 December 2019				
Financial liabilities				
Trade and other payables (excluding provision)	346,643	254,424	132,600	733,667
Loans and borrowings	203,187	465,211	498,846	1,167,244
Total undiscounted financial liabilities	549,830	719,635	631,446	1,900,911
At 31 December 2018				
Financial liabilities				
Trade and other payables (excluding provision)	369,687	310,735	132,600	813,022
Loans and borrowings	216,165	646,621	615,160	1,477,946
Total undiscounted financial liabilities	585,852	957,356	747,760	2,290,968
Company				
At 31 December 2019				
Financial liabilities				
Trade and other payables (excluding provision)	51,623	-	-	51,623
Loans and borrowings	23,450	9,695	18,665	51,810
Total undiscounted financial liabilities	75,073	9,695	18,665	103,433
At 31 December 2018				
Financial liabilities				
Trade and other payables (excluding provision)	54,997	-	-	54,997
Loans and borrowings	24,401	-	-	24,401
Total undiscounted financial liabilities	79,398	-	-	79,398

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35. Financial risk management objectives and policies (cont'd.)

(c) Interest rate risk management

Interest rate risk is the risk that the fair value or future cash flows of the Group's and of the Company's financial instruments will fluctuate because of changes in market interest rates.

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.

The Group's policy is to manage interest cost using a mix of fixed and floating rate debts.

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 10 basis points lower/higher, with all other variables held constant, the Group's loss net of tax would have been RM224,000 (2018: RM256,000) lower/higher, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(d) Foreign currency exchange risk management

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group hold cash and cash equivalents denominated in foreign currency for working capital purposes. At the reporting date, such foreign currency balances (mainly in Australian Dollar ("AUD")) amounted to RM4,301,000 (2018: RM4,384,000) for the Group.

The Group maintains a natural hedge, whenever possible, by borrowing in the currency of the country in which the investment is located or by borrowing in currency that match the future revenue stream to be generated from its investment.

The Group is also exposed to currency translation risk arising from its net investments in foreign operation in Australia. The Group's net investments in Australia is not hedged as it is considered to be long-term in nature.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's loss net of tax to a reasonably possible change in the AUD exchange rates against the functional currency of the Group, with all other variables held constant.

	Group	
	2019	2018
	RM'000	RM'000
AUD/RM - strengthened 2% (2018: 8%)	8	835
- weakened 2% (2018: 8%)	(8)	(835)

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36. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2019 and 31 December 2018.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio to not more than 100%. The Group includes within net debt, loans and borrowings (excluding Sukuk), trade and other payables, less cash and cash equivalents, fixed deposits and investment securities. Capital includes equity attributable to the owners of the parent and non-controlling interests.

		Group		Company	
		31.12.2019	31.12.2018	31.12.2019	31.12.2018
		RM'000	RM'000	RM'000	RM'000
	Note		(Restated)		
Loans and borrowings	30	900,067	977,846	41,974	23,000
Trade and other payables	29	633,292	626,364	51,699	55,071
Less:					
Sukuk Murabahah	30	(785,021)	(841,275)	-	-
Other investments	22	(127,516)	(116,073)	-	(5,620)
Cash and cash equivalents	25	(45,853)	(63,785)	(644)	(1,091)
Net debt		<u>574,969</u>	<u>583,077</u>	<u>93,029</u>	<u>71,360</u>
Equity attributable to the owners of the parent		345,889	388,212	163,733	330,345
Non-controlling interest		87,335	82,343	-	-
Total capital		<u>433,224</u>	<u>470,555</u>	<u>163,733</u>	<u>330,345</u>
Capital and net debt		<u>1,008,193</u>	<u>1,053,632</u>	<u>256,762</u>	<u>401,705</u>
Gearing ratio		<u>57%</u>	<u>55%</u>	<u>36%</u>	<u>18%</u>

The Sukuk Murabahah has been excluded from the computation above as the Sukuk is secured over security as disclosed in Note 30(a) and the Sukuk do not have any financial recourse to the Group.

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37. Segment information

For management purposes, the Group is organised into six main business units based on their products, and has six reportable operating segments as follows:

- (i) Investment holding and the provision of management services;
- (ii) Concessionaire;
- (iii) Construction management;
- (iv) Property development;
- (v) Investment property; and
- (vi) Others - Trading of building materials, food and beverage operation and provision of facilities management.

Except as indicated above, no operating segments has been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Income taxes are managed on a group basis and are not allocated to operating segments.

The directors are of the opinion that all inter-segment transactions have been entered into in the normal course of business.

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37. Segment information (cont'd.)

	Investment and the provision of management services RM'000	Concessionaire RM'000	Property development RM'000	Investment property RM'000	Construction project management RM'000	Others *	Adjustment and eliminations RM'000	Notes	Per consolidated financial statements RM'000
At 31 December 2019									
Revenue									
External customers	-	78,813	80,939	5,867	-	-	-		165,619
Inter-segment	8,366	-	-	855	-	-	(9,221)	A	-
Total revenue	8,366	78,813	80,939	6,722	-	-	(9,221)		165,619
Results:									
Interest income and distribution income	3,436	4,499	11,795	2	1	12	(13,332)		6,413
Interest expense	(2,991)	(79,034)	(48,358)	(9,927)	(19)	(7)	13,332		(127,004)
Depreciation and amortisation	(2,255)	-	(82)	(81)	-	(5)	(100)		(2,523)
Rental income	-	-	650	-	-	-	-		650
Other non-cash income	2	127	44	1,033	10	4,013	(471)	B	4,758

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37. Segment information (cont'd.)

	Investment and the provision of management services RM'000	Concessionaire RM'000	Property development RM'000	Investment property RM'000	Construction project management RM'000	Others *	Adjustment and eliminations RM'000	Notes	Per consolidated financial statements RM'000
At 31 December 2019 (cont'd.)									
Results: (cont'd.)									
Fair value loss on investment property	-	-	-	(890)	-	-	320		(570)
Impairment loss investment in subsidiary	(166,000)	-	(2,500)	-	-	-	168,500		-
Segment (loss)/profit	<u>(171,069)</u>	<u>3,693</u>	<u>(28,384)</u>	<u>(10,715)</u>	<u>(935)</u>	<u>2,871</u>	<u>162,714</u>		<u>(41,825)</u>
Assets:									
Additions to non-current assets	28	-	9,877	77	-	-	-	C	9,982
Segment assets	<u>299,828</u>	<u>888,981</u>	<u>1,094,506</u>	<u>322,957</u>	<u>53,876</u>	<u>5,555</u>	<u>(675,999)</u>	D	<u>1,989,704</u>
Segment liabilities	<u>96,013</u>	<u>789,015</u>	<u>829,157</u>	<u>328,019</u>	<u>10,183</u>	<u>26,958</u>	<u>(522,865)</u>	E	<u>1,556,480</u>

* Inclusive facilities management and other entities in property investment and food and beverage

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37. Segment information (cont'd.)

	Investment and the provision of management services RM'000	Concessionaire RM'000	Property development RM'000	Investment property RM'000	Construction project management RM'000	Others *	Adjustment and eliminations RM'000	Notes	Per consolidated financial statements RM'000
At 31 December 2018									
Revenue									
External customers	-	84,308	150,104	5,852	580	9,014	-		249,858
Inter-segment	10,663	-	-	1,395	-	-	(12,058)	A	-
Total revenue	10,663	84,308	150,104	7,247	580	9,014	(12,058)		249,858
Results:									
Interest income and distribution income	3,254	4,341	12,133	1	-	26	(12,187)		7,568
Interest expense	(2,255)	(84,351)	(15,200)	(9,142)	(20)	(37)	12,187		(98,818)
Depreciation and amortisation	(533)	-	(74)	(107)	-	(6)	(101)		(821)
Rental income	-	-	432	-	-	-	-		432

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37. Segment information (cont'd.)

	Investment and the provision of management services RM'000	Concessionaire RM'000	Property development RM'000	Investment property RM'000	Construction project management RM'000	Others *	Adjustment and eliminations RM'000	Notes	Per consolidated financial statements RM'000
At 31 December 2018 (cont'd.)									
Results: (cont'd.)									
Other non-cash income	4	117	1,728	5	-	-	-	B	1,854
Fair value loss on investment property	-	-	-	(10,790)	-	-	(330)		(11,120)
Segment (loss)/profit	11,285	3,410	23,623	(24,019)	(1,703)	(845)	(23,224)		(11,473)
Assets:									
Additions to non-current assets	17	-	30,532	-	-	-	-	C	30,549
Segment assets	448,863	941,276	1,148,495	325,389	54,435	10,317	(819,966)	D	2,108,809
Segment liabilities	80,252	844,669	859,497	320,018	9,855	37,774	(513,811)	E	1,638,254

* Inclusive facilities management and other entities in property investment and food and beverage

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37. Segment information (cont'd.)

A Inter-segment revenues were eliminated on consolidation.

B Other material non-cash income consist of the following items as presented in the respective notes to the financial statements:

	Note	2019 RM'000	2018 RM'000
Other Income-Purchasers related income	6	283	947
Other income		109	900
Reversal of impairment on receivables	6	870	7
Gain on disposal of assets	6	3,496	-
		<u>4,758</u>	<u>1,854</u>

C Additions to non-current assets consist of:

	Note	2019 RM'000	2018 RM'000
Property, plant and equipment	13	221	17
Land held for property development	15 (a)	9,761	30,532
		<u>9,982</u>	<u>30,549</u>

D The following items were added to/(deducted from) segment assets to arrive at total assets reported in the consolidated statement of financial position:

	Note	2019 RM'000	2018 RM'000
Deferred tax assets	21	15,068	20,668
Tax recoverable		1,094	584
Inter-segment assets		<u>(692,161)</u>	<u>(841,218)</u>
		<u>(675,999)</u>	<u>(819,966)</u>

E The following items were added to/(deducted from) segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	Note	2019 RM'000	2018 RM'000
Current tax payable		701	4,313
Deferred tax liabilities	21	3,701	4,419
Inter-segment liabilities		<u>(527,267)</u>	<u>(522,543)</u>
		<u>(522,865)</u>	<u>(513,811)</u>

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37. Segment information (cont'd.)

Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Revenue		Non-current assets	
	2019 RM'000	2018 RM'000 (Restated)	2019 RM'000	2018 RM'000
Malaysia	165,619	249,858	808,366	825,381
Australia	-	-	9,033	9,207
	<u>165,619</u>	<u>249,858</u>	<u>817,399</u>	<u>834,588</u>

Non-current assets information presented above consist of the following items as presented in the consolidated statement of financial position:

	Note	2019 RM'000	2018 RM'000 (Restated)
Property, plant and equipment	13	5,298	5,623
Intangible assets	18	7,470	13,606
Investment properties	14	303,050	303,620
Land held for property development	15 (a)	501,581	511,739
		<u>817,399</u>	<u>834,588</u>

38. Changes in comparatives

Certain prior year comparative figures have been restated as summarised below:

Consolidated statement of financial position
As at 1 January 2018

Group	Note	As previously stated RM'000	Adjustment RM'000	As restated RM'000
Non-current assets				
Land held for property development	(a), (b)	385,469	19,345	404,814
Current assets				
Property development costs	(a), (b)	181,330	(16,806)	164,524
Equity				
Retained earnings/ (Accumulated loss)	(b)	1,322	(1,420)	(98)
Non-current liabilities				
Trade and other payables	(b)	300,610	39,637	340,247

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38. Changes in comparatives (cont'd.)

Certain prior year comparative figures have been restated as summarised below: (cont'd.)

Consolidated statement of financial position
As at 1 January 2018 (cont'd.)

Group (cont'd.)	Note	As previously stated RM'000	Adjustment RM'000	As restated RM'000
Current liabilities				
Trade and other payables	(b)	231,739	159	231,898
Other current liabilities	(a)	100,613	(35,837)	64,776

Consolidated statement of financial position
As at 31 December 2018

Group

Non-current assets

Land held for property development	(a), (b)	478,744	32,995	511,739
Deferred tax assets	(a)	18,977	1,691	20,668

Current assets

Property development costs	(a), (b)	74,156	(1,655)	72,501
Contract assets	(a)	18,338	(10,101)	8,237

Equity

Accumulated losses	(a), (b), (c)	(972)	(6,597)	(7,569)
Non-controlling interest	(a), (c)	84,611	(2,268)	82,343

Non-current liabilities

Trade and other payables	(b)	256,462	58,829	315,291
Deferred tax liabilities	(c)	2,215	2,204	4,419

Current liabilities

Trade and other payables	(b)	310,844	229	311,073
Other current liabilities	(a)	51,390	(29,467)	21,923

Consolidated statement of comprehensive income
For the financial year ended 31 December 2018

Group

Revenue	(a)	259,959	(10,101)	249,858
Cost of sales	(a), (b)	(112,604)	3,169	(109,435)
Administrative expenses	(d)	(42,671)	12,225	(30,446)
Finance costs	(b), (d)	(91,693)	(7,125)	(98,818)
Other operating expenses	(d)	(11,943)	(5,100)	(17,043)
Income tax	(a), (c)	(12,959)	(513)	(13,472)

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38. Changes in comparatives (cont'd.)

Certain prior year comparative figures have been restated as summarised below: (cont'd.)

Consolidated statement of comprehensive income
For the financial year ended 31 December 2018 (cont'd.)

Group	Note	As previously stated RM'000	Adjustment RM'000	As restated RM'000
Loss attributable to:				
Owners of the parent	(a), (b), (c)	(2,294)	(5,177)	(7,471)
Non-controlling interest	(a), (c)	(1,734)	(2,268)	(4,002)
Total comprehensive loss attributable to:				
Owners of the parent	(a), (b), (c)	(148)	(5,177)	(5,325)
Non-controlling interest	(a), (c)	(1,734)	(2,268)	(4,002)

The comparative figures have been restated to reflect the effects of the following:

(a) Provision for affordable housing

The Group has re-assessed and retrospectively restated the provision for foreseeable losses arising from mandatory affordable housing obligations which is to be recognised progressively based on the percentage of completion of the premium housing phases to which the obligations relate to. The percentage of completion of certain phases have been recomputed to exclude the effects of such provision for foreseeable losses arising from mandatory affordable housing obligations. Consequently, the revenue and cost of sales of certain phases have been restated retrospectively.

(b) Borrowing costs relating to land held for development/property development costs

The Group has recomputed and retrospectively reflected the effects of the accretion of interest expense based on the effective interest rate method for the deferred payments for the acquisition of a land held for development. The resulting incremental interest expense was capitalised as part of the land held for development to the extent that there were development activities on the land. The Group has also retrospectively restated the prior year comparatives to reflect the charging out of interest expense previously capitalised in inventories for phases which have been launched for sale.

(c) Deferred tax on fair value adjustments of investment properties

The Group has retrospectively restated the effects of deferred tax on the fair value adjustments for investment properties in the prior year, based on the expected applicable real property gains tax (RPGT) tax rate of 10% instead of the rate of 5%.

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38. Changes in comparatives (cont'd.)

The comparative figures have been restated to reflect the effects of the following: (cont'd.)

(d) Reclassifications of comparatives in profit or loss

Interest charged by ultimate holding body of RM7,125,000 and impairment of goodwill of RM5,100,000 which were previously included as part of administrative expenses have been reclassified and included as part of finance costs and other expenses respectively, to better reflect the nature of the expenses, and to conform to the current year's presentation.

39. Subsequent events

Covid-19 outbreak

On 11 March 2020, the World Health Organisation (WHO) declared Covid-19 a worldwide pandemic. With widespread concerns about the ongoing Covid-19 pandemic, the government of Malaysia had declared a Movement Control Order ("MCO") from 18 March 2020. The MCO encompasses restriction of movement and assembly nationwide, and closure of all government and private premises except those involved in essential services. Subsequently, the Group resumed its operations in May 2020, in line with the announcement by the government that most businesses were allowed to resume operations, following the implementation of the recent phase of the conditional MCO ("CMCO"), which remains in place up to 9 June 2020.

The Group has concluded that the effect of the Covid-19 pandemic is a non-adjusting subsequent event as at 31 December 2019. However, the Covid-19 pandemic, if prolonged, may adversely impact the market outlook and operating conditions of the various business segments of the Group. The results and financial position of the Group subsequent to year end are expected to be impacted by various factors, including the following:

- The softening demand and outlook of the property development and property investment segments which may impact the revenues from the sale of completed properties and the rental income for the investment properties of the Group; and
- The re-assessment of the carrying amounts of certain assets of the Group, including the investment properties. The fair values of the investment properties are derived based on certain key assumptions of the market conditions prevailing as at 31 December 2019. Any changes to these key assumptions and market conditions subsequent to year end would impact the subsequent fair values of these investment properties. The key assumptions and sensitivity analysis of changes to these key assumptions are disclosed in Note 34 to the financial statements.

However, the estimate of the financial impact cannot be reasonably determined at this juncture. The Group is taking the necessary steps to mitigate the risks arising from the Covid-19 pandemic, including the prudent management of its cash flows from its operating, investing and financing activities.