

## ENCORP BERHAD ("ENCORP" OR THE "COMPANY")

### SETTLEMENT AGREEMENT DATED 30 DECEMBER 2020 BETWEEN FEDERAL LAND DEVELOPMENT AUTHORITY ("FELDA") AND ENCORP BUKIT KATIL SDN BHD ("EBKSB")

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#### 1. INTRODUCTION

The Board of Directors of Encorp ("**Board**") wishes to announce that Encorp Bukit Katil Sdn Bhd ("**EBKSB**"), a wholly-owned subsidiary of Encorp Must Sdn Bhd ("**EMSB**"), which in turn is a wholly-owned subsidiary of Encorp had on **30 December 2020** entered into a settlement agreement ("**Settlement Agreement**") in supplemental to the Master Development Agreement ("**MDA**") dated 20 January 2016 with FELDA to release and discharge the obligations of EBKSB pursuant to the MDA.

Further details of the Settlement Agreement are set out below.

#### 2. DETAILS OF THE SETTLEMENT AGREEMENT

FELDA had on 26 March 2020 issued a letter of demand that EBKSB settle the outstanding amounts of RM231,527,121.00 as at 31 December 2019 under the MDA.

EBKSB had submitted proposals to FELDA and FELDA and EBKSB agreed to resolve all matters relating to the MDA to make Parties whole where the Land is re-delivered to FELDA, all outstanding amounts due from EBKSB to FELDA are extinguished and the MDA is to be terminated.

The Parties have agreed to set out the arrangements upon the terms and conditions among others as follows:-

##### 2.1 Settlement

FELDA hereby agrees to release and discharge the obligations on the part of EBKSB pursuant to the MDA and waive all outstanding amounts due from EBKSB to FELDA and EBKSB shall perform the following settlement conditions to FELDA in consideration of FELDA agreeing to release and discharge the obligations on the part of EBKSB pursuant to the MDA (including waiving all outstanding amounts due from EBKSB to FELDA).

##### 2.2 Settlement Conditions

The settlement conditions shall be:

- i. EBKSB shall execute the requisite renunciation of the Power of Attorney dated 20 January 2016 on the date of this Agreement; and
- ii. EBKSB shall deliver and/or be deemed to have delivered vacant possession of the Land to FELDA on the date of this Agreement.

#### 3. RATIONALE FOR THE SETTLEMENT

The Settlement arises from the event of default under the MDA due to non-payment by EBKSB enunciated in Section 2 above.

EBKSB and FELDA was in a mutually amicable discussion to explore various options on dealing with the Bukit Katil Land.

In view of the foregoing and the Board foresee that the Bukit Katil Land will not be developed in the immediate to medium term due to soft property market, the Board is of the view that the Settlement is necessary to address the current default position by EBKSB under the MDA as well as to improve the financial position of the Group.

#### 4. EFFECTS OF THE SETTLEMENT

##### 4.1 Issued share capital and substantial shareholders' shareholdings

The Settlement will not have any effect on the issued share capital and substantial shareholders' shareholdings of Encorp as it does not involve any issuance of ordinary shares of Encorp ("Encorp Shares").

##### 4.2 Net Assets ("NA") and gearing

The Settlement would result to the waiving of all outstanding amounts due from EBKSB to FELDA and the return of the Bukit Katil Land to FELDA.

The pro forma effects of the Settlement on the NA and gearing position of Encorp based on the latest audited consolidated financial statements of Encorp as at 31 December 2019 are set out below:

	Audited as at 31 December 2019	After subsequent event <sup>(1)</sup>	After the Settlement
	RM'000	RM'000	RM'000
Share capital	397,280	399,016	399,016
Treasury shares	(327)	(327)	(327)
Other reserves	2,902	2,902	2,902
Capital contribution	-	-	23,232 <sup>(2)</sup>
(Accumulated losses)	(53,966)	(54,061)	(28,711) <sup>(2) (3)</sup>
Shareholders' funds / NA (excluding non-controlling interest)	345,889	347,530	396,112
No. of Encorp Shares ('000)	306,088	316,298	316,298
NA per Encorp Share (RM)	1.13	1.10	1.25
Land held for property development	501,581	501,581	43,528
Total trade and other payables	633,292	633,292	126,657
Total borrowings	900,067	900,067	900,067
Gearing (times)	2.60	2.59	2.27

Notes:

<sup>(1)</sup> After listing of and quotation for the first tranche of a private placement of 10,210,500 shares at RM0.17 each on the Main Market of Bursa Securities on 16 October 2020.

<sup>(2)</sup> Arising from the accretion of interest on Bukit Katil Land and late payment interest.

<sup>(3)</sup> After deducting the cost incurred on land charged to cost of sale. The amount of RM2.50 million was capitalised as part of land held for development and charged to cost of sale after the Settlement.

### 4.3 Earnings and earnings per share ("EPS")

The pro forma effects of the Settlement on the consolidated earnings of Encorp is as follows:

	Audited for FYE 31 December 2019	After subsequent event <sup>(1)</sup>	After the Settlement
Loss after tax (RM'000)	(41,825)	(41,920)	(16,570) <sup>(2)</sup>
No. of Encorp Shares	306,088	316,298	316,298
Loss per share / EPS (sen)	(13.66)	(13.25)	(5.24)

Note:

<sup>(1)</sup> After listing of and quotation for the first tranche of a private placement of 10,210,500 shares at RM0.17 each on the Main Market of Bursa Securities on 16 October 2020.

<sup>(2)</sup> After adjusting for the cost incurred on land charged to cost of sale. The amount of RM2.50 million was capitalised as part of land held for development and charged to cost of sale after the Settlement.

## 5. APPROVALS REQUIRED

The Settlement Agreement is not subject to the approval of any authorities or the shareholders of Encorp.

## 6. DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST

Save as disclosed below, none of the other directors, major shareholders of the Company and/or persons connected to them has any interest, directly or indirectly, in the Settlement Agreement:

(i) Interested major shareholders

Felda Investment Corporation Sdn Bhd ("**FIC**") is a major shareholder of Encorp with a direct interest over 197,067,526 Encorp Shares representing 62.30% equity interest in Encorp.

FELDA is a major shareholder of Encorp with a deemed interest over 197,067,526 Encorp Shares representing 62.30% equity interest in Encorp arising from its indirect interest in Encorp held via FIC pursuant to the Section 8 of the Companies Act 2016.

Premised on the above, FIC and FELDA are deemed interested in the Settlement Agreement. FIC and FELDA will undertake to ensure that persons connected to them will abstain from voting related to the Settlement Agreement.

(ii) Interested directors

Hussein Bin Ismail who is a director of Encorp and EBKSB, is also the director of FIC. He does not have any equity interest in the shares of Encorp and FIC.

Mahadzir Bin Mustafa who is a director of Encorp, EMSB and EBKSB, is also the Deputy Director General (Management) of FELDA. He does not have any equity interest in the shares of Encorp and FIC.

Hussein Bin Ismail and Mahadzir Bin Mustafa (collectively "**Interested Directors**") have accordingly abstained from deliberating and voting at the relevant Board meetings in respect of the Settlement Agreement.

## **7. DIRECTORS' STATEMENTS**

The Board, save for the Interested Directors, having considered all aspects of the Settlement Agreement including the financial effects and the rationale is of the opinion that the Settlement Agreement is in the best interest of the Company.

## **8. DOCUMENTS AVAILABLE FOR INSPECTION**

The Settlement Agreement dated **30 December 2020** is available for inspection at the registered office of the Company at No. 45-1, Jalan PJU 5/21, Pusat Perdagangan Kota Damansara, Kota Damansara PJU 5, 47810 Petaling Jaya, Selangor Darul Ehsan during normal business hours from Monday to Friday (except public holidays) for a period of 3 months from the date of this announcement.

This announcement is dated **30 December 2020**.