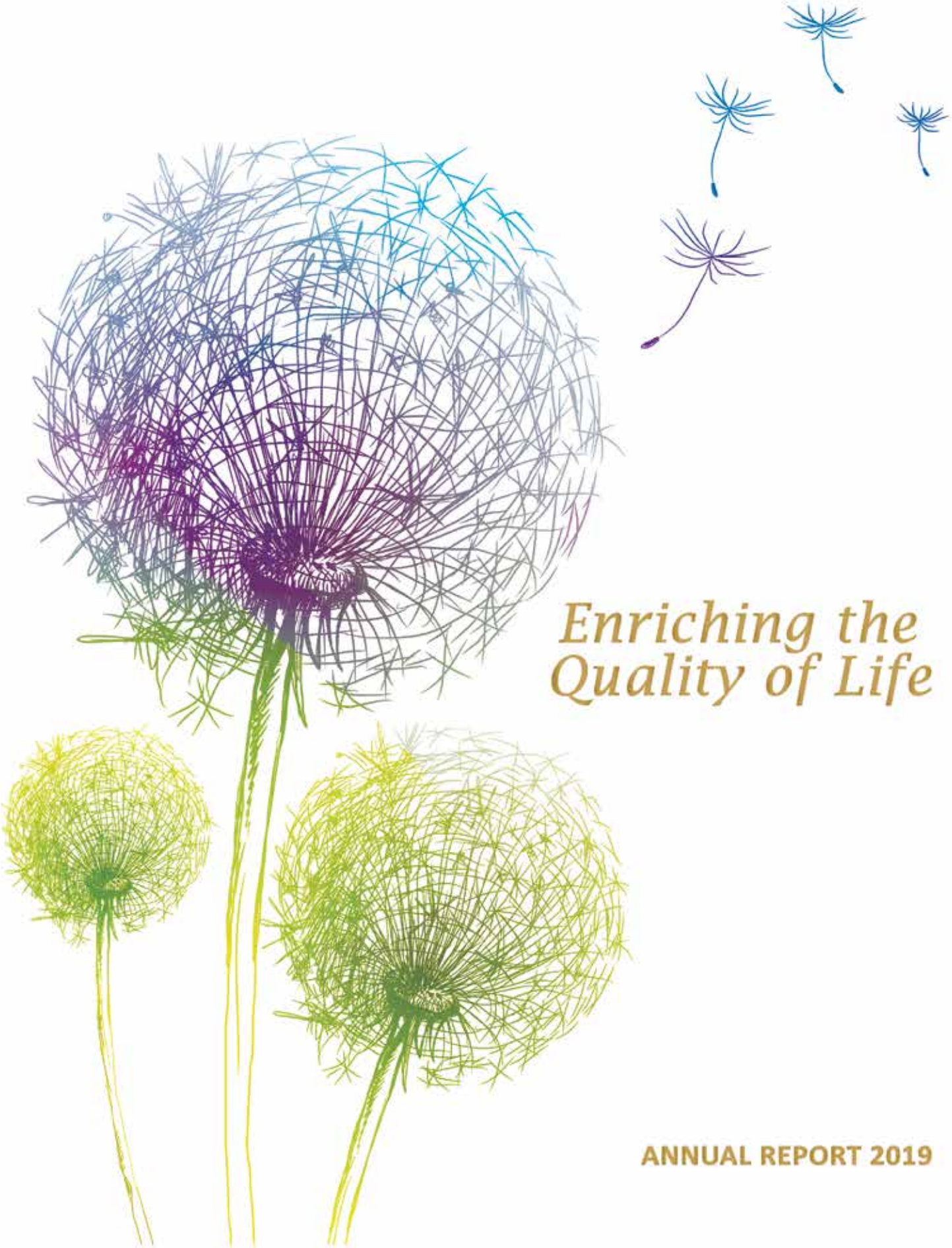
ENCORP BERHAD

(Company No: 200001004231 (506836-X))



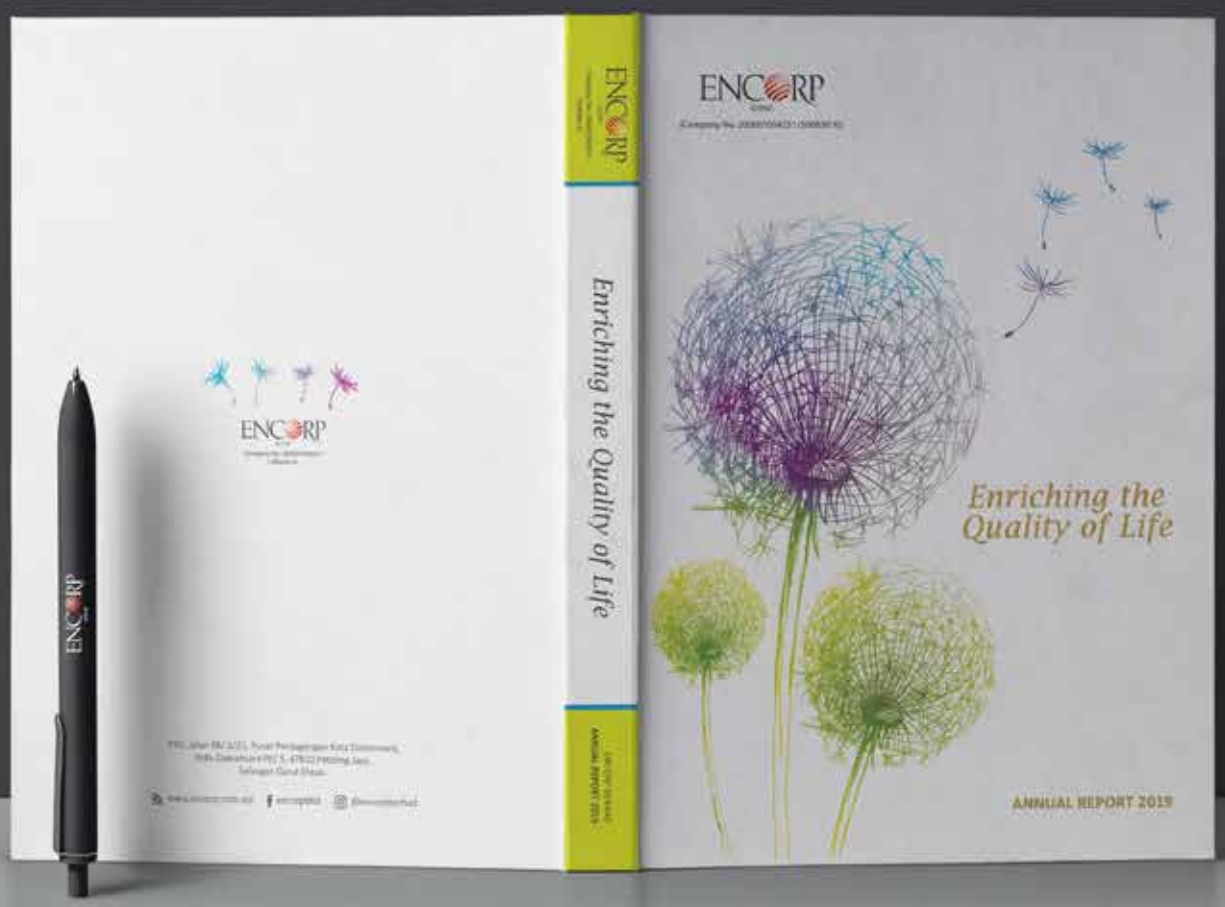
Enriching the Quality of Life

ANNUAL REPORT 2019

ENCORP BERHAD

Enriching the Quality of Life

COVER RATIONALE



The dandelion depicted on the cover of ENCORP Annual Report 2019 represents our value creation efforts for our stakeholders. When fully bloomed, the dandelion seed head is covered with hundreds of tiny parachute-like bristles that fly off when the wind blows, to disperse itself far and wide. Similarly, ENCORP aspirations in our value creation endeavours is to propagate meaningful and positive impact through our business operations, and products and services, to a wide and far-reaching stakeholder base, in line with our motto of *Enriching the Quality of Life*.

Our ethos of Quality, Standards, Value and Service (QSVS) is the central tenet of our value creation proposition to enrich the quality of life, through innovative products and services that offer our customers, residents and the greater community, unique and differentiated lifestyle-centred developments. Driving our value creation efforts are our Transformation Journey and Two-pronged Customer-centric Strategy, as effected by our talented base of employees, who are passionate about delivering according to customer needs and expectations.

Underlying our efforts is our sustained commitment to Social Responsibility and Corporate Governance, embedding and practicing the highest standards of ethics and integrity in all that we do. Our approach has established the ENCORP brand in the marketplace, as a reputable and reliable company.

ENCORP VALUES

ENCORP aspires to be an organisation of happy, highly motivated and well-trained individuals whose aim is to deliver unbeatable quality, standards, value and service in everything ENCORP BERHAD does and to make a difference to our community.

OUR VISION & OUR MISSION

EB Good 2 Great From Now!

OUR CORE VALUES

Ethical
We will always do the right thing.

Relationship
We will work hard to develop mutual trust and respect among ourselves and between us and our customers.

Success
We will work hard to ensure ENCORP will operate as an efficient, profitable, fast growing and well run organisation.

Learning
We will always be willing to grow, inquire and develop new ideas. A learning organisation must have learning individuals — unless individuals learn, the organisation cannot progress.

LOGO RATIONALE

ENCORP identity has built a reputation based on the satisfaction we see in all our customers' faces. The globe is a symbol of our desire to set new horizons as we grow and strengthen, striving to achieve greater heights. The colour red represents our commitment in harnessing the trust and confidence of our stakeholders and customers. But above all, it reflects the paramount quality of our products, which are designed and developed with great thoughtfulness and assurance.

FINANCIAL CALENDAR

ANNOUNCEMENT OF QUARTERLY RESULTS AND ANNUAL REPORT

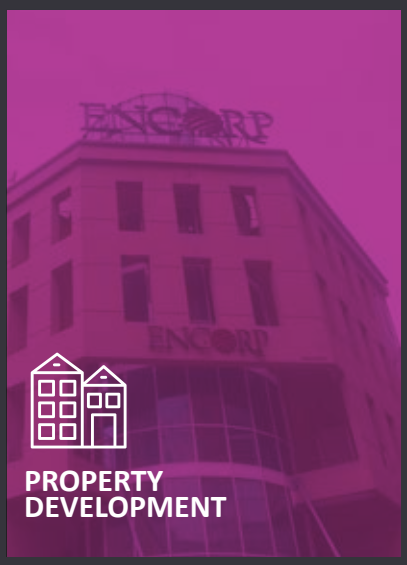
30 April 2019
Announcement of the year end 2018 audited Profit Before Tax of RM8.9 million and Annual Report.

27 May 2019
Announcement of the first quarter result (year-to-date) of 2019 unaudited Loss Before Tax of RM2.6 million.

28 August 2019
Announcement of the second quarter result (year-to-date) of 2019 unaudited Loss Before Tax of RM12.1 million.

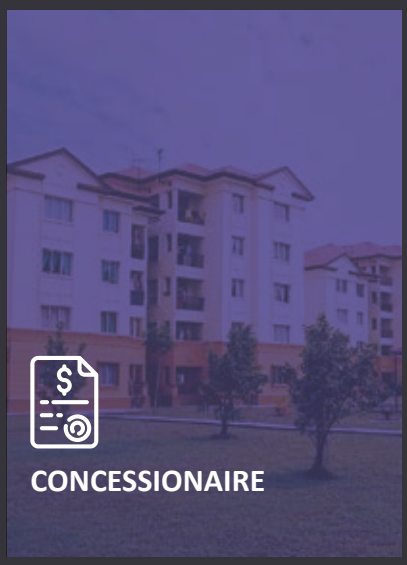
28 November 2019
Announcement of the third quarter result (year-to-date) of 2019 unaudited Loss Before Tax of RM17.4 million.

ENCORP BERHAD CORE BUSINESSES



PROPERTY DEVELOPMENT

INVESTMENT PROPERTY (RETAIL MALL)



CONCESSIONAIRE

20th Annual General Meeting

Broadcast Venue at Executive Lounge,
Third Floor, Encorp Berhad,
No 46-3, Jalan PJU 5/22,
Pusat Perdagangan Kota Damansara,
Kota Damansara PJU 5, 47810 Petaling Jaya,
Selangor Darul Ehsan.

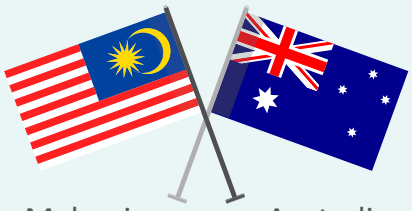
Wednesday, 23 September 2020
3.00 p.m.

ENCORP AT A GLANCE

Incorporated in
2000

Listed on the Main Market Bursa Malaysia Securities Berhad since
2003

Presence



Malaysia Australia

Shareholders' Funds
RM345.9 million
Attributable to owners of the parent

Net Assets Per Share
RM1.13
Attributable to owners of the parent

Commitment to
Quality

- ISO 9001: 2015 Certified Quality Management System
- Quality Assessment System in Construction by the Construction Industry Development Board

105
skilled workforce

5 SDGs
Focus Areas

Compliance to
Safety

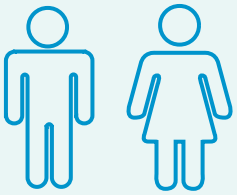
- Zero fatality
- No stop work order

Market capitalisation of
RM95.0 million

Recognition of
Standards
through many industry accolades since 2010

- Recipient of the HR Asia Best Companies To Work For In Asia 2019

Diversity
and Equal Opportunity



51% 49%

103 Volunteers donated
455 hours
of service to local communities in 2019

Average
62 hours
of training per employee in 2019

Board Composition

- 1 Non-Independent Non-Executive Director Non-Executive Chairman
- 1 Non-Independent Non-Executive Director
- 2 Independent Non-Executive Directors

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SECTION 02

MANAGEMENT PERSPECTIVE

05 Message from the Chairman
07 Management Discussion and Analysis

MESSAGE FROM THE CHAIRMAN

Dear Shareholders,

"On behalf of the Board of Directors (Board), I am pleased to present to you Encorp Berhad's (Encorp or the Group) Annual Report 2019, to provide an account of our business progression for the financial year ended 31 December 2019 (FY2019). Since inception, we have grown from strength to strength to become the established, mature and reputable company we are today, consistently creating value for all our stakeholders throughout various aspects of our business."

Hussein Bin Ismail
Chairman
Encorp Berhad

2019 CONSOLIDATED FINANCIAL PERFORMANCE

FY2019 was particularly a challenging year, with events that significantly impacted the global economic landscape. As noted by the National Property Information Centre (NAPIC), property overhang had further deteriorated by the end of the first quarter of FY2019, with the states of Johor and Selangor as the highest contributors to property overhang. Compounding this, the increasing supply of property in the market led to older property products that had been launched several years ago facing tougher competition especially in the commercial high rise segment[1].

Market sentiment in the latter part of FY2019 was that the property sector may take time to recover due to uncertainties in the global and local economy which have weakened consumer demand and affordability, as well as the time required for the issue of property overhang to be resolved. The property market recorded overall poor sales in FY2019 for a variety of reasons. Negative sentiments arose from postponements and cancellations of large-scale Government projects. The Malaysia My Second Home (MM2H) was put on hold, further constricting foreign purchasers' interest in local property.

As a result of the challenging business landscape, Encorp's FY2019 consolidated business results did not perform according to expectations. We were significantly impacted by the accretion of interest on the Bukit Katil land that was charged out to the statement of profit of loss in FY2019, slow economic momentum and a soft property market.

Operating revenue declined by 33.7% year-on-year (YoY) to RM165.6 million mainly contributed from a decrease in property sales arising from the soft property market. Loss before tax stood at RM35.1 million, reflecting a decrease in operating revenue from reduction of sales in the property market and increase in finance cost, despite of our cost rationalisation efforts in managing our marketing and administrative expenses. On the other hand, finance cost increased to RM127.0 million in FY2019 from RM98.8 million in FY2018 due to interest incurred in relation to the Bukit Katil land which was previously capitalised and now charged out as expenses.

Meanwhile, Group EBITDA declined by 7.1% YoY to RM94.4 million in FY2019 from RM101.6 million in FY2018. Net loss attributable to owners of Encorp was RM46.4 million, compared to net loss of RM7.5 million in FY2018.

2020 OUTLOOK AND PROSPECTS

The uncertainties that the Covid-19 pandemic have brought on both Malaysia and the world is unprecedented, and on a scale we have not witnessed before. With the pandemic severely stressing the supply-demand value chain, the only economic activities still in operation are those related to essential goods and services, whilst others have ground to a halt. Bank Negara Malaysia announced a Gross Domestic Product (GDP) growth projection at an estimated range of -2% to 0.5% for FY2020[2].

Despite the intensely challenging outlook as a result of the Covid-19 pandemic, we will make efforts to set our course towards improving our performance through the implementation of our turnround plan. We continue to implement our Property Development Strategy and Customer-centric Strategy in our Turnaround Strategy which we embarked on in FY2018.

Encorp remains committed to strengthening our core business as well as looking out for opportunities to venture into new business areas to ensure our long-term business viability. Having proven our business resilience throughout the years since our inception, we will sustain our business by leveraging on our prime project locations, long-term industry expertise, as well as our proven track record on providing the marketplace with innovative products and services based on our Quality, Standards, Value, Service philosophy. We will continue to identify and implement new processes that leverage on technology and digitisation to enable greater efficiencies, while identifying more effective ways of interacting and responding to our customers.

APPRECIATION

On behalf of the Board of Directors, I would like to express our appreciation to YBhg Datuk Muzzammil bin Mohd Nor and Encik Muaazam bin Mahmud, for their exemplary service to the Group. Datuk Muzzammil had stepped down from the Board and the Executive Committee (EXCO) in FY2019, whilst Encik Muazzam left the EXCO in FY2020.

In their stead, we welcome Encik Mahadzir bin Mustafa who has joined Encorp as a Non-Independent Non-Executive Director in FY2019 and is a member of the EXCO, and Audit and Risk Committee. We look forward to working with Encik Mahadzir in the years to come, continuing with our mission of *Enriching the Quality of Life* for all our stakeholders.

We are cognisant that our success to date is the result of the steadfast faith and support of our shareholders, employees, partners, customers and residents, and we would like to extend our sincere gratitude to them. Our onwards journey is focused on maintaining our efforts to sustain Encorp's business growth, whilst ensuring we continue to deliver on sustainable value for our ecosystem of stakeholders.

Thank you.

Chairman
Hussein Bin Ismail

[1] *National Property Information Centre (NAPIC) Report by Ministry of Finance Malaysia, published on 29 April 2020*

[2] *Bank Negara Economic Monetary Review 2019, published on 3 April 2020*

MANAGEMENT DISCUSSION AND ANALYSIS

Despite the intense challenges that defined the Malaysian property sector during the Financial Year Ended 31 December 2019 (FY2019), Encorp maintained our focus on our Turnaround Strategy, while continuing to deliver a valuable customer proposition through our two-pronged Customer-centric Strategy. The Group's efforts were aligned with our commitment to create value for all our stakeholders by *"Enriching the Quality of Life"*.

Our Business Model

Since our listing on the Main Market of Bursa Malaysia Securities Berhad on 11 February 2003, Encorp has grown to become a reputable company in the property sector with a portfolio of award-winning commercial and residential developments within our footprint of Malaysia and Australia.

The Group's holding company is the Felda Investment Corporation Sdn Bhd (FIC), the investment entity under the Federal Land Development Authority (FELDA), with an equity stake of 64.38%. Leveraging on our strong relationship with FIC, we are collaboratively identifying medium- to long-term potentially value accretive residential and commercial property development opportunities within FELDA's significant land banks in prime locations throughout the country, upon the full recovery of the Malaysian property sector.

Encorp's three main business segments comprise property development, investment property, and concessionaire, with property development as our core business segment.

Our Three Business Segments

Property Development

1. Encorp Cahaya Alam
2. Encorp Strand Garden Office
3. Encorp Strand Residences
4. Encorp Marina Puteri Harbour
5. The Residences on McCallum Lane Perth, Australia

Concessionaire

The concessionaire for the completed development of 10,000 units of the privatised teachers' quarters project for the Ministry of Education, Malaysia

Investment Property

1. Encorp Strand Mall (Retail Mall)
2. Red Carpet Avenue

An Intensely Challenging Business Landscape

FY2019 saw global economic growth declining, impacted by macroeconomic uncertainties and geopolitical tensions, and further exacerbated by the Covid-19 pandemic black swan event at the end of the year. Escalating trade tensions between the United States (US) and China, uncertainty in Europe and the United Kingdom (UK) over Brexit, heightened geopolitical tensions in the Middle East, and as we entered into FY2020, the issues surrounding the Covid-19 pandemic, cumulatively contributed to declining trade and economic activities.

On the domestic front, Malaysia recorded its lowest growth since the Global Financial Crisis in FY2009, with Gross Domestic Product (GDP) moderating to an average of 4.3% in FY2019, from 4.7% in FY2018[1]. For the fifth consecutive year, the FTSE Bursa Malaysia KL Composite Index (FBM KLCI) continued to decline as one of the weakest performing indices globally, falling by 6% as at end FY2019.

The Malaysia property sector recorded some improvement during the first half of FY2019 as a result of Government incentives rolled out to reinvigorate the market. However, the overall sentiment was that it would go through another year of stagnation, before a more meaningful recovery could be achieved.

Property overhang was the single largest concern, with Johor and Perak recording the highest number of residential overhang at 18.4% and 16.4% respectively. As for overhang in commercial property (serviced apartments), Johor recorded the highest rate, at 71.2%. Within residential homes, approximately 48.8% of overhang were condominiums or apartments within the price range of RM200,001 - RM500,000 (48.8%), RM500,001 - RM1 million (30%) and more than RM1 million (8.5%)[2].

To kick start the recovery of the property sector, the Government announced a number of incentives and measures aimed at the affordable housing segment, as well as finding the right solution to address the problem of property overhang. This included the National Home Ownership Campaign which was implemented in January 2019 and conducted till 31 December 2019. Purchasers of properties that were registered under the campaign benefitted from the waiver of stamp duties on instruments of transfer for the first RM1 million of the property price, and for loan agreements of up to RM2.5 million, as well as a 10% discount off the listed price from the developer[3].

The Securities Commission Malaysia gave the green light for Malaysia's first property crowdfunding platform, after revising its Guidelines on Recognised Markets in May 2019, which provided first-time homebuyers an alternative source of financing besides financial institutions. As well as that, Malaysia Budget 2020 revealed other property-related initiatives such as more rent-to-own and youth housing schemes due to be implemented in the near future. The Government also proposed that the minimum foreign property purchase price threshold of high-rise property in urban areas to be reduced to RM600,000 from RM1 million with effect from FY2020, in order to address the issue of property overhang.

As a result of these efforts, there were some improvements in the property sector in FY2019, with an uptrend in the volume of property transactions recorded compared to the previous year. In FY2019, residential property transaction volume increased by 6% year-on-year (YoY), compared to FY2018. Similar uptrends were noted in commercial property (+7.2%), industrial (+3.8%), agricultural (+2%) with the exception of development land and others (-1.2%). Total volume transactions for FY2019 increased by 4.8% compared to FY2018[2].

Occupancy rates in the retail mall sector slightly declined to 79.2% in FY2019. Kuala Lumpur recorded encouraging performance during the year, securing more than 83.0% occupancy rate whereas Selangor slightly dropped to 82.0%[2]. Throughout FY2019, there was higher availability of retail space nationwide, from 3.30 million square metres in the second half of FY2018, to 3.31 million square metres in the first half of FY2019, with a total of more than 670 shopping malls throughout the country[4]. The retail growth rate in the second quarter of FY2019 stood at 4.5%, 18% lower than the projected growth rate of 5.5%, as a result of muted economic growth and limited policies to stimulate consumer spending.

[1] *Bank Negara Governor Datuk Nor Shamsiah told reporters on 12 February 2020*

[2] *National Property Information Centre (NAPIC) Report by Ministry of Finance Malaysia, published on 29 April 2020*

[3] *Malaysia Budget 2019*

[4] *NAPIC 2019 Report by Ministry of Finance Malaysia, published on 27 September 2019 & STAR online article published on 2 July 2019 - Mall diversity to stand out from crowd*

Progressing with Our Strategy

Despite the prevailing uncertainties, Encorp remained on course with our business strategies to continue with our value creation journey. Premised on our Vision, Mission and Core Values, the Group's strategies aim to engender sustainable business growth and create long-term value for our shareholders and stakeholders.

In FY2019, Encorp focused on enhancing our business proposition in the marketplace by driving through our strategic objectives.

Property Development Strategy

Since inception, a key component of our property development strategy has been to focus on commercial and residential developments situated in strategic locations. This is an attractive proposition for purchasers seeking property investments that offer convenience and ease of access to public amenities and facilities, as well as places of work and business. We are creating value for our customers, by developing properties in prime locations that will in the longer-term appreciate in value. Our sustained approach has ensured our ability to retain our competitive advantage, even in down market cycles.

Our current property development portfolio reflects our strategic approach, with all of them located in thriving growth hubs. Encorp Marina Puteri Harbour in Iskandar Puteri, Johor, is primely placed to benefit from the long-term growth potential of the area. Iskandar Puteri is at the epicentre of the South Johor Economic Region, the country's main southern development corridor. Within its outlying areas are various tourist attractions, as well as new digital and entertainment businesses, which augur well for the area's sustainable socioeconomic development. Located by the waterfront, Encorp Marina Puteri Harbour is close to neighbouring Singapore, which has enabled the Group to tap into the Singaporean property investment market.

Situated close to the Selangor State capital of Shah Alam, Encorp Cahaya Alam is surrounded by an optimal mix of public amenities and facilities, as well as complementing developments such as industrial, business and commercial centres, private and public hospitals, schools and universities. Shah Alam is a popular residential area, with many people choosing to commute to their places of work in nearby Petaling Jaya and Kuala Lumpur, by accessing a diverse range of highways that have been developed in the recent past. These include the Federal Highway, New Klang Valley Expressway (NKVE), Guthrie Corridor Expressway (GCE), Shah Alam Expressway (KESAS) and Kemuning-Shah Alam Highway (LKSA).

For public transport users, the KTM Padang Jawa Komuter train station is in the vicinity. Once completed, the ongoing Light Rapid Transit (LRT) project will further expand the public transport network in Shah Alam with its two stations, I-City and Bukit Raja, enhancing its connectivity to other parts of the Klang Valley. As a result of Shah Alam's well planned developments, the average compound annual growth rate (CAGR) for residential homes in Shah Alam have risen over the past five years, to 4% in August 2019, while the rental yield stands at 3%.

Our integrated Encorp Strand development, which consists of Encorp Strand Garden Offices, Encorp Strand Residences and Encorp Strand Mall, is situated in the thriving neighbourhood of Kota Damansara in Petaling Jaya, Selangor. Kota Damansara is viewed by many as a suburban oasis, with a host of amenities that families find attractive and aligned with their lifestyle needs. These include multiple retail malls, educational institutions and private healthcare facilities. Over the past few years, we have seen the population of the surrounding area grow exponentially to become the mature township it is today. Whilst other players have also been building new property developments in this area, our early mover advantage has given us a competitive edge with Encorp Strand located in closer proximity to surrounding public amenities and facilities, compared to more recent developments.

Similarly, the Group's international landbank in Australia, Tea Tree Close, is situated within prime suburban real estate in the growing city of Perth in Western Australia. Our plan is to develop the land in the future to cater to greater demand for housing and retail development. We are closely monitoring the Perth property development sector to identify the development timeline for Tea Tree Close.

Customer-centric Strategy

Encorp's two-pronged Customer-centric Strategy embodies our commitment to Quality, Standards, Value and Service (QSVS). All our property development activities – from design, to construction, and sales and customer service touch points – are driven towards enhancing our brand recognition in the market place, by providing consistently high quality products and services that differentiate us in the marketplace. Our Customer-centric Strategy has resulted in innovatively designed properties, all of which feature a comprehensive spectrum of facilities and amenities geared towards a holistic and healthy lifestyle. To ensure we remain on track with our customer focus, we measure customer satisfaction annually, and in FY2019 achieved a customer satisfaction quality index of 92% for Dahlia Encorp Cahaya Alam, Shah Alam, above the target of 75%.

TWO-PRONGED STRATEGY

01 Focused investments in product development and innovation

02 Enhanced after-sales service at various customer touch points

Continuing with our Turnaround Journey

Complementing our Property Development Strategy and Customer-centric Strategy is our Turnaround Strategy which we embarked on in FY2018. Bearing in mind the prolonged downturn in the property sector, our Turnaround Strategy is a necessary and critical response to ensure our long-term business viability and growth. In FY2019, we implemented a number of measures in line with our Turnaround Strategy.

Towards effecting cost excellence, we maintained our cost savings measures across the Group and recorded notable achievements. In FY2019, Encorp's focused efforts towards cost excellence resulted in a record savings of 14%. Our efforts centred on cost rationalisation measures throughout the Group, and the installation of a 72RT air cool chiller (Baby Chiller) in our retail mall which significantly reduced mall operating expenses. However, this was offset by an increase in finance cost which rose to RM127.0 million in FY2019, from RM98.8 million in the previous year as a result of interest incurred from the Bukit Katil land which was charged as expenses in FY2019, from being capitalised in FY2018.

We are cognisant that strong governance and compliance culture is a fundamental component of our long-term business sustainability and profitability. In particular, a lack of compliance or lax governance structures and processes, may result in unwanted fines and liabilities that could erode our business value.

In view of the amendment to the Malaysian Anti-Corruption Commission (MACC) Act in FY2018 which imposes corporate liability for corruption offences, we have enhanced our governance in line with this development. During the year, we developed and implemented a Whistle Blowing Policy and Guideline, Anti-Bribery and Corruption Guideline, Code of Conduct, and a Business Ethics Guideline and Ethics Policy. Adding to that, we conducted an Integrity Pledge for Good Governance, to propagate an ethical work culture Group-wide.

Our efforts in FY2019 has further strengthened our business foundations, and we are optimistic that continuing with the focused execution of our Turnaround Strategy will culminate in our profitability in the medium-term to long-term future upon the recovery of the property sector, to deliver value to our shareholders.

Key Performance Indicators

FINANCIAL INDICATORS	FY2019	FY2018	FY2017
Group Revenue	RM165.6 million	RM249.9 million (restated)	RM242.8 million
Property Revenue	RM80.9 million	RM150.1 million (restated)	RM139.6 million
Market Capitalisation	RM95.0 million	RM124.9 million	RM189.6 million
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	RM94.4 million	RM101.6 million (restated)	RM61.9 million
Total Land Bank Size	678.94 acres	680.08 acres	702.62 acres
Overall Retail Mall Tenants	• 57% units occupied for Encorp Strand Mall • 60% units occupied for Red Carpet Avenue • 66% Overall Net Lettable Area	• 61% units occupied for Encorp Strand Mall • 64% units occupied for Red Carpet Avenue • 63% Overall Net Lettable Area	• 55% units occupied for Encorp Strand Mall • 66% units occupied for Red Carpet Avenue • 62% Overall Net Lettable Area
New Retail Mall & Red Carpet Avenue Tenants	• 3 new tenants occupying 5 units • Equivalent 27,877 square feet of retail space • 6.6% Overall Net Lettable Area	• 7 new tenants occupying 21 units • Equivalent 36,373 square feet of retail space • 15% Overall Net Lettable Area	• 6 new tenants occupying 20 units • Equivalent 34,937 square feet of retail space • 8.3% Overall Net Lettable Area

NON-FINANCIAL INDICATORS	FY2019	FY2018	FY2017
Qlassic Score	Dahlia, Encorp Cahaya Alam: 71%	Encorp Marina Puteri Harbour: 75%	Encorp Strand Residences: 72%
Customer Satisfaction (Quality target of 75%)	Dahlia, Encorp Cahaya Alam: 92%	Encorp Marina Puteri Harbour: 81% Akasia Phase 1, Encorp Cahaya Alam: 94%	Encorp Strand Residences: 82% Akasia Phase 1, Encorp Cahaya Alam: 89%
Safety Performance – Lost Time Injury (LTI)	Zero	Zero	Zero
Male : Female Workforce Ratio	51% male : 49% female (ratio of 54 male and 51 female)	51% male : 49% female (ratio of 62 male and 59 female)	45% male : 55% female (ratio of 65 male and 80 female)
Average Training Hours Per Employee	62 hours per person based on 103 employees	59 hours per person based on 121 employees	52 hours per person based on 145 employees

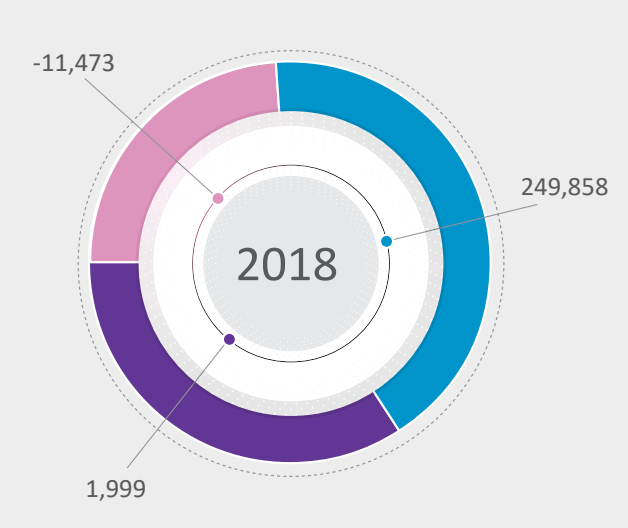
FY2019 Financial Performance

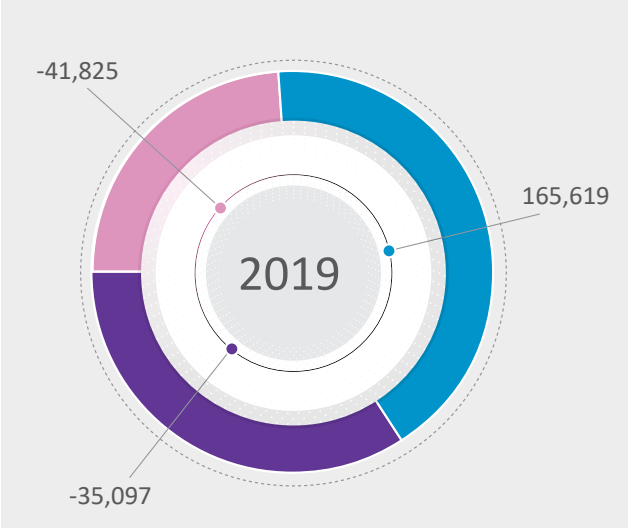
In FY2019, the Group recorded revenue of RM165.6 million, compared to revenue of RM249.9 million in FY2018. Loss before tax (LBT) stood at RM35.1 million in FY2019, compared to profit before tax (PBT) of RM2.0 million in previous year. Loss after tax (LAT) in FY2019 was RM41.8 million, compared to LAT of RM11.5 million in FY2018. Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) was RM94.4 million in FY2019, compared to RM101.6 million in FY2018. Encorp's financial results in FY2019 were contributed largely by the finance cost incurred in relation to the Bukit Katil land which was previously capitalised and now charged out as expenses as well as a soft property market.

Revenue (RM'000)

Profit/ Loss Before Tax (RM'000)

Loss After Tax (RM'000)





The concessionaire division generated steady recurring income with a reported revenue of RM78.8 million and PBT of RM3.4 million in FY2019, as compared to revenue of RM84.3 million and PBT of RM3.4 million in FY2018. The concession income is payable by the Government following completion and handover of each cluster of the teachers' quarters up to the end of the concession period in FY2028.

The property division reported revenue of RM80.9 million and LBT of RM16.6 million in FY2019, compared to revenue of RM150.1 million and PBT of 34.8 million in FY2018. The reduction in revenue was due to a soft property market, particularly with regards to high rise projects. A significant reason for the reduction in profit for the year is due to charging out of interest expenses on Bukit Katil land which was capitalised in the prior year. The development plans for Bukit Katil land in Malacca have been impacted by an overall soft property market. In addition, the delay on the Kuala Lumpur-Singapore high speed rail (HSR) project has curtailed Encorp's earlier plans to leverage on the proximity of the future HSR Ayer Keroh station to develop a new township at Bukit Katil.

Furthermore, stringent mortgage approvals from financial institutions and the volatility of financial markets arising from the US-China's trade tension in the fourth quarter of FY2019 has added greater pressure to the challenges encountered by property developers.

The investment property division recorded revenue of RM5.9 million and LBT of RM12.6 million in FY2019, as compared to revenue of RM5.9 million and LBT of RM21.8 million in FY2018. The 42% reduction in LBT was due to the decrease in fair value loss of investment properties of RM0.6 million in FY2019, from RM11.1 million in FY2018. The Group encountered challenges in raising revenue for this division as a result of stiff competition in the retail industry.

In FY2019, the Group gearing is at a ratio of 0.57 compared to 0.55 in FY2018. Our approach includes trade and other payables as part of the borrowing, and we have taken these into account when computing the net debt position. Included in trade and other payables is the amount due for the Bukit Katil land and this represents 80% and 75% over the trade and other payables in FY2019 and FY2018 respectively.

In FY2019, the Board of Directors decided not to conduct any dividend payout for the financial year under review. However, the Board of Directors plan to declare shareholder dividends in the near future, as we effect our Turnaround Journey towards providing our shareholders with returns on their investment.

FY2019 Non-Financial Performance

Encorp's non-financial performance in FY2019 reflects our value creation endeavours for our stakeholders, in line with our aim to be a sustainability-centred business. Denoting our commitment to our people in terms of open and clear communications on our organisational values, we recorded a score of 4.37 in the HR Asia Survey 2019, above the industry standard of 4.04. We have maintained our contribution to supporting national socioeconomic development, by ensuring that 100% of our vendors comprise Malaysian companies.

We put a lot of focus on confidentiality by strictly adhering to the requirements of the Personal Data Protection Act (2010). As a company operating in the property sector, ensuring the health and safety of our employees and contractors is our top priority. We have in place a stringent Health and Safety Policy which we ensure is strictly complied with by all our contractors and project managers.

We strongly believe that the diversity of our workforce augments the strength of our organisation by harnessing the benefits of different perspectives and opinions derived from a multitude of backgrounds. Our employee base reflects a rich diversity of ethnicity, age and backgrounds, and our continued advocacy of gender equality has led to an almost equal proportion of women and men working at Encorp, with 49% of our employee base comprising females and 51% males.

As a company which has dedicated our efforts to sustainable development and driving through our environmental stewardship, we have embraced technology to improve our work processes and to reduce the environmental impacts of our business. We strictly adhere to all environmental laws and regulations by regularly monitoring water and air pollution indicators. Throughout our property portfolio, we have incorporated green elements to create environmental value for home owners, such as developing a lush garden and lake landscape for the Dahlia and Clover projects at Encorp Cahaya Alam.

In line with our Corporate Social Responsibility (CSR) commitment to reach out to underserved and marginalised communities, we initiated "Encorp Project Indigenous" in FY2019 at Bukit Kala Batu 12, Gombak. The project touched the lives of some 120 indigenous children by providing essential products and financial support for 6 Orang Asli children to obtain tuition in preparation for the Primary School Achievement Test (UPSR) examinations. Encorp also aided 18 families to make payments towards Parent-Teacher Association (PIBG) commitments at the local school.

Full details of our sustainability performance can be found in our standalone Sustainability Report.

FY2019 Key Corporate Updates

In FY2019, focusing future growth upon the revival of the property sector, we have been pursuing opportunities for participation in the Program Pembangunan Peneroka (Settler Development Programme PPP) by leveraging on our relationship with our holding company FIC. The PPP programme is an initiative under the FELDA New Model to diversify the income stream of FELDA palm oil settlers. We are optimistic that we will be able to identify the right partners to expand our business growth in the medium-term future.

With regards to our direct wholly-owned subsidiary Encorp Bukit Katil Sdn Bhd (EBKSB), we divested the shares in its associate Sinmah Development JV Sdn Bhd on 11 December 2019. No gain and loss was recognised arising from the disposal, and it has opened up new avenues for Encorp to identify a strong and capable Joint Venture partner to drive the future Bukit Katil development.

Managing Our Risk

Encorp's risk management and internal control systems have been designed to efficiently and effectively manage risks that may unduly impact the Group in achieving our business objectives, as well as to provide information for accurate reporting, astute decision making and strong compliance with regulatory and statutory requirements.

Towards elevating our risk management and mitigation capabilities, in FY2019 the Risk Management Committee (RMC) reviewed, appraised and assessed current controls and actions to mitigate and manage the overall Group's risk exposure, as well as raised issues of concerns and recommended mitigating actions. The RMC has reported its findings to the Audit, Risk and Governance Committee (ARGC) on a quarterly basis where key risks and mitigating actions are deliberated and implemented, which the ARGC has subsequently presented to the Board for approval. In FY2019, the ARGC reviewed the adequacy and effectiveness of internal controls in relation to the internal audits conducted by an independent professional consultant, and presented a summary of the outcomes to the Board.

For more information on our Risk Management, please refer to the Statement on Risk Management and Internal Controls on page 109 of this Annual Report.

Upholding Strong Governance

A key factor of our continued business resilience is our governance structure and processes, which promotes transparency and accountability throughout all our business operations and informs our decision making. We have enhanced our governance in FY2019, in response to the Malaysian Anti-Corruption Commission (MACC) (Amendment) Act 2018, which imposes corporate liability for corruption offences.

Several policies have been introduced to ensure strict compliance with anti-bribery and anti-corruption rules and regulations, namely the Whistle Blowing Policy and Guideline, Anti-Bribery and Corruption Guideline, Code of Conduct, and a Business Ethics Guideline and Ethics Policy. The Group also conducted an Integrity Pledge for Good Governance, to drive a workplace and business culture that is focused on compliance, ethics and integrity. Management has also been conducting awareness sessions to enhance our understanding of the proper business etiquette we need to maintain to ensure the highest standards of ethics and integrity throughout the Group.

Awards and Recognitions

We continued to garner industry recognitions and validations that acknowledge our unswerving commitment to go from good to great. Dahlia at Encorp Cahaya Alam was awarded a Quality Assessment System in Construction (Qlassic) rating of 71%, or "High Quality", by the Construction Industry Development Board (CIDB). As well as that, Encorp's stellar human resource and management approach saw the Group as a winner in the HR Asia: Best Companies to Work For In Asia Awards 2019.

Dahlia, Encorp Cahaya Alam, Shah Alam

Segmental Review

PROPERTY DEVELOPMENT UPDATES

Creating Value for Home Owners

Our property developments are centred on creating long-term and meaningful value for the communities, families and individuals that live in them. We believe in providing a built environment with the right facilities, amenities and green elements. Our developments promote urban liveability through harmonious living and working spaces that contribute towards enhancing people's health, happiness and wellbeing.

Encorp Cahaya Alam, Shah Alam

Encorp Cahaya Alam

Launched in 2004, the 209-acre Encorp Cahaya Alam landed residential development is strategically located in the Shah Alam western growth corridor, surrounded by matured development and with excellent accessibility from Seksyen 7, Bukit Raja and Setia Alam. With a Gross Development Value (GDV) of RM1.13 billion, the development creates value for home dwellers with its sustainable and green environment, that promotes active and healthy lifestyles, and good community relationships. In particular, the beautifully landscaped 800-metre linear park and man-made lake form the development's focal point.

These sustainability-centred features have proven to be an attractive proposition to prospective homeowners, who are seeking holistic residential developments in close proximity to public facilities and amenities such as sports complexes, shopping malls, public and private schools, and hospitals. The aesthetically designed homes reflect our Quality, Standards, Value and Service (QSVS) value proposition with its spacious interior layouts. As a maturing township, Encorp Cahaya Alam offers residents the best of serene living in a private green enclave, with a vibrant community at their doorstep. As at end FY2019, the Encorp Cahaya Alam township was approximately 70% complete, with a remaining GDV of RM238.41 million. Our target is to complete the entire development by 2023.

In June 2019, we launched Clover, comprising 143 units of two-storey link homes situated within a 11-acre enclave landscaped with green pocket parks that offer home owners luxury lakeside living beside a man-made lake. Construction commenced in August 2019. However, construction activities were put on hold during the Movement Control Order (MCO) that was implemented by the Government in mid-March 2020 to contain the spread of the Covid-19 pandemic. Encorp will be revising the construction schedule once the MCO is lifted and construction activities resume.

With an estimated GDV of RM121 million, these elegantly designed homes situated within well planned public spaces and a natural green environment feature double frontage with a modern contemporary façade design and a wide car porch, as well as spacious living areas with large family rooms and bedrooms. To add to its value, we rebranded the entrance signage to reflect the lifestyle proposition we are offering homeowners.

Despite a soft property market, the launch was well received by the public, with the Clover show house seeing home owners turn up to appreciate first-hand the modern home design, with its commanding views of the lake from the living room on the ground floor and master bedroom on the top floor. Over a short span of launch, we have garnered 24% sales of the total 143 units.

Dahlia, which was launched in November 2017, has maintained a strong take-up rate amongst purchasers. The two-storey link homes featuring contemporary designs and open-concept interiors, offer residents premier affordable living. In FY2019, Dahlia scored a Qlassic rating of 71%.

As at end FY2019, we have sold a total of 92% of the total 171 units. A key achievement was obtaining the Certificate of Completion Compliance (CCC) three months ahead of schedule in October 2019. We also rebranded the Dahlia entrance signage, to reflect the value proposition for home owners.

To show our appreciation to new home owners, we hosted an event in November 2019. The fun-filled buyers' event saw the presentation of thousands of Ringgit Malaysia worth of IKEA vouchers for participants of Encorp's property loyalty programme and cash rewards for Encorp's 'Buyer-get-buyer' programme.

A key progression during the year was the resolution of the Rumah Idaman affordable housing project within Encorp Cahaya Alam. The initiative was launched in June 2019 upon Encorp concluding an agreement with the Selangor State Government through the Menteri Besar Incorporated ("MBI") entity to participate in the affordable housing programme.

Please refer to our side-bar on how Rumah Idaman will create value for low-cost home owners.

Creating Value through the Rumah Idaman Project

The Rumah Idaman project is in line with the Government's policy that property developments need to include elements of low-cost housing to ensure sustainable socioeconomic development that is inclusive by nature. By kick starting the Rumah Idaman project at Encorp Cahaya Alam, the Group is embarking on the development of affordable low-cost homes for the lower income earning population segment, within a beautifully landscaped premier township development with excellent amenities and facilities for home owners.

Set to have a total of 1,800 units upon completion, Rumah Idaman is a three-bedroom, two-bathroom partly-furnished apartment, with a total area of 1,000 square feet. Encorp is providing the land for the Selangor State Government to build and sell these apartments, which will come with a price tag of RM250,000.

We believe that Rumah Idaman is the right affordable housing product, that will create value for stakeholders as follows:

For Home Owners

- The ability to own a beautifully designed yet affordable home within one of Shah Alam's premier developments
- Access neighbourhood facilities and amenities that centre around sustainable green elements which promote healthy lifestyles, and foster strong community relationships
- An apartment which comes equipped with three air conditioners, wardrobes, kitchen cabinets, refrigerator, television and water-heater, which eases the home-ownership process by reducing the financial burden on low income earners
- A home which is close to various industrial parks and business centres that offer job opportunities
- A prime location a stone's throw away from numerous retail malls, schools and hospitals, as well as a network of highways and public transport options that offer connectivity to the rest of the Klang Valley

For the Government

- Ability to provide affordable housing in a premium strategic location at the centre of the western growth node of Shah Alam, which features established neighbourhoods from high-end developers
- Ability to provide citizens with low-cost housing that offers them excellent accessibility and amenities within a 3km radius, to ensure the socioeconomic development of underserved communities

For Encorp

- Fulfilling our obligation to include affordable housing in our development at Encorp Cahaya Alam, and contributing to the national inclusive socioeconomic development agenda
- Gaining significant savings by offering a premium affordable housing product, as opposed to conventional low-cost housing that would have cost more
- Retaining our development's branding with a product that matches Encorp Cahaya Alam's philosophy of "Built with You in Mind", and retaining the overall brand value of our township which is an important factor for current residents and potential investors

In the longer term, our participation in the Rumah Idaman programme strengthens our relationship of goodwill with the Government and opens up new avenues for Encorp to accelerate the development and launches of other land parcels.

Encorp Marina Puteri Harbour, Iskandar Puteri

Encorp Marina Puteri Harbour

With a GDV of RM631.57 million, Encorp Marina Puteri Harbour is our premier development location at the centre of the main southern development corridor in Iskandar Puteri, Johor. The 3.3-acre luxury mixed development comprises 571 residential units and 25 commercial units. It offers potential purchasers one of the best value for money property investments in the area, with its outstanding architectural design, and a host of facilities and amenities that complement luxury living by the waterside. These include four themed swimming pool decks, tennis courts, a children's playground, putting green and multi-level security system.

Despite Johor recording the highest property overhang in Malaysia, at 18.4% for residential properties and 71.2% for serviced apartments, Encorp has to date sold a total of 89% residential units and 36% commercial units in Encorp Marina Puteri Harbour.

The primary driver of our ability to deliver on sales at Encorp Marina Puteri Harbour is our focused sales and marketing campaigns that leverage on its prime location to generate investment interest. Purchasers have been attracted by its freehold status as well as Government incentives directed to foreign investors. Further adding to its value proposition is its proximity to facilities and amenities such as hospitals, tourist attractions such as the Legoland theme park, and the regional media hub of Iskandar Malaysia Studios with its world class filming facilities.

In line with our Customer-centric Strategy, Encorp successfully delivered the first residents Annual General Meeting on 31 March 2019.

Tea Tree Close, Cockburn Central, Perth, Australia

We have earmarked the 2.7-acre landbank of Tea Tree Close as a future development we will embark on upon the recovery of the property sector. The landbank offers a number of benefits in terms of its strategic location, which we will be able to leverage on to reach out to discerning investors and home buyers.

Tea Tree Close is located near the Cockburn Aquatic and Recreational Centre (Cockburn ARC) which has a full-size Australian Football League oval, and is the administration base for the Freemantle Dockers Football Club. The Cockburn ARC also provides a range of public amenities such as indoor and outdoor pools with water slides and a water park, along with spaces for function rooms, community meeting rooms and sporting retail outlets. The landbank is well connected to the public transport facility of Cockburn Central Train Station, and the local commercial and retail hub at Cockburn Central Town Centre. It is also a short drive away to the nearest beach, and Perth's Central Business District.

Bukit Katil Township

Comprising a landbank of 640.98 acres, Bukit Katil is located within the state of Malacca and holds great promise for future development. The development plans for the Bukit Katil land in Malacca have been impacted by an overall soft property market as well as the delay of the Kuala Lumpur-Singapore high speed rail project, which has curtailed Encorp's earlier plans to leverage on the proximity of the future HSR Ayer Keroh station to develop a new township at Bukit Katil. As such, we are vigilantly monitoring the property sector in Malacca before making any final decisions on the best timing to embark on the development of this landbank.

Encorp Strand, Kota Damansara

Located in the thriving Petaling Jaya district of Kota Damansara, Encorp's multi-award winning Encorp Strand has a GDV of RM1.23 billion. The mixed development integrates 265 business units, 150 retail outlets, 14 blocks of self-contained garden offices and 278 service residential units within a 45-acre neighbourhood. Encorp Strand's innovative development approach to engender the best community experience has garnered recognitions such as being shortlisted as a finalist in the Best Mixed Development category at the iProperty.com People's Choice Awards in 2016, and winning both the Highly Commended Award at the Asia Pacific Property Awards in 2011, as well as the inaugural The Edge-PEPS Value Creation Award in 2010. In FY2019, as a result of concerted marketing efforts, we sold a total of 16 units of Encorp Strand Garden Office, with a total value of RM13 million. This leaves only 17 Garden Office units on our books.

Encorp Strand Business Suites

Encorp Strand Residences, Kota Damansara

The 278 smart homes which form Encorp Strand Residences all come with development facilities that allow for the incorporation of Fourth Industrial Revolution technologies within the home. This includes features such as integrated home control from mobile devices and an advanced three-tier security system. Located within a thriving hub of family entertainment outlets, business districts, local and international schools, as well as hospitals, residents also benefit from high-end amenities such as a sunken tennis court, children's playground, integrated fitness facilities and a putting green for golfers. As at end FY2019, we have sold a total of 90% of the units. With regards to the 10% remaining units, Encorp made a strategic decision during the year to lease out units for short-term stays, which has diversified our revenue, and contributed to the longer term sustainability of our business.

Encorp Strand Residences

Encorp Strand Residences Homestay

SEGMENTAL OUTLOOK

Moving into FY2020, we are leveraging on our relationship with FIC to identify FELDA landbanks in strategic locations that we can develop in the medium- to long-term to long-term future. Our strategic approach is to identify potential developments, that will capitalise on the upturn in the property market that is expected in the medium-term future. With the MCO affecting the construction activities, we will have to revise our construction schedules for Clover at Encorp Cahaya Alam. However, we believe that Encorp Cahaya Alam's strength is its strategic location and we will enhance the marketing activities for Clover at Encorp Cahaya Alam. The MCO has also affected defects rectification works on Encorp Marina Puteri Harbour and Dahlia at Encorp Cahaya Alam, and we expect to continue with these works once the MCO is lifted and construction activities resume.

On going Development- Clover, Encorp Cahaya Alam

RETAIL MALL UPDATES

Creating Value for Retailers and Local Neighbourhoods

Contemporary urban living in Malaysia centres on families and individuals alike turning to outlets located in shopping malls to cater to their lifestyle needs. These range from pleasurable dining experiences with family and friends, health and exercise activities at the gym, grocery shopping at the local supermarket, or even catching up with the latest blockbuster at the cinema.

Encorp Strand Mall, Kota Damansara

Encorp Strand Mall sits at the centre of the Encorp Strand development, providing the local community with a range of retail experiences that complement their lifestyle, and add to their quality of living within a modern and spacious mall design. The mall has a total lettable area of 246,547 square feet (sq ft) spread out over four levels, with 2,133 covered parking bays, as well as outdoor parking.

Encorp Strand Mall, Kota Damansara

Red Carpet Avenue @ Encorp Strand Mall

The living heart of the RM1.4 billion mall is the pedestrianised Red Carpet Avenue (RCA), a uniquely designed 90-ft-wide and 800-ft-long covered, climate-controlled al fresco boulevard which provides for dining and entertainment outlets at street level. With a total lettable area of 176,191 sq ft, RCA as well as the Encorp Strand Mall are two of the go-to places for the surrounding community when seeking retail, entertainment and dining options.

In FY2019, we improved the mall's occupancy rate to 66%, from 63% in the previous year. We brought on board a strong new anchor tenant to replace Sam's Groceria, namely Alpha IVF & Women's Specialists, and another two new tenants on RCA to add to the diversity of our dining outlet mix. Taking up three units of mall space, Alpha International opened its doors to the public on 22 July 2019. Together with the two units occupied by the new RCA tenants, we successfully leased out a total lettable area of 27,877 sq ft, which accounts for 6.6% of total net lettable area. To add to the diversity of the retail mix, we have brought on board pop-up stores, namely for food and beverages, saloon, furniture and fashion.

In line with our value creation endeavours to provide for holistic community experiences through flagship events, RCA was the venue for the Thai Food Fest 2019, Malaysia Day Hangout, Alpha IVF Grand Opening, Fazbulous Get Together, Preloved Mania and Pentas Peragaan Songket, all of which added vibrancy to local community activities.

Towards more efficient mall operations and management, in FY2019 we installed a Baby Chiller for the heating, ventilation, air conditioning (HVAC) system, as part of our cost excellence drive in line with our Turnaround Strategy. The chillers came online in March 2020, and we expect to benefit from significant cost savings as well as to strengthen our bottom line as a result.

Malaysia Day Celebration

Tempatan Fest

Festival Musim Kahwin

Thailand Street Food Festival

SEGMENTAL OUTLOOK

The large number of malls available in the Klang Valley has resulted in an extremely challenging retail sector. It has become crucial for malls to differentiate themselves from their competitors in order to attract customer traffic. The Covid-19 pandemic is also expected to be a devastating impact on the Malaysia economy. Coupled with the new normal on social distancing, this will have a big impact on retail industry as consumer will turn to online purchase. We expect to face challenging effect both on the tenants as well as low traffic.

With this firmly in mind, Encorp's forward moving plans for the Encorp Strand Mall is focused on intensifying our marketing efforts, and strengthening our leasing activities in order to improve Encorp Strand Mall's occupancy rate, as well as footfall. Our key strategy is to effect the transformation of the mall, by repositioning it in line with changes in consumer preferences to unlock greater value.

Outlook for FY2020

Moving into FY2020, we are faced with unprecedented challenges associated with the global Covid-19 pandemic. Despite the initial signs of recovery within the property sector in Malaysia, by the end of FY2019 and going into the beginning of FY2020, global and local economic activities came to almost a complete standstill with the spread of the Covid-19 pandemic. Malaysia, along with other countries worldwide, undertook measures to restrict the movement of its population to contain the spread of Covid-19.

Financial and commodity markets throughout the world have been negatively impacted by the pandemic, with contractions in Gross Domestic Product (GDP) and exports globally. Supply-demand chains have been stressed by the curtailing of economic activities to essential sectors and services, while business activities in non-essential sectors have almost come to a standstill.

The International Monetary Fund (IMF) announced on 27 March 2020 that the global economy was in recession as a result of the Covid-19 pandemic[5]. IMF estimated that emerging market countries would require an estimated USD2.5 trillion in financial resources to set its economies on a path of recovery. In March 2020, the Organisation for Economic Cooperation and Development announced that global growth would reduce to 1.5% from 2%.

In Malaysia, MCO which came into effect in mid-March 2020 led to a drastic drop in retail mall traffic, whilst within the property sector, property purchases flatlined and construction activities were halted. On 9 April 2020, the World Bank's Global Knowledge and Research Hub in Malaysia projected an economic recession in Malaysia, with estimated real GDP growth of -4.6% in FY2020[6]. Bank Negara Malaysia announced on 3 April 2020 a GDP growth projection at an estimated range of -2% to 0.5% for FY2020[7]. The Covid-19 pandemic has resulted in a downturn in the Malaysian equity market with the FTSE Bursa Malaysia Kuala Lumpur Composite Index (FBM KLCI) declining by approximately 17%, and the depreciation of the Ringgit Malaysia (MYR) by around 7%.

Our Focus Areas in FY2020

Bearing in mind the great uncertainties that we face, Encorp remains steadfastly committed to maintaining our focus on our Turnaround Strategy to strengthen our financial resilience. Our efforts to ensure robust business fundamentals will be borne through initiatives aimed at strengthening our balance sheet, continuous improvement of operational efficiency and rebranding the mall.

With an emphasis on driving revenue growth, Encorp will focus on building a pipeline of property development and construction projects and infrastructure activities by leveraging on our association with FELDA through our holding company FIC. To enhance operational efficiency, we will match our human capital capabilities to drive our business plans, as we leverage on technology to drive process innovations that will yield greater efficiencies and increase our productivity.

Towards augmenting the long-term sustainability of our business, we will be focusing on leveraging on digitisation and technology to drive business and marketing efficiencies. In addition, to ensure that our talent development agenda is aligned with our strategic objectives, we will put in place an integrated talent management system, encompassing seven key aspects, namely, talent strategy and planning, sourcing and recruiting, performance management, learning and development, succession planning, leadership development, and compensation and rewards. Our overall aim is to future proof our business, by enhancing our organisational capabilities to withstand the rapidly evolving threats that the world is facing today.

Encorp's forward moving trajectory to engender sustainable growth is aligned with our organisational aim to go from good to great. Leveraging on our industry expertise and track record on delivering on QSVS-centred innovative property developments, and construction and infrastructure projects, we have crafted the Group Strategic Plan 2020 – 2025 to guide us in our medium-term strategic endeavours.

Our key priority is to improve our financial health by strengthening our cash flow. This will be effected through focused marketing activities to sell the remainder of our unsold units. Taking advantage on the strategic location and excellent access of Encorp Cahaya Alam which is located within the high value growth corridor of Shah Alam, we will maintain our new project launches as scheduled. Our improved sales and marketing efforts will offer more attractive concepts and competitive price points, through effective advertising, promotion and sales campaigns, conducted both locally and internationally. As well as that, we will be driving the leasing of retail space at Encorp Strand Mall.

We remain unswervingly committed to continuously enhance our corporate governance towards ensuring a robust governance structure and process, that underline our commitment to ethical and accountable business. Underlying all our efforts is our drive to improve Encorp's brand reputation in the marketplace, through consistent and proactive engagements with our stakeholders, timely and transparent investor relations activities and ongoing publicity efforts to create greater awareness of the Group's capabilities and achievements.

We remain optimistic that our prudent and focused approach will result in long-term sustainable business growth.

[5] *Opening Remarks at a Press Briefing by Kristalina Georgieva following a Conference Call of the International Monetary and Financial Committee (IMFC), 27 March 2020*

[6] *Presentation summary on COVID-19 Economic Implications for Malaysia by World Bank's Global Knowledge and Research Hub in Malaysia, published on 9 April 2020*

[7] *Bank Negara Economic Monetary Review 2019 published on 3 April 2020*

SECTION 03

LEADERSHIP

25 Board of Directors
29 The Winning Team

BOARD OF DIRECTORS

HUSSEIN BIN ISMAIL

Non-Executive Chairman
Non-Independent Non-Executive Director
Chairman of Executive Committee

Age	Gender	Nationality
63	Malaysian	Male

Hussein Bin Ismail was appointed to the Board of Encorp Berhad on 14 August 2017. He was re-designated as Non-Executive Chairman of Encorp Berhad on 26 January 2018.

Hussein holds Bachelor of Business Administration (Finance) and Diploma in Accountancy from Universiti Teknologi MARA (formerly known as Mara Institute of Technology).

Hussein is an approved Tax Agent under the Ministry of Finance Malaysia and a Member of the Chartered Tax Institute of Malaysia. He is also an approved Company Secretary under the Companies Commission of Malaysia, Affiliate Member of The Malaysian Institute of Chartered Secretaries Administrators and a Member of the Institute of Approved Companies Secretaries.

Hussein is currently the Director of Folks DFK & Co., a member firm of DFK international since 2007. He joined Azman, Salleh & Co back in year 1979 and the firm was then merged into Folks DFK & Co. on 1st February 2006. He has vast experiences in the full range of public accountancy services including audit, accountancy, taxation, secretarial, consultancy services and insolvency assignments covering wide range of clients.

Currently he serves as the Director and Chairman of Board Government, Risk and Audit Committee of Felda Investment Corporation Sdn. Bhd. and a Non-Independent Non-Executive Director and a member of Audit and Risk Management Committee of Iris Corporation Berhad.

Hussein does not have any family relationship with any director and/or major shareholder or any conflict of interest with the Company. He has not been convicted of any offence within the past 5 years, nor any public sanction or penalty imposed by regulatory bodies during the financial year.

MAHADZIR BIN MUSTAFA

Non-Independent Non-Executive Director
Member of Executive Committee
Member of Audit, Risk and Governance Committe

Age	Gender	Nationality
50	Malaysian	Male

Mahadzir Bin Mustafa was appointed to the Board of Encorp Berhad on 27 June 2019.

Mahadzir Mustafa brings with him over 24 years of experience in areas of financial and management accounting, taxation, corporate finance and treasury matters, within various industries, GLCs and MNCs, ranging from manufacturing, trading and distribution, highway concessionaire, e-commerce and water assets development.

Prior to his appointment in Federal Land Development Authority ("FELDA"), he was the CEO of Pengurusan Aset Air Berhad, the national water asset developer for the country.

Currently, he is the Deputy Director General (Management) at FELDA, responsible for strategic planning, finance, properties, information technology and procurement matters.

He sits on the board of several FELDA group of companies such as FELDA Middle East Sdn Bhd, FIC Properties Sdn Bhd and FIC UK Properties Sdn Bhd.

Mahadzir graduated with a Bachelor of Science in Accounting and Finance from the University of Wales at Aberystwyth, United Kingdom in 1993. He is a fellow of the Association of Chartered Certified Accountants and Member of the Malaysian Institute of Accountants.

Mahadzir does not have any family relationship with any director and/or major shareholder or any conflict of interest with the Company. He has not been convicted of any offence within the past 5 years, nor any public sanction or penalty imposed by regulatory bodies during the financial year.

YBHG DATUK HAJI JAAFAR BIN ABU BAKAR

Independent Non-Executive Director
Member of Audit, Risk and Governance Committee
Member of Nominating and Remuneration Committee

Age	Gender	Nationality
74	Malaysian	Male

Datuk Haji Jaafar was appointed to the Board of Encorp Berhad on 24 July 2014.

Datuk Haji Jaafar graduated with a Bachelor of Arts (Honors) from University of Malaya in 1969, he obtained a Masters in Public Policy and Administration from University of Wisconsin, Madison, U.S.A. in 1980, and is a Fellow of the Economic Development Institute of the World Bank, Washington D.C.

Datuk Haji Jaafar started his career as a Land Administrator in FELDA before joining the Malaysian civil services in 1970. He has since served in various senior positions within the Government Departments which included State Development Officer in Penang, Pahang and Kelantan, Deputy General Manager of Central Terengganu Development Authority and South Kelantan Development Authority, Director of Kelantan Land Development Board, General Manager of Kelantan State Economic Development Corporation, Deputy Secretary General of the Ministry of Domestic Trade and Consumer Affairs and Council Member of Malaysian Industrial Development Authority.

Datuk Haji Jaafar opted for early retirement from the civil service in 1991 and joined Koperasi Usaha Bersatu as Group General Manager of KUB Holdings Berhad. He subsequently took up a position as Executive Director of Damansara Realty Berhad and year later, he served as Managing Director. He served as Executive Chairman of Cold Storage (Malaysia) Berhad from 1996 to 1998 and President / CEO of Uniphoenix Corporation Berhad until 2006. He also served as a member of FELCRA Board from 1998 to 2007.

Datuk Haji Jaafar was a Chairman of Petaling Tin Berhad from 1997 to 2019. Currently, he is the Executive Chairman of Tajaria Sdn Bhd.

Datuk Haji Jaafar does not have any family relationship with any director and/or major shareholder or any conflict of interest with the Company. He has not been convicted of any offence within the past 5 years, nor any public sanction or penalty imposed by regulatory bodies during the financial year.

ABDUL RAHIM BIN ABDUL HAMID

Independent Non-Executive Director
Chairman of Audit, Risk and Governance Committee
Chairman of Nominating and Remuneration Committee

Age	Gender	Nationality
70	Malaysian	Male

Abdul Rahim was appointed to the Board of Encorp Berhad on 25 August 2014.

Abdul Rahim is a Fellow of the Association of Chartered Certified Accountants, Member of the Malaysian Institute of Certified Public Accountants and Member of the Malaysian Institute of Accountants.

Abdul Rahim started his career with Coopers & Lybrand in 1971 and moved up quickly when he was made Audit Supervisor in 1973, Audit Manager in 1976, a Director in 1981 and admitted as a Partner in 1982. As a Partner in Coopers & Lybrand, he specialised in Computer Auditing (1982-1986), developed the Sabah & Sarawak Practice (1986-1990), managed the Firm's Management Consultancy Practice (1990-1992). He assumed the position of Managing Partner and Chief Executive in 1993. Upon the firm merging with Price Waterhouse in 1998, he assumed the position of Deputy Executive Chairman of PricewaterhouseCoopers until he retired in 2004.

During the career span of 33 years, Abdul Rahim was involved in auditing, management consulting and insolvency services covering a cross section of industries including retail, manufacturing, construction, plantation, entertainment and banking.

Upon his retirement in 2004, Abdul Rahim established Rahim Hamid & Co, now renamed ARH Associates providing Professional Services in Mergers & Acquisition, Insolvency & Recovery and Muamalat Business Advisory.

Abdul Rahim served as the President of the Malaysian Institute of Accountants [2005-2007 and 2009-2011] and as the President of the ASEAN Federation of Accountants [2010-2011].

Abdul Rahim sits on the Board of Directors of AEON Co (M) Berhad, Petra Energy Berhad and GFM Services Berhad.

Abdul Rahim does not have any family relationship with any director and/or major shareholder or any conflict of interest with the Company. He has not been convicted of any offence within the past 5 years, nor any public sanction or penalty imposed by regulatory bodies during the financial year.

THE WINNING TEAM

EXECUTIVE COMMITTEE (EXCO)

HUSSEIN BIN ISMAIL

The profile of Hussein bin Ismail is set out on page 25.

MAHADZIR BIN MUSTAFA

The profile of Mahadzir bin Mustafa is set out on page 26.

AZLAN BIN MOHAMED ISMAIL

The profile of Azlan bin Mohamed Ismail is set out below.

The EXCO was established to take care of the business continuity of Encorp Group in the absence of key management personnel. The EXCO acts as a conduit between the Board and the Management in ensuring the success of the Company's governance and management functions.

The EXCO comprises Hussein Bin Ismail (Chairman), Mahadzir Bin Mustafa and Azlan Bin Mohamed Ismail (Members). Hussein Bin Ismail was appointed as member of EXCO on 23 November 2017 and subsequently redesignated as Chairman of EXCO on 23 February 2018. Mahadzir Bin Mustafa and Azlan Bin Mohamed Ismail were appointed as members of EXCO on 27 June 2019 and 5 February 2020 respectively.

The Chairman of the EXCO is supported by two (2) EXCO members, to ensure that the decisions of the Board, strategic matters, as well as operations of Encorp Group are carried out effectively.

AZLAN BIN MOHAMED ISMAIL

EXCO Member

Azlan (Malaysian, aged 52, male) was appointed as EXCO member on 5 February 2020. Azlan holds Advance Diploma in Accountancy from Mara Institute of Technology and subsequently a Chartered Accountant registered with the Malaysian Institute of Accountants. He brings with him over 25 years of experience in the accounting and finance across multiple industries including banking and technology.

Azlan's career in Felda Investment Corporation Sdn Bhd ("FIC") began in February 2014 when he was appointed as Senior Manager of the Finance & Accounts department. Following that, he was promoted as Acting Head of Finance in September 2015. Azlan's career progression in FIC eventually saw his appointment as the Chief Financial Officer and the Acting Chief Executive Officer since November 2019.

Before FIC, Azlan has held various key positions from diverse portfolios, amongst others, including Ayum Forest Product Limited, Bristol Technologies Sdn Bhd, Green City Development Sdn Bhd, CIMB Bank Berhad, Sapura Telecommunication Berhad, Uniphone Ushasama Sdn Bhd and Kawasaki Sunrock Sdn Bhd.

Azlan does not hold directorship in any other public companies and listed issuers. He does not have any family relationship with any director and/or major shareholder or any conflict of interest with the Company. He has not been convicted of any offence within the past 5 years, nor any public sanction or penalty imposed by regulatory bodies during the financial year.

MOHD IBRAHIM BIN MASRUKIN
Group Chief Operating Officer

Nationality	Malaysian
Gender	Male
Age	59
Date of Appointment	September 2018

Academic/Professional Qualifications

- Bachelor of Arts in Mathematics, with a minor in Economics from Southern Illinois University, Carbondale, USA
- Master of Science in Statistic, with a minor in Econometrics from Southern Illinois University, Carbondale, USA

Past Experience

Actively involved and held various portfolios in Property, Construction, Education, Media and Entertainment with more than 34 years of experience including in public listed companies:

- Management Consultant for Alexander Proudfoot (1985)
- Branch Manager for American Express Malaysia (1986)
- Regional Director for American Express International, Malaysia & Singapore (1995)
- Group Director for Encorp Group (1997)
- Chief Executive Officer for Synchrosound Studios and Vantage View (1998)
- Chief Executive Officer for NetSeven Television (ntv7)(2005)
- Executive Director for ENCapital Sdn Bhd (2014)
- Advisor in Business Strategy for InfratechGeoSolutions Sdn Bhd (2016)

Declaration

- Does not hold directorship in any other public companies and listed issuers
- Does not have any family relationship with any director and/or major shareholder or any conflict of interest with the Company
- Has not been convicted any offences within the past 5 years, nor any public sanction or penalty imposed by regulatory bodies during the financial year

WILLIAM SEOW
Head of Finance

Nationality	Malaysian
Gender	Male
Age	48
Date of Appointment	August 2014

Academic/Professional Qualifications

- Bachelor of Business in Accounting and Computing from Swinburne University of Technology, Australia
- Member of Malaysia Institute of Accountancy
- Member of CPA Australia

Past Experience

Actively involved and held various portfolios in Advisory, Finance and Property with more than 25 years of experience including in public listed companies:

- Consultant in Transaction Advisory Services and Assurance Department for Ernst & Young, Kuala Lumpur (1995)
- Senior Executive in Corporate Finance, Merger & Acquisition for Petaling Tin Berhad (2001)
- Finance Manager for Metroplex Berhad (2004)
- Senior Finance Manager for Sunway City Berhad and Sunway Berhad (2007)

Declaration

- Does not hold directorship in any other public companies and listed issuers
- Does not have any family relationship with any director and/or major shareholder or any conflict of interest with the Company
- Has not been convicted any offences within the past 5 years, nor any public sanction or penalty imposed by regulatory bodies during the financial year

TEO LEONG PENG
Head of Property

Nationality	Malaysian
Gender	Male
Age	62
Date of Appointment	May 2019

Academic/Professional Qualifications

- Bachelor of Science (First Class Honours) in Building Economics and Quantity Surveying from Heriot-Watt University, Edinburgh, United Kingdom

Past Experience

Actively involved and held various portfolios in Property, Construction, Contract and Project Management Services with more than 31 years of experience including in public listed companies:

- Quantity Surveyor for Liang & Associate Sdn Bhd (1985)
- Contract Manager (Senior) for Bina MBF Sdn Bhd (1989)
- Managing Director for Castle Property Sdn Bhd (1992)
- Executive Director for L&M Corporation (M) Berhad (1998)
- Project Director for Wintip Sdn Bhd (2007)
- Project Management Consultant for Peninsular Smart Sdn Bhd (2015)

Declaration

- Does not hold directorship in any other public companies and listed issuers
- Does not have any family relationship with any director and/or major shareholder or any conflict of interest with the Company
- Has not been convicted any offences within the past 5 years, nor any public sanction or penalty imposed by regulatory bodies during the financial year

LEE LAY HONG
Head of Legal and Company Secretarial

Nationality	Malaysian
Gender	Female
Age	53
Date of Appointment	July 2008

Academic/Professional Qualifications

- Bachelor Degree in Law with Honours from University of Leicester, United Kingdom
- Admitted as an Advocate and Solicitor of the High Court of Malaya in 1993
- Licensed Company Secretary

Past Experience

- Lee Lay Hong commenced her legal practice in litigation and subsequently ventured into commercial sectors. She has 27 years of experience in legal work, covering corporate and commercial, banking, litigation, industrial relations, intellectual property and construction, corporate secretarial and corporate governance matters
- Prior to joining Encorp, she has held leadership positions as Head of Legal and Group Company Secretary for Mah Sing Group Berhad and Head of Legal for Puncak Niaga (M) Sdn Bhd.

Declaration

- Does not hold directorship in any other public companies and listed issuers
- Does not have any family relationship with any director and/or major shareholder or any conflict of interest with the Company
- Has not been convicted any offences within the past 5 years, nor any public sanction or penalty imposed by regulatory bodies during the financial year

CHAN YEE CHUN
Head of Marketing, Sales and Leasing

Nationality	Malaysian
Gender	Male
Age	45
Date of Appointment	March 2020

Academic/Professional Qualifications

- Bachelor of Economics and Finance from Royal Melbourne Institute of Technology University, Australia

Past Experience

Actively involved and held various portfolios in Finance, Property and Construction with more than 20 years of experience including in public listed companies:

- Treasury Officer for Setia Putrajaya Sdn Bhd (1997)
- Senior Executive in Property Research and Project Feasibility Studies for Metro Kajang Berhad (2001)
- Senior Executive in Marketing and Sales for Bukit Kiara Properties Sdn Bhd (2004)
- Manager in Corporate Sales for Crest Builder Berhad (2006)
- Manager in Marketing & Sales for Sunway City Berhad (2007)
- Vice President in Leasing, Marketing and Business Development in Commercial Properties for See Hoy Chan Sdn Bhd (2013)
- Deputy Head in Group Corporate Communication for Matrix Concepts Holdings Berhad (2014)
- Regional Head of Marketing and Sales (Johor) for Eastern & Oriental Berhad (2017)

Declaration

- Does not hold directorship in any other public companies and listed issuers
- Does not have any family relationship with any director and/or major shareholder or any conflict of interest with the Company
- Has not been convicted any offences within the past 5 years, nor any public sanction or penalty imposed by regulatory bodies during the financial year

DATIN NORSYELA BINTI JAAFAR
Head of Human Resource, Administration & Technology

Nationality	Malaysian
Gender	Female
Age	43
Date of Appointment	February 2017

Academic/Professional Qualifications

- Bachelor of Graphic Design & Marketing from Curtin University of Technology, Australia

Past Experience

Actively involved and held various portfolios in Education and Property with more than 15 years of experience including in public listed companies:

- Assistant in Investor Relations and Corporate Planning for PECD Berhad (2005)
- Senior Manager in Human Resource and Admin Services for Limkokwing University (2007)
- Manager in Business Development for Taylor's University (2013)

Declaration

- Does not hold directorship in any other public companies and listed issuers
- Does not have any family relationship with any director and/or major shareholder or any conflict of interest with the Company
- Has not been convicted any offences within the past 5 years, nor any public sanction or penalty imposed by regulatory bodies during the financial year

ARMAN IDZMY BIN OMAR
Head of Risk & Governance

Nationality	Malaysian
Gender	Male
Age	43
Date of Appointment	October 2016

Academic/Professional Qualifications

- Bachelor of Accounting and Finance from John Moores Liverpool University
- Master of Forensic Accounting and Financial Criminology from University Technology MARA, Malaysia

Past Experience

Actively involved and held various portfolios in Internal Audit and Advisory with more than 19 years of experience including in public listed companies:

- Internal Audit Executive for AmMerchant Bank Berhad (2001)
- Senior Executive in Advisory Services for Ernst and Young (2005)
- Internal Audit Manager for DRB-HICOM (2010)
- Internal Audit Manager for Sapura Kencana Petroleum Berhad (2014)

Declaration

- Does not hold directorship in any other public companies and listed issuers
- Does not have any family relationship with any director and/or major shareholder or any conflict of interest with the Company
- Does not have any offences within the past 5 years, nor any public sanction or penalty imposed by regulatory bodies during the financial year

SECTION 04

CORPORATE REPORT

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CORPORATE PROFILE

Encorp Strand Business Suites

Founded 2 March 2000 and listed on the Main Market of Bursa Malaysia Securities Berhad on 11 February 2003, Encorp Berhad (Encorp or the Group) is an investment holding and provision of general management support services company that is headquartered in Kota Damansara, Selangor, Malaysia. The Group's holding company is Felda Investment Corporation Sdn. Bhd. (FIC), the investment arm of the Federal Land Development Authority (FELDA), which holds a 64.38% equity stake.

Encorp's three main business segments comprise property development, investment property (retail mall) and concessionaire, with property development as the core business area. The Group's footprint of landbanks and property portfolio encompasses Malaysia and Australia, all situated in strategically prime development locations.

Since inception, Encorp has focused its value creation efforts towards engendering sustainable and meaningful outcomes for its ecosystem of stakeholders. The company has leveraged on its industry credibility and accreditations, and its proven track record in property development and management, to identify value accretive opportunities to drive its growth in the longer term and ensure its business sustainability.

Encorp's property portfolio of commercial and residential developments has a strong brand presence in the marketplace, as reflected in the multiple awards these have garnered over the years. Among its signature properties are the Encorp Strand Mall and Encorp Strand Kota Damansara, both of which have won tribute at the Asia Pacific Property Awards.

The Group's uncompromising commitment to stellar Quality, Standards, Value and Service (QSVS) is evident from its innovative lifestyle-centred developments, that seek to cater to evolving customer needs and expectations, centred on holistic lifestyles and community living that are the hallmarks of modern life. Complementing this is the Group's customer promise of providing excellent customer service, as propagated by its Two-pronged Customer-

centric Strategy. Encorp's unswerving commitment to QSVS resulted in Dahlia at Encorp Cahaya Alam being awarded a Quality Assessment System in Construction (Qlassic) rating of 71%, or "High Quality", by the Construction Industry Development Board (CIDB) in 2019; Encorp Marina Puteri Harbour receiving a Qlassic score of 75% in 2018, and Encorp Strand Residences a Qlassic score of 72% in 2017.

Towards building robust foundations that will ensure the Group's sustained long-term value creation journey, Encorp has effected its Transformation Journey towards becoming a leading company in the property development sector in Malaysia. Underlying this is Encorp's focus on upholding the highest standards of corporate governance, which has been recognised through awards such as the Corporate Governance Asia Recognition Award 2013, the 1st Asian Company Secretary of the Year Award 2013 and the Best Investor Relations Company at the 7th Asian Excellence Recognition Awards 2017.

The Group highly values its employees as the human capital that drives its strategic performance and business outcomes. Towards ensuring the continuous development and wellbeing of its employees, Encorp has embedded an integrated human resource management approach which ensures high levels of employee engagement, within a harmonious workplace that propagates work-life balance. The Group's sustained efforts led to HR Asia identifying it as a winner in the Best Companies to Work For In Asia Awards 2019, adding to awards obtained at the Human Resource Asia Best Companies to Work for in Asia 2018 Award, as well as the Silver Medal Award for Employer of Choice (Private Sector) at the Malaysia Human Resources Awards 2018.

The Group has a range of subsidiaries, that specialise in specific areas related to its three main business segments. Encorp Must Sdn. Bhd. and Must Ehsan Development Sdn. Bhd. provide property development services, and are accredited with ISO 9001:2015 certification. Encorp Bukit Katil Sdn. Bhd. is the master developer for the Bukit Katil landbank which has been earmarked for future development upon the full recovery of the property sector. Encorp's investment property arm, Encorp Strand Mall Sdn. Bhd. manages the Encorp Strand Mall, a lifestyle neighbourhood mall at Kota Damansara. Encorp Facilities Management Sdn. Bhd. specialises in facility management services, while Encorp Construction & Infrastructure Sdn. Bhd. provides industry-specific construction and infrastructure solutions. Encorp Construction & Engineering Sdn. Bhd. (*formerly known as Encorp Trading Services Sdn. Bhd.*) undertakes mechanical, electrical and water supply system works. Both Encorp Construction & Infrastructure Sdn. Bhd. and Encorp Construction & Engineering Sdn. Bhd. (*formerly known as Encorp Trading Services Sdn. Bhd.*) are G7 Grade certified by the CIDB, with Encorp Construction & Engineering Sdn. Bhd. (*formerly known as Encorp Trading Services Sdn. Bhd.*) having an additional electrical and mechanical specialisation CIDB certification.

The Group's forward moving value creation journey is focused on enriching the lives of its stakeholders, through the progression of its strategies, underlined by a strict and vigilant focus on counteracting the impacts of prevalent and emerging risks. As it moves into the future, Encorp reaffirms its commitment to provide the highest QSVS in terms of innovative products and customer-centric services, in line with its aspiration to create meaningful value for all stakeholders.

CORPORATE INFORMATION

Board of Directors

Hussein bin Ismail
Non-Executive Chairman,
Non-Independent Non-Executive Director

Mahadzir bin Mustafa
Non-Independent Non-Executive Director

Datuk Haji Jaafar bin Abu Bakar
Independent Non-Executive Director

Abdul Rahim bin Abdul Hamid
Independent Non-Executive Director

Audit, Risk and Governance Committee

Abdul Rahim bin Abdul Hamid
Chairman

Datuk Haji Jaafar bin Abu Bakar
Member

Mahadzir bin Mustafa
Member

Nominating and Remuneration Committee

Abdul Rahim bin Abdul Hamid
Chairman

Datuk Haji Jaafar bin Abu Bakar
Member

Executive Committee

Hussein bin Ismail
Chairman

Mahadzir bin Mustafa
Member

Azlan bin Mohamed Ismail
Member

Company Secretary

Lee Lay Hong
LS 0008444
SSM PC No. 201908002088

Registered Office

No. 45-1, Jalan PJU 5/21
Pusat Perdagangan Kota Damansara
Kota Damansara PJU 5
47810 Petaling Jaya, Selangor Darul Ehsan

Tel: (6) 03 6286 7777 Fax: (6) 03 6286 7717
Email: encare@encorp.com.my

Share Registrar

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

Tel: (6) 03 2084 9000 Fax: (6) 03 2094 9940
Email: info@sshsb.com.my

Principal Bankers

Malayan Banking Berhad
United Overseas Bank (Malaysia) Berhad
Bank Islam Malaysia Berhad
CIMB Bank Berhad

Auditors

Ernst & Young PLT
Registration No. 202006000003 (LLP0022760-LCA) & AF 0039

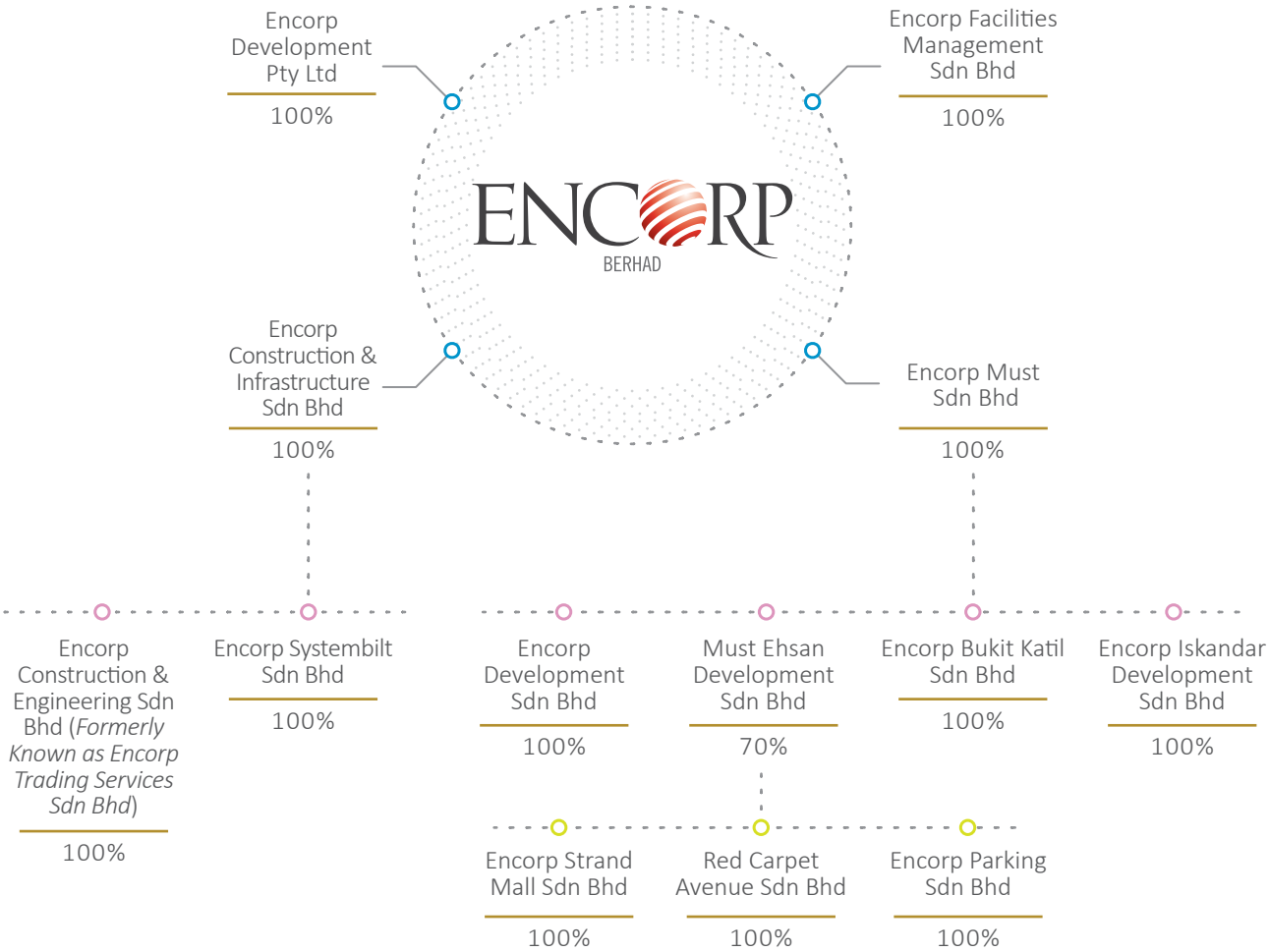
Solicitors

Zul Rafique & Partners
P.Y. Hoh & Tai
Wong & Partners
Sanjay Mohan
Che Mokhtar & Ling
Azmi & Associates

Stock Exchange Listing

Main Market of Bursa Malaysia Securities Berhad
Stock Name : ENCORP
Stock Code : 6076

CORPORATE STRUCTURE



Subsidiary Company	Percentage (%)	Principal Activity	Place of Incorporation
Encorp Must Sdn Bhd	100	Investment Holding and Property Project Management	Malaysia
Must Ehsan Development Sdn Bhd	70	Property Development	Malaysia
Encorp Strand Mall Sdn Bhd	100	Property Investment	Malaysia
Encorp Parking Sdn Bhd	100	Property Investment	Malaysia
Red Carpet Avenue Sdn Bhd	100	Investment Holding	Malaysia
Encorp Development Sdn Bhd	100	Property Development	Malaysia
Encorp Iskandar Development Sdn Bhd	100	Property Development	Malaysia
Encorp Construction & Infrastructure Sdn Bhd	100	Investment Holding and Construction Project Management	Malaysia
Encorp Systembilt Sdn Bhd	100	Concessionaire to build and transfer teachers' quarters to the Government of Malaysia	Malaysia
Encorp Construction & Engineering Sdn Bhd (*Formerly Known as Encorp Trading Services Sdn Bhd*)	100	General Trading	Malaysia
Encorp Development Pty Ltd	100	Property Development	Australia
Encorp Facilities Management Sdn Bhd	100	Facilities Management Services Provider	Malaysia
Encorp Bukit Katil Sdn Bhd	100	Property Development	Malaysia

SECTION 05

SUSTAINABILITY REPORT

45 Sustainability Statement

SUSTAINABILITY STATEMENT

This is Encorp Berhad's ("Encorp" or the "Company") third Sustainability Statement reporting cycle in its journey towards participation in sustainability advocacy, which provides stakeholder information on how Encorp creates and maintains sustainable economic, environmental and social (EES) value while doing business as we uphold our vision towards a sustainable business.

SCOPE AND REPORTING BOUNDARY

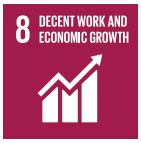
This statement is prepared according to the Global Reporting Initiative (GRI) Standards and the Bursa Malaysia Listing Requirements while being aligned with the United Nations' Sustainable Development Goals (SDG). This Sustainability Report details our sustainable performance and covers initiatives undertaken by Encorp and its subsidiaries limited to Property Development and Retail Management. The disclosures presented in this statement represent activities carried out between 1 January 2019 and 31 December 2019 (FY2019).

SUSTAINABILITY GOAL AND ROADMAP

We perceive sustainability as a never-ending quest that requires the participation of all stakeholders, internally and externally, at every level.

In an effort to contribute to global and national initiatives towards sustainable development, Encorp seeks to continuously refine its strategic approach to the United Nations' 17 Sustainable Development Goals (SDGs). For this year of reporting, we have five SDGs Focus Area: Good Health and Well-Being (SDG 3), Decent Work and Economic Growth (SDG 8), Sustainable Cities and Communities (SDG 11), Responsible Consumption and Production (SDG 12) and Peace, Justice and Strong Institutions (SDG 16).

ENCORP'S SDG FOCUS AREAS

Sustainability Goal	Target	Contributions
SDG 3 Ensure healthy lives and promote wellbeing for all at all ages	**REDUCE ROAD INJURIES AND DEATHS** By 2020, half the number of global deaths and injuries will be caused by road traffic accidents.	We participate in road safety awareness programmes and apply necessary measures to safely regulate traffic.
	INCREASE HEALTH FINANCING AND SUPPORT HEALTH WORKFORCE IN DEVELOPING COUNTRIES Substantially increase health financing and the recruitment, development, training and retention of the health workforce in developing countries, especially in least developed countries and small island developing States.	We prioritise health and safety in our business operations by adopting safety standards and systems as well as implementing a Quality, Environmental, Safety and Health (QESH) policy.
SDG 8  Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	**DIVERSIFY, INNOVATE AND UPGRADE FOR ECONOMIC PRODUCTIVITY** Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors.	We provide competitive salaries and benefits packages to our employees in addition to training opportunities for growth and career development.

Sustainability Goal	Target	Contributions
SDG 8 Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	**PROMOTE POLICIES TO SUPPORT JOB CREATION AND GROWING ENTERPRISES** Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalisation and growth of micro-, small- and medium-sized enterprises, including through access to financial services.	We are developing and implementing relevant policies and procedures.
	PROMOTE YOUTH EMPLOYMENT, EDUCATION AND TRAINING By 2020, substantially reduce the proportion of youth not in employment, education or training.	We provide competitive salaries and benefits packages to our employees in addition to training opportunities for growth and career development.
	PROTECT LABOUR RIGHTS AND PROMOTE SAFE WORKING ENVIRONMENTS Protect labour rights and promote safe and secure working environments for all workers.	Safety and Health Unit monitors and checks for compliance to relevant rules and regulations.
SDG 11 Make cities and human settlements inclusive, safe, resilient and sustainable	**SAFE AND AFFORDABLE HOUSING** By 2030, ensure access to adequate, safe and affordable housing and basic services and upgrade slums.	As a property developer, we contribute to provide affordable housing that is accessible to services and promoting sustainable lifestyles by encouraging people to walk and travel using public transport.
	INCLUSIVE AND SUSTAINABLE URBANISATION By 2030, enhance inclusive and sustainable urbanisation and capacity for participatory, integrated and sustainable human settlement planning and management in all countries.	We have been involved in the construction of infrastructures that enhance the sustainable features of cities, such as affordable housing.

Sustainability Goal	Target	Contributions
SDG 11 Make cities and human settlements inclusive, safe, resilient and sustainable	**SUPPORT LEAST DEVELOPED COUNTRIES IN SUSTAINABLE AND RESILIENT BUILDING** Support least developed countries, including through financial and technical assistance, in building sustainable and resilient buildings utilising local materials.	For year 2019, 100% of the required services were carried out by Malaysian vendors. By supporting them, we play a part in contributing to the domestic economy.
SDG 12 Ensure sustainable consumption and production patterns	**SUSTAINABLE MANAGEMENT AND USE OF NATURAL RESOURCES** By 2030, achieve the sustainable management and efficient use of natural resources.	Actively recyled wooden products and pallets for construction works.
	SUBSTANTIALLY REDUCE WASTE GENERATION By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.	Reduced usage of paper by initiating use of digital-based documentations.
	ENCOURAGE COMPANIES TO ADOPT SUSTAINABLE PRACTICES AND SUSTAINABILITY REPORTING Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.	A concise Sustainability report is included in the Encorp Annual Report.
	PROMOTE UNIVERSAL UNDERSTANDING OF SUSTAINABLE LIFESTYLES By 2030, ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature.	Employees are required to participate and be involved in Corporate Social Responsibility (CSR) activities as part of their respective key performance measures and indicators. The company provided a sustainable development at Clover, Encorp Cahaya Alam with a lake and garden landscape and security features enhanced with boom gates, guard house and smart security application.

Sustainability Goal	Target	Contributions
SDG 16 Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective accountable and inclusive institutions at all levels	**PROMOTE THE RULE OF LAW AND ENSURE EQUAL ACCESS TO JUSTICE** Promote the rule of law at the national and international levels and ensure equal access to justice for all.	
	COMBAT ORGANISED CRIME AND ILLICIT FINANCIAL AND ARMS FLOWS By 2030, significantly reduce illicit financial and arms flows, strengthen the recovery and return of stolen assets and combat all forms of organised crime.	Implemented Anti-Bribery Policy and Code of Ethics and Business Ethics Guidelines.
	SUBSTANTIALLY REDUCE CORRUPTION AND BRIBERY Substantially reduce corruption and bribery in all their forms.	Enforcement of integrity at work with a goal of zero corruption (bribery)
	ENSURE RESPONSIVE, INCLUSIVE AND REPRESENTATIVE DECISION-MAKING Ensure responsive, inclusive, participatory and representative decision-making at all levels.	A total of 49% employees are female and involved in the management.

SUSTAINABILITY LEADERSHIP

Our governance structure comprises a two-tiered structure with the Board at the helm. The Sustainability Committee is led by both the Chairman and the Executive Management Committee (EXCO). Our Sustainability Committee consist of Business Operations and Corporate Services that are made up of various departments.

The rules and practices that govern our sustainability initiatives are built on transparency, fairness and accountability. Observance of the principles of good corporate governance, embedded in our policies and procedures is crucial for effectively and efficiently fulfilling our sustainability responsibilities.

Roles and Responsibilities

Chairman and Member (EXCO)

- Oversees the progress of the Company's sustainability initiatives
- Sets clear objectives and relevance of sustainability within the group

Sustainability Committee

- Identifies and presents material issues relevant to the Company's business operations
- Helps in integrating sustainability across the Company's business operations

STAKEHOLDER ENGAGEMENT

Engagement with our stakeholders is a vital process in driving sustainability at Encorp as it enables us to balance the Company's priorities with the expectations of our shareholders, investors, customers, vendors, communities, employees, authorities and medias.

Interaction with stakeholders occurs throughout the various stages of projects as part of Encorp's processes. These interactions cast light on stakeholders' preferences and expectations, which in turn allows sufficient resources to be allocated.

We have a range of internal and external stakeholders that we maintain our interaction and communication with, and the table below shows our stakeholder groups, areas of interest, method of engagement and frequency of engagement.

Stakeholder Group	Area of Interests	Methods of Engagement	Frequency
Employees	•Career development •Work life balance •Fair remuneration •Safe and conducive workplace	•Training programmes •Employee satisfaction survey •Employee Get Connected Programme •Sport activities	•As per training plan set by Human Resource •Annually •Annually •Weekly

Stakeholder Group	Area of Interests/ Expectations	Methods of Engagement	Frequency of Engagement
Customers	•Product affordability •Competitive pricing •Product quality •Customer satisfaction •Support service •Complaints resolution	•Customer satisfaction survey •Community events •Project launches •Online platform •Corporate and product brochures	•Project basis •As and when required •Project basis •As and when required •As and when required
Authorities	•Regulatory compliances •Standards and certification •Policy and regulatory changes	•Consultation sessions and conferences •Visit and inspection •ISO 9001 certificate compliance •Meetings and policy briefings	•As and when required •As and when required •As and when required •As and when required
Investors	•Financial performance •Business strategies •Financial stability •Governance	•Progress Report on the Company's Website •AGM/ Shareholder meeting •Annual report •Financial and/or business activities update to stakeholders •Site visit	•As and when required •Annually •Annually •As and when required •As and when required
Vendors/ Suppliers	•Procurement process practice •Supply chain management •Cost reduction/ saving •Payment schedule	•Contract negotiation and interview •Review meeting •Performance appraisal •Safety and Quality briefings	•As and when required •As and when required •Annually •As and when required
Media	•Updates and accessibility •Market presence •Impact of community investment	•Periodic updates on corporate development, key events, press releases and broadcasts •Websites (which contain updated information and contents that are relevant to listed issuer's shareholders) •Engagement activities with media •E-digital – social media outreach (via facebook and instagram)	•As and when required •As and when required •As and when required •As and when required
Local Community	•Economic investments and social impact for local welfare •Community programmes and events for social development	•Corporate Social Responsibility (CSR) programmes •Public events	•As and when required •As and when required

SUSTAINABILITY MATTERS

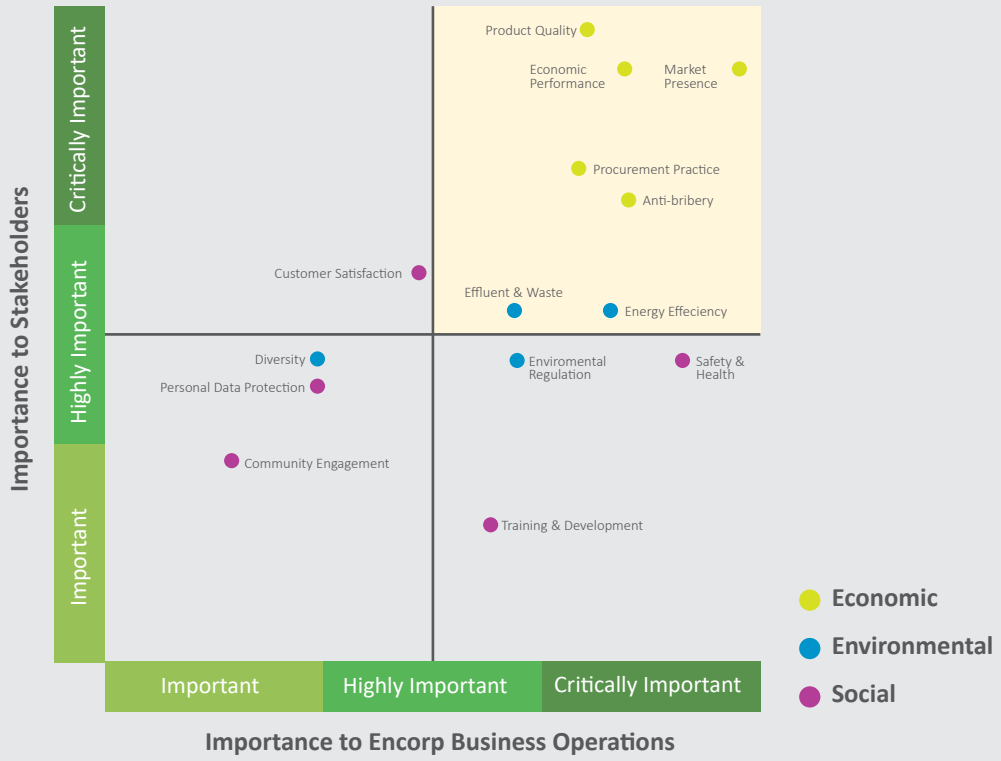
Materiality assessment is an assessment to help define the risk and opportunities that matter most to business and its stakeholders on sustainability. Materiality assessment provides the foundation of our sustainability direction, determining matters that have significant economic, environmental and social (EES) impact on the Company and those that are considered important to our stakeholders. The materiality assessment process is described in the following steps:

01
Identification of material matters relevant to the company's business operations.

02
Ranking survey on importance of materiality sustainability matters to the business and stakeholders.

03
Derive materiality matrix by ranking and weightage of sustainability matters.

For 2019, we have identified 14 sustainability matters that are relevant to our company's business as shown in the Sustainability Matrix below:



	Material Sustainability Matters	Corresponding GRI Aspects	Relevant Stakeholders	SDG
Economic	Economic Performance	Economic Performance	Investors	8 DECENT WORK AND ECONOMIC GROWTH
	Market Presence	Market Presence	Employees	8 DECENT WORK AND ECONOMIC GROWTH
	Procurement Practices	Procurement Practices	Suppliers and Vendors, Regulatory Bodies	8 DECENT WORK AND ECONOMIC GROWTH
	Product Quality	Economic impact	Regulatory Agencies, Customers and Investors	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
	Anti-Bribery	Anti-Corruption	Investors, Regulatory Agencies, Employees and vendors	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Enviromental	Effluent & Waste	Effluent & Waste	Local Communities, Investors and Regulatory Bodies	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
	Environmental Regulation	Compliances	Local Communities, Investors and Regulatory Bodies	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
	Energy Efficiency	Energy	Local communities, investors and Regulatory Bodies	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Social	Diversity and Equal Opportunity	Diversity and Equal Opportunity	Employees, Regulatory Agencies, Suppliers and Contractors	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
	Safety & Health	Occupational Health and Safety	Employees, Regulatory Bodies	3 GOOD HEALTH AND WELL-BEING
	Personal Data Protection	Compliance	Customers, Investors, Suppliers and Vendors	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
	Customer Satisfaction	Socioeconomic compliances	Customers	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
	Training & Development	Training and Education	Employees, Regulatory Agencies	8 DECENT WORK AND ECONOMIC GROWTH
	Community Engagement	Local Communities	Local Communities	11 SUSTAINABLE CITIES AND COMMUNITIES

GOVERNANCE

ETHICS AND INTEGRITY

At Encorp, Management promotes transparency and accountability in all business operations and decision making. As such, Management endorses governance best practices to ensure any misconduct and non-compliance to relevant rules and regulations on anti-bribery and corruption are properly addressed. Several policies have been introduced for the mentioned purpose namely as follows:

01 Code of Conduct and Business Ethics

02 Anti- Bribery and Corruption

03 Whistle Blowing

Talk organised with Institute Integrity Malaysia on 19 June 2019 and 8 August 2019

In addition, Management also conducts awareness sessions to create better understanding among Management and employees on proper business etiquette throughout its business operations and decision making. This also includes invitations to relevant authorities to share experiences and knowledge on the subject matter.

PERSONAL DATA PROTECTION

Privacy and confidentiality of employees' and customers' information are kept and managed in accordance to the requirements of Personal Data Protection Act (2010) pertaining to processing of personal data, purpose of use, disclosure to parties, transfer of personal data, access, correction and acknowledgement for consensual use.

PRODUCT QUALITY

QUALITY MANAGEMENT SYSTEM

Our reputation depends on delivering value in the eyes of every stakeholder. We measure, monitor, analyse and improve productivity, processes and tasks to satisfy our clients and required quality standards. Delivering quality products and services allows us to maintain our reputation and market standing. Quality management is emphasised to ensure that our projects comply with relevant specifications and regulations.

Subcontractors, technical consultants and other building professionals are required to have relevant experience and proven track records. Regular inspections are performed at each construction stage to ensure adherence to the specifications as well as the prescribed procedures and methods.

QLASSIC CIS 7:2014 is a quality standards and assessment system implemented to measure and evaluate the workmanship quality of building construction works based on the Construction Industry Standard. Encorp aims to achieve a minimum Quality Assessment System in Construction (QLASSIC) rating of 75%, subject to the requirements set for Quality Objectives. A Quality Assessment (i.e. Pre-QLASSIC) will be performed from time to time to prepare the projects for the Construction Industry Development Board (CIDB) QLASSIC assessment. On top of that, briefing sessions focused on quality standards and QLASSIC will be conducted periodically to raise awareness on the standards expected from project teams as well as to share best practices. In 2019, we achieved a QLASSIC rating of 71% for our development of Dahlia, Encorp Cahaya Alam project.

Our Certification in Quality Management System ISO 9001:2015

Company	Scope	Awarded
Encorp Berhad	Property development and project management of residential, industrial and commercial buildings	Certified to ISO 9001:2000 on 19 January 2007
Encorp Must Sdn Bhd		Certified to ISO 9001:2008 on 19 January 2010
Must Ehsan Development Sdn Bhd		Certified to ISO 9001:2015 on 24 September 2018
Encorp Facilities Management Sdn Bhd	Facilities Management of residential, industrial and commercial buildings.	Certified to ISO 9001:2015 on 24 September 2018

ISO 9001:2015 Surveillance Audit Result for year 2019

The audit team (SGS Sdn Bhd) conducted a process-based audit focusing on significant aspects/risks/objectives required by the standard(s). A sampling process was used, based on the information available at the time of the audit. The audit methods used were interviews, observation of activities and review of documentation and records.

The audit team concludes that the organisation has established and maintained its management system in line with the requirements of the standard and demonstrated the ability of the system to systematically achieve agreed requirements for products or services within the scope and the organisation's policy and objectives.

Number of non-conformities identified:

0 Major	0 Minor	1 Opportunity for improvement

Therefore, the audit team concluded that based on the results of the said audit, the system had demonstrated the state of development and maturity of a quality management system and the certification shall be continued.

CUSTOMER SATISFACTION

Customer satisfaction is essential to uphold our reputation as a leader in delivering innovative world-class infrastructure and premier lifestyle properties. We strive to deliver innovative designs, high standards of workmanship and value to meet our customers' rising expectations. We conduct customer satisfaction surveys during project handover to gauge our customer satisfaction level and are pleased to report that in FY2019, our customer satisfaction results have surpassed our target for the development project of Dahlia Encorp Cahaya Alam, Shah Alam.

Dahlia Encorp Cahaya Alam Project

Achieved

92%

We are committed in continuously improving our products and services by meeting all applicable standards and regulations.

ECONOMIC PERFORMANCE

Our commitment as well as our aspiration is always to operate to the highest standards of quality and performance, with the support of our capable and credible partners and suppliers. We believe our people are our greatest asset contributing to our economic performance. Therefore, we ensure our employees benefit from our continuous economic performance via provision of employee benefits. Employee benefits are also part of the requirements under the Employment Act 1955 for every applicable employee. We contribute to the Employee Provident Fund (EPF) to support employees build their retirement funds. The table at the side is the total value and percentage (out of our revenue generated) we have committed for our employees retirement plan.

Revenue (RM'000)
RM 165,619

Employee EPF (RM'000)
RM 818

0.49% of Revenue

AFFORDABLE HOUSING

As a responsible master developer, we fully support the Government's agenda for all Malaysians to have decent and comfortable homes. Accordingly, we are developing a number of affordable housing projects in Section 7 Shah Alam, Selangor in the Central region of Malaysia.

Signing of the Development Right Agreement

The Selangor State Government's pledge to provide affordable homeownership was made complete with the signing of the Development Right Agreement between PCSB-MGB Consortium, consisting of PNSB Construction Sdn Bhd and MGB Berhad and Must Ehsan Development Sdn Bhd, which is a joint venture between a wholly-owned subsidiary of Encorp Berhad and Perbadanan Kemajuan Negeri Selangor. Supporting the state government's goal to build 30,000 affordable houses by 2025, the agreement will see PCSB-MGB Consortium and Must Ehsan Development Sdn Bhd jointly develop affordable homes located at Encorp Cahaya Alam, Selangor.

CUSTOMER SATISFACTION

We aim to promote local businesses as far as possible through our procurement activity while ensuring that our suppliers adhere to the same ideals of sustainability that we do. Our focus is on areas such as our suppliers' integrity, their adherence to labour and human rights laws and their health, safety and environment performance. In terms of the environment, we expect our contractors to ensure their work does not directly or indirectly pollute or contaminate the surrounding area. All requirements imposed by the authorities, especially the Environmental Quality Act 1974, must be adhered to.

Type of Vendor	Service
Consultant	• Architect Consultancy Services • Civil Structural (C&S) and Mechanical and Electrical (M&E) • Quantity Surveyor Consultancy Services • Town Planner Consultancy Services
Contractor	• Building Work Contractor • Interior Design Work Contractor
Supplier	• Information Technology (IT) Supplier • Security Service Supplier • Pest Control Supplier • M&E Supplier • Civil Work Supplier • Landscaping, Cleaning, Sound & Lightening Supplier

For FY2019, 100% of the required services were carried out by Malaysian vendors. By supporting them, we play a part in contributing to the domestic economy.

AWARDS AND RECOGNITION

Encorp attracts and retains top talents to ensure excellent products and service delivery. Our employees are the people who lead Encorp's mission of delivering results for our clients and contribute to the Company in gaining various recognitions. On 8 November 2019, we were honoured to receive the Human Resource Asia Best Companies to Work for in Asia 2019 Award by HR Asia. This event handpicks world class corporations with outstanding employee engagement and excellent workplace cultures.

Encorp is also active in participating in sports competitions organised by relevant bodies. Through participation in sports associations, Encorp increased its participation in sustainable society. Encorp won first place at a futsal competition organised by the Malaysian Mall Association on 12 July 2019.

Human Resource Asia Best Companies to Work for in Asia 2019 Award

MONITORING OUR ENVIRONMENTAL FOOTPRINT

MONITORING OUR ENVIRONMENTAL FOOTPRINT

Encorp is dedicated to sustainable development and cognisant that the Company's long-term business success depends upon our stewardship of the environment.

As part of our effort in minimising any adverse environmental impact on the usage of paper and energy conservation, our Information Technology (IT) department has initiated and improved the IT systems as per the table on the next page.

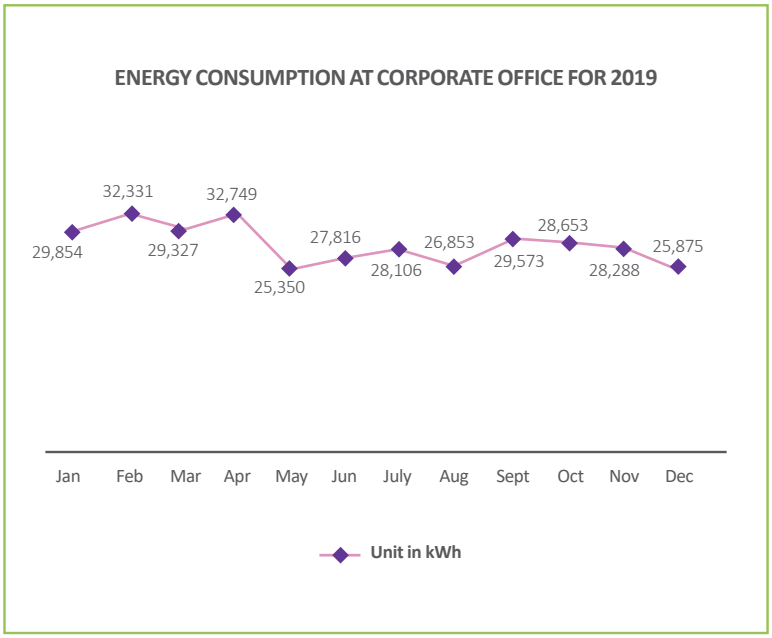
System / Software	Objectives
Business Process Management Softare (BPMS) upgrade	• Use of mobile applications and simplification of processes • Reduction of paper usage for stationary requests, IT requests, exit interviews, maintenance service requests and etc.
Microsoft Office 365	Entranet Applications • Corporate Service communication media for Human Resource, IT, Legal & Corporate Services, Risk & Governance • Upload training material, knowledge sharing, telephone directory, policy, employee handbook, procedure and forms • Utilisation for sales kits and marketing promotion
Online Forms	• Registration for purchaser and potential buyer • Customer Satisfaction Survey form • Employee Satisfaction Survey
Vehicle Reservation	Replace usage of logbook for vehicle booking
Homestay Reservation	Centralise homestay booking by customer and effective/prompt monitoring by Homestay Management team
One Drive Usage	Cloud storage usage for storing/ savings documents and sharing with other users
Migrate antivirus software to Cloud	Save on purchasing additional server or antivirus software and reduce energy
Improve Back-up solution	Reduce risk of missing documents and back up copy
Digital Marketing and surveillance work	• IT platform used to market our product • Drone to map entire development area

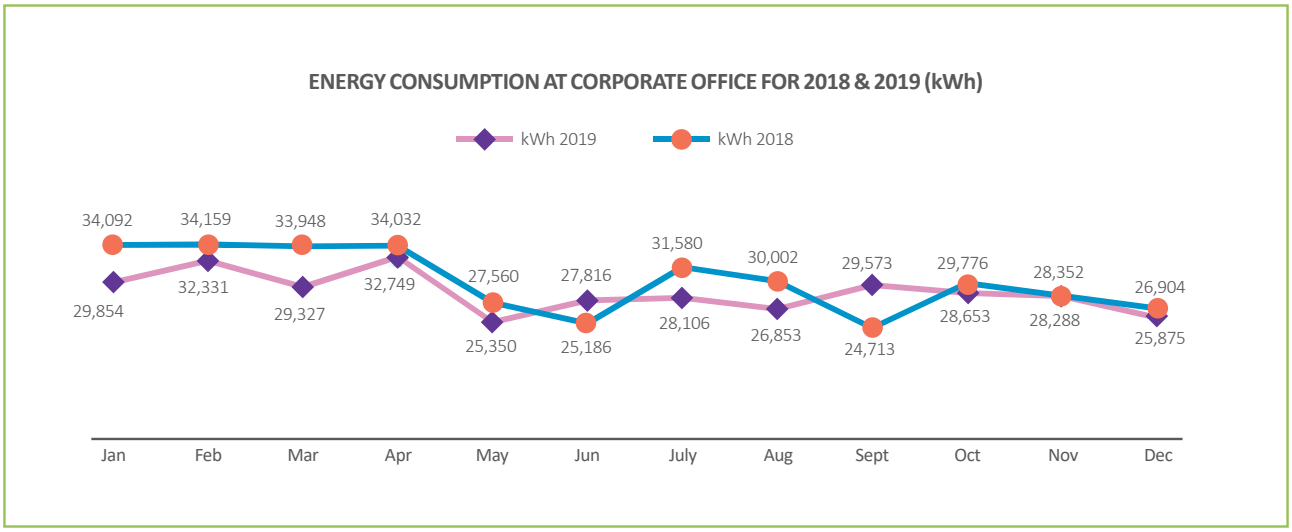
ENERGY EFFICIENCY

In FY2019, to conserve electricity consumption, Encorp initiated a few improvement actions;

- Property Maintenance office provided a routine servicing programme to all air-cond units to ensure smooth operation and reduce energy consumption.
- Increased awareness of all employees on electricity saving through an energy saving campaign.
- Optimising the space used for employees' workstation whilst providing sufficient work area to ensure a comfortable and safe workplace environment.

Our energy consumption recorded a total of 344,775kWh for year 2019, a reduction by 4.5% compared to 360,304kWh for year 2018. The graph on the right illustrates the energy consumption on monthly basis.





EFFLUENT AND WASTE

Waste is produced during construction of our projects as well as once they are completed by the residents or occupants of the buildings. Our goal is to minimise waste generation at both stages and encourage the use of recycling and reusing to minimise the volume of waste going to landfills. We work with our contractors and tenants to achieve the best possible outcomes.

Source of Waste	Type of Waste	
Corporate Office	• General Waste	• Paper Waste
Project Site	• Pre-Construction Phase *Trees of various girth, shrubs, and bushes* 	• Construction Phase *Construction debris, concrete pile and structure and concrete slab*

Our waste management strategy can be summarised as follows:

Designed for Less	Built with Less	Disposing Less
We incorporate waste separation and collection facilities in our developments to make it easier for tenants to recycle their waste. We designed a slip trap to prevent soil from getting discharged into the drains.	We encourage our contractors to minimise the use of wood in construction and recycle waste. Our contractors are required to disclose how much waste they generate and how they dispose of the waste.	We engage with our tenants to segregate all their waste, going beyond regulatory requirements in cultivating a recycling culture in our developments.

COMPLIANCE TO ENVIRONMENTAL REGULATIONS

Encorp is conscious of the environmental impact of its business and operations. All our project sites are therefore governed by stringent policies on environmental protection, including aspects such as waste management. For instance, we conduct routine and scheduled monitoring and inspection of water, and air pollution, as well as record and analyse key parameters to ensure they are within regulatory levels. Besides this, we also abide by the local environmental regulations and compliance requirements.

We take compliance seriously and ensure adherence to all relevant rules and regulations. We adhere to the Environmental Quality Act 1974 (amendment) 1996 and its subsequent Regulations and Orders. Recently, no stop work order or fine has been imposed by authority on our Encorp Cahaya Alam project.

To realise the environmental preservation of the project, Encorp has undertaken the development of a garden and lake landscape for the Dahlia and Clover projects in Encorp Cahaya Alam.

SAFE WORKPLACE

The safety of our employees as well as the employees of our contractors is given utmost priority. To ensure the highest level of safety, we have a Health and Safety Policy which is shared with all our contractors and project managers.

We aim to create an accident-free environment and prevent workplace injuries by creating awareness to improve our employees' knowledge about safety and emergency measures.

Encorp Berhad Safety Statement

Encorp is committed to the practice of inspiring confidence by ensuring the health, safety and wellbeing of its employees and the protection of the environment.

To achieve this goal, Encorp believes in embedding the principles and policies of Occupational Safety, Health and Environment (OSHE) in all our employees and those involved in our daily activities, with a particular focus on leadership by top management.

In this regard, Encorp complies with the provisions of the Occupational Safety and Health Act 1994, its regulations and all approved codes of practice. It does so by:

- Ensuring awareness, accountability, commitment and cooperation among all heads of department and other top management with respect to Occupational Safety and Health and its impact on the performance of the company and employees.
- Identifying any and all hazards in the workplace, whether at the office or at construction sites, assessing and controlling risks to provide a safer working environment for employees and those involved in our activities.
- Periodically reviewing policies, procedures, documentation and training content to ensure effectiveness and to keep up to date with current laws and regulations.
- Setting OSHE targets and objectives and ensuring that these targets are monitored.

Encorp will continue striving towards achieving the highest standards in OSHE through training, commitment, support and supervision to ensure a safe and healthy working environment.

OUR SAFETY PERFORMANCE

In FY2019, we recorded one minor injury within the company.

Type of Stakeholder	Gender	Minor Injuries	Major Injuries	Fatalities	Loss Time Injury
Employees	Male	1	0	0	0
	Female	0	0	0	0

SAFETY OF COMMUNITY

Encorp has enhanced the security features at Dahlia Encorp Cahaya Alam by installing boom gates, a guard house and introducing smart security system application for the benefit of all residents.

OCCUPATIONAL HEALTH AND SAFETY

The health and safety of our employees, contractors, suppliers, customers and surrounding community is fundamental to our success. The Company ensures the best practices for safety and health are integrated into our daily operations and activities. We also strive to provide the best measures and implements to enable our workforce to feel safe and secure in their workplace.

In Occupational Safety, Health and Environmental, we are committed:

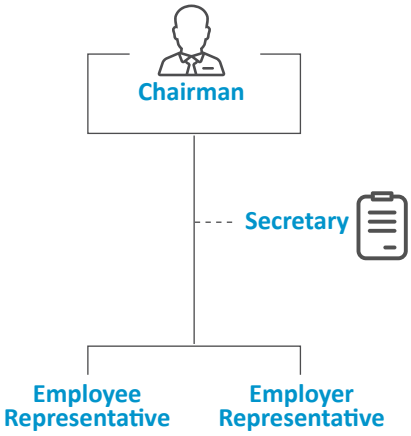
- Protecting the safety and health of all employees and others who related to our business operations;
- Preventing work-related fatalities, disabilities, injuries, ill health, diseases, property damage, environmental damage, near misses; and
- Complying with relevant OSHE national laws, regulations and other legal requirements.

SAFETY & HEALTH COMMITTEE

A safety and health committee is established at all of our operating units to provide an avenue for the Management and workers to meet regularly and collectively improve workplace safety and health. Workers' representatives are elected by the workers themselves and comprise representatives from various sections of the operating unit. Each operational unit's committee is trained annually by the Company's Safety and Health Officer on OSHE related matters and updates.

Safety and Health Committee Responsibilities:

- Assist in the development of health and safety rules and a safe working system;
- Review the effectiveness of safety and health programmes;
- Analyse trends of accidents, near-miss incidents, dangerous occurrences, occupational poisoning and occupational disease occurring at the workplace;
- Report any unsafe or unhealthy work conditions or practices at the workplace to the management together with recommendations for corrective actions;
- Conduct investigations on accidents occurring at the workplace; and
- Promote and conduct OSHE activities such as health and safety campaigns, competitions and promotions.



SAFETY INITIATIVES

Safety Talk by Royal Malaysian Police, IPD Seksyen 11 Shah Alam

Date:
16/11/2019

Purpose:
- Safety Talk by Police officer ASP Aziz to Encorp Cahaya Alam residents during Dahlia Fiesta event.

Emergency Response Team (ERT) Training with Bomba Sungai Buloh

Date:
02 & 05/12/2019

Purpose:
- To understand the roles and responsibilies of ERT members.
- To learn how to properly handle fire fighting appliances (Hose reel, Wet riser, Fire hydrant & Fire Extinguisher).
- Understand the characteristics of fire and the right way to extinguish electrical fire, oil fire, chemical fire and general building fire.
- To learn the proper way to evacuate people to designated assembly areas.
- To learn safe methods to rescue victims.

Emergency Preparedness

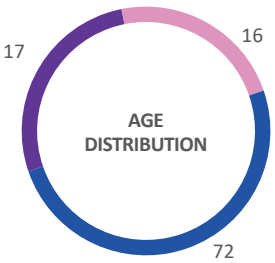
Date:
06/12/2019

Purpose:
- Fire and evacuation drill conducted at least once a year.
- Simulation exercise to test the effectiveness of the Emergency Response Plan.

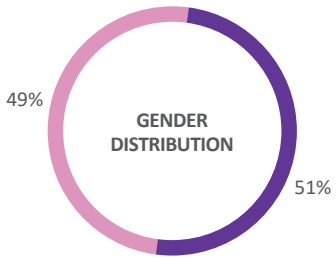
Initiative	Purpose	Date
Plant & machinery inspections	Monthly workplace assessment is conducted following the relevant Regulations/Act: • Machinery: FMA 1967, Part III & V • False Work Safety, Working/Loading Platform,Scaffolding, Public Safety, Electricity Safety, Formwork & False work: FMA (BOWEC), Reg.1986 • Floor Opening, Expose Floor Edge, Working at Height, Access to Workplace, Workers Quarters, Site Cleanliness and Tidiness, Storage of Material, Emergency Response & Preparedness and Personal Protective Equipment & Others: Safety, Health & Welfare, Reg.1970	Monthly
Investigations and Findings of Reported Incidents/Action Taken in Case of Injuries or fatalities	• Incidents are investigated with proper accident and root cause methodology to identify the cause • Mitigation measures and action plans are discussed by the Safety team and presented to the management and committee • Lessons learnt from Lost Time Injury (LTI) incidents, dangerous occurrences and near-miss incidents are shared among employees for continuous improvement	25/02/2019
Lunch talks	• Lunch Talk training with JKJR for road safety awareness • Lunch Talk training with CIDB for site safety awareness	01/08/2019 26/09/2019
Fire Certificate by Bomba	Building Fire Certificate for Encorp Strand Mall (Basement – 7th floor)	28/11/2019

DIVERSITY AND EQUAL OPPORTUNITY

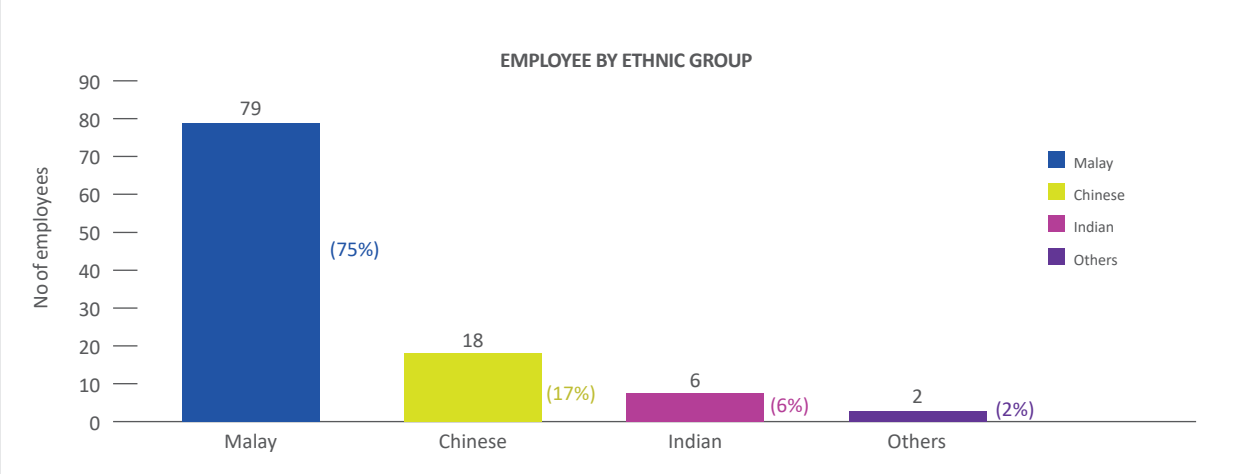
We believe that a diverse workforce enriches our intellectual perspective, bringing together different views for greater creativity, broader-based strategies and more effective decisions. We therefore seek to bring together Malaysians of different ethnic and cultural backgrounds into the Company, while maintaining a good representation of the different age groups as well as balance of the genders. The chart below shows the age and gender distribution at Encorp. We have an experienced team with 69% aged between 30 to 50 years, followed by 16% below 30 years old and 15% in the above 50 years age group. Our gender distribution comprised of 49% female and 51% male, which is equally distributed.

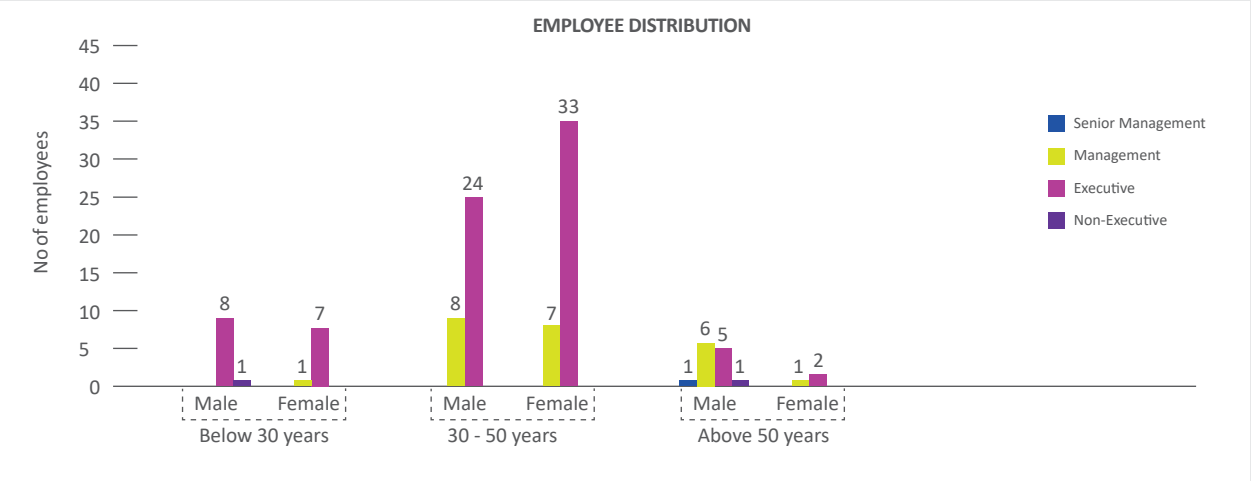


Aged	Total no.
Above 50 yrs	16
30-50 yrs	72
Below 30 yrs	17



Gender	%
Female	49
Male	51





At Encorp, the Company believes that by empowering women, we are able to elevate the Company to greater heights. Therefore we organised multiple events in 2019 specially crafted for our female employees.

- **Encorp International Women's Day Celebration**
  In celebration of and in support of the professional development of female employees.

- **Flexible Working Hours**
  We provide flexible working hours to the women in our workforce to help them in juggling work, family and life related matters. The flexible working hours for our female employees has helped to maintain a progressive and productive work environment.

- **Be hot and Gorgeous**
  This programme is designed to build self-esteem and self-confidence for our female employees through a fun and light programme on grooming and make-up.

EMPLOYEE BENEFITS

Encorp employees enjoy benefits as stipulated in the Employment Act 1955. Encorp is committed to providing competitive pay, comprehensive benefits and a professional working environment that fosters both innovation and rewards performance. Total employee compensation includes several sustainable employment components and is able to build a strong financial future.

Company Leave

Annual Leave
Annual Leave Brought Forward
Medical Leave
Hospitalisation Leave
Prolonged Illness Leave
Maternity Leave
Paternity Leave
Compassionate & Calamity Leave
Marriage Leave
Pilgrimage Leave
Examination Leave
Book Off Leave

Medical - Outpatient Annual Limit (Employee & Dependents)

Employee and Dependents entitlement
Executive Medical Check Up *(Employee Only)*
Dental Treatment *(Employee Only)*

Group Hospitalisation & Surgical

Encorp provides Hospitalisation and Surgical Insurance coverage plan for its employees and eligible dependents to seek medical consultation, treatment and prescribed medicines.

Employees' Insurance Scheme

All employees of Encorp shall be insured under insurance scheme:

- Group Term Life Insurance scheme
- Group Personal Accident Insurance scheme

Allowances

Allowances will be given to employees with specific duties:

Mobile phone

Overtime meal

Shift

Laundry

Car

Acting capacity responsibilities

Extra responsibility

Relocation

Housing

Site

Winter clothing

Business Travel

Employees who are authorised to travel on official company business are entitled to:

- Mileage claim
- Accommodation and lodging
- Subsistence allowance
- Relevant miscellaneous travel expenses

Club Membership Fee

For certain positions.

Professional Association Membership

Encorp will reimburse the annual subscription fee for approved Professional Membership.

Employee Welfare

Employees are entitled to receive tokens in the form of cash or gifts as seen fit by the company:

- Birth of child
- Death of immediate family member (spouse, children, parents)

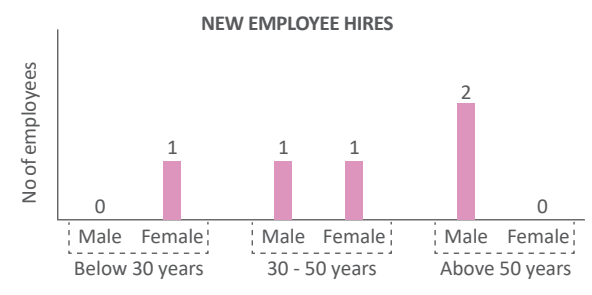
Entertainment (for certain positions)

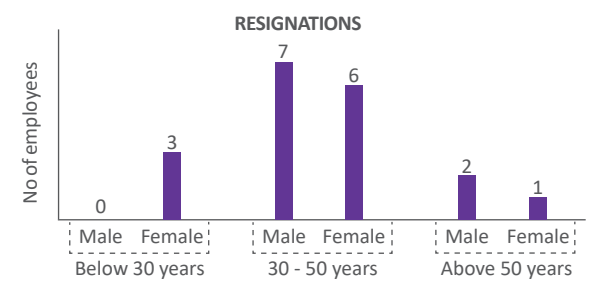
Entertainment expenses for meal and non-meal related activities, with business associates, clients or prospective clients.

EMPLOYEE HIRES AND TURNOVER

Encorp talents are our most important assets as their level of engagement and productivity are key to the Company's overall performance in delivering quality work and innovative solutions. We place great importance in providing a work environment that inspires our people and allows them to realise their true potential. This is achieved through effective Human Resources (HR) policies and procedures.

Our new employee hires and resignations from January 2019 to December 2019 are shown in the graphs below, with our employee turnover rate of 18.7%.

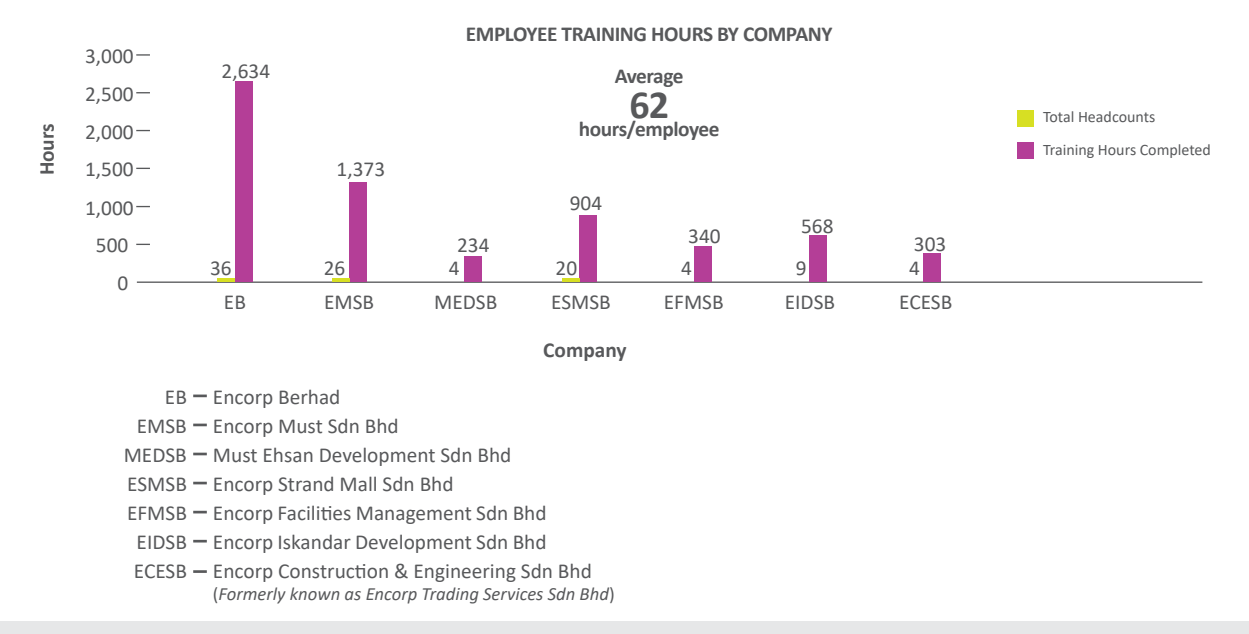


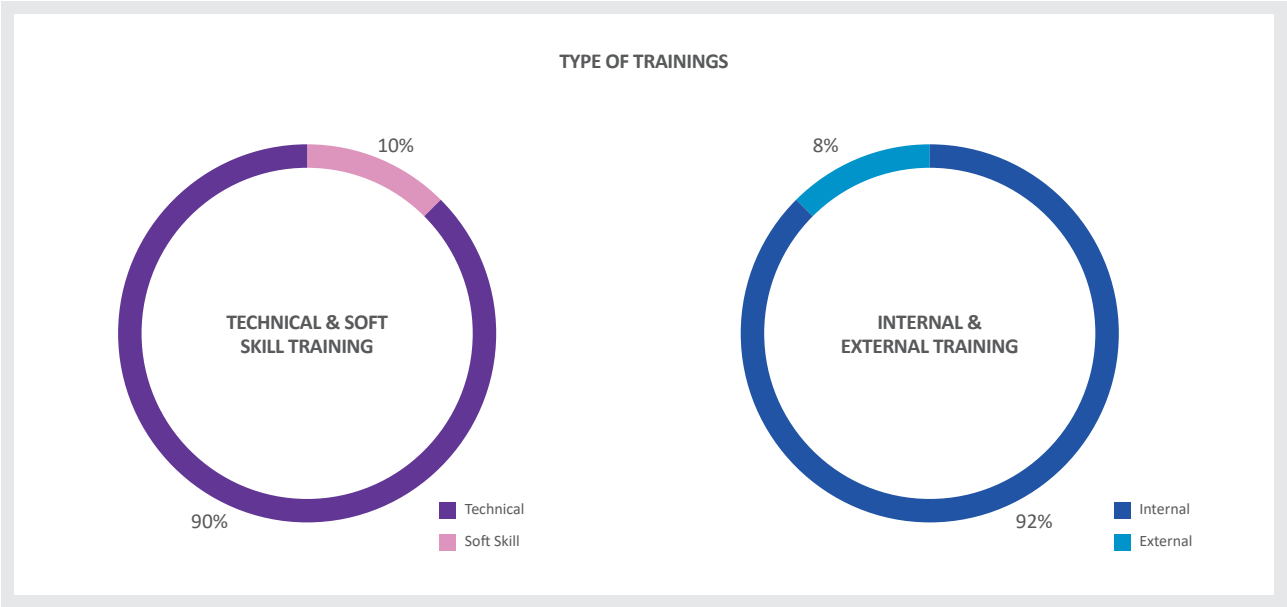


LEARNING AND DEVELOPMENT

Encorp employees are given ample opportunities for career development, as reflected by the Company's emphasis on knowledge acquisition and skills development through training. During the year under review, we invested in various training programmes in order to enhance our employees' abilities and capabilities to cope with the rapid changes and new trends surfacing at both domestic and international levels.

2019 Training Programme breakdown:





ENRICHING OUR COMMUNITY

Our vision is to usher in a new age of cooperation, collaboration and sustainability. We do this by demonstrating what's possible, open sourcing and making modular affordable enough and attractive enough so that positive and sustainable worldchange will spread on its own. Our businesses, facilities and employee-led groups support civic and non-profit organisations in local communities.

We are strengthening economic and community development and driving lasting impact through employee engagement. Therefore, we are giving back to our communities and promoting corporate social responsibility (CSR). We will keep striving in contributing to the development of our society. At Encorp we play an active role in CSR programmes organised for our internal community which is our employees and for our external community which is our local community.

EMPLOYEE ENGAGEMENT

The following are highlights of our employee engagement activities in FY2019:

Event	Date	Category	Description
Futsal with Encorp Family Members	Monthly	Sports	To encourage healthy living through sports and in particular futsal.
Gym - Let's Groove Classes	Monthly (3 – 7 classes)	Sports	To promote a balanced life style with healthy activity.
Football with Encorp Family Members	Monthly	Sports	To encourage healthy living through sports and in particular football.
PPK Futsal Tournament	July	Sports	To send representatives to represent Encorp in the tournament organised by Malaysia Shopping Malls Association (PPK).

Event	Date	Category	Description
REHDA Selangor Bowling Tournament 2019	March	Sports	Encorp bowling team represents company at the tournament.
Bowling Tournament	October	Sports	An annual bowling event to foster better relationships among employee.
Battle of The Voice - Go On, Express Yourself (Karaoke Session)	Quarterly	Motivational booster	For employees to get to know each other and build relationships.
Motivation Booster: Motivational Cards!	April	Motivational booster	Distribution of Motivational Cards to all employees.
Zumba with employees	August	Motivational booster	To provide a good bonding session as well as to promote healthy lifestyles.
Encorp Movie Day Out - Fast & Furious	August	Motivational booster	A movie day out for the employees.
Encorp Team Building	September	Motivational booster / Engagement	Focussed on: • Behaviours and their effect on the workplace • Helping employees learn how to work with each other and get along well • Building skills like communication, planning, problem-solving and conflict resolution.
Chinese New Year (CNY) Lunch Treat	February	Corporate /Festive Engagement	To continue the tradition of organising a CNY treat for all employees.
Iftar with Chairman & Board Members	May	Corporate /Festive Engagement	Iftar treat as part of an employee engagement activity during the month of Ramadhan.
Duit Raya Distribution	July	Corporate /Festive Engagement	As part of efforts to foster closer relationship.
Deepavali - Lunch Treat	November	Corporate /Festive Engagement	To bring in the festive spirit by gathering all employees and Management for a lunch session.
Christmas - Festival Gift	December	Corporate /Festive Engagement	As part of efforts to foster closer relationships.

In addition, to encourage employees to instil in their children the aspiration to acquire knowledge, we also award five children of our employees who achieved excellent academic performance. The employees' children who excelled in major public examinations like the Primary School Achievement Test (UPSR), Matriculation and Degree received cash awards.

Bowling Tournament held on 14 October 2019

Chinese New Year Celebration held on 18 February 2019

Iftar with Chairman and Board Members held on 29 May 2019

Encorp Team Building held on 29 September 2019

LOCAL COMMUNITY ENGAGEMENT

Encorp is also committed to contribute to the society by assisting the less fortunate groups. In FY2019, we collectively donated about 455 hours of service from 103 Encorp volunteers, an average of 4.5 hours per employee, to local communities. The activities organised are highlighted below:

Encorp Project Indigenous
27 February 2019

Encorp volunteers worked together with Sekolah Gombak Kebangsaan Utara and Jabatan Kemajuan Orang Asli for a fun-filled programme with 120 Orang Asli children from the community of Bukit Kala Batu 12, Gombak. Determined to improve the lives of the community especially on education, Encorp sponsored five Primary 6 students for their Yearly Additional Supplementary Class Fees and assisted 18 families with the Parent-Teacher Association yearly fees. The sponsorship of RM2,350 was presented to Encik Abdul Malek bin Mohamed, Head Master of Sekolah Kebangsaan Gombak Utara.

Encorp's Day Out, Let's Go Back To Nature
26 October 2019

Encorp gave an educational experience to 30 underprivileged children from Zomi Education Center of Kota Damansara, to be up close and personal with the animals at the Farm in the City petting zoo in Seri Kembangan. It was the first time experience for these children to learn, explore and interact with the farm animals. Encorp employees were dedicated to guiding, accompanying and bringing smiles to the children throughout the whole event.

Don't Paint the Town Red and Respect the Road
1 November 2019

Advocating road safety to the primary school students of Sekolah Kebangsaan Seksyen 6, Kota Damansara, Encorp organised an awareness programme with the collaboration of the Malaysian Institute of Road Safety Research (MIROS). The programme is geared towards inculcating good road habits as a pedestrian and cyclist. Apart from a road safety talk by MIROS supplemented a flyer on road safety tips, Encorp volunteers also painted a section of the school wall with an educational and fun visual on road safety.

Blood Donation, Encorp Strand Mall
3 November 2019

In collaboration with Encorp Strand Mall and the National Blood Centre (PDN), Encorp employees donated their blood on a voluntary unpaid basis as an act of kindness to give life and hope to people in need. Held at Encorp Strand Mall, the blood centre collected blood units from 22 Encorp employees.

Provide Better Healthcare for the Underprivileged Children of Kota Damansara
29 November 2019

Encorp created a day for the underprivileged children of Kota Damansara to receive free medical consultation on eye, posture and body mass index during the Kesihatan Keluarga – Sayangi Anak OKU Carnival at Encorp Strand Mall. The activity aimed to improve wellbeing as well as create prevention and social awareness on general healthcare within the Kota Damansara community.

CONCLUSION

To ensure that we remain sustainable in the industry and are constantly improving our performance, we aim to focus more on improving the economy, environmental and social impact and opportunities that arise from our business operations. We will also take the initiative to reduce the risks inherent in our efforts to move forward. In addition, we aim to enhance our initiatives in incorporating sustainable development practices into all of our projects. At Encorp, we will continue to contribute to the well-being of our employees and the local community.

SECTION 06

IN FOCUS

77 2019 Highlights
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85 Group Financial Highlights
87 Share Performance

2019 HIGHLIGHTS

February

6 February 2019

Corporate

Encorp celebrates Chinese New Year with the customers of Encorp Strand Mall

March

8 March 2019

Corporate

Encorp Marina Puteri Harbour First Annual General Meeting

April

27 April 2019

Corporate Social Responsibility

Encorp Project Indigenous with 120 Orang Asli children from the community of Bukit Kala Batu 12, Gombak

May

29 May 2019

Corporate

Encorp's 19th Annual General Meeting

29 May 2019

Corporate Social Responsibility

Majlis Iftar with the underprivileged children of Pertubuhan Kanak-Kanak Insan Istimewa Cemerlang, Sg Buaya, Rawang

June

18 June 2019
Corporate

PCSB-MGB Consortium signs pact with Must Ehsan Development Sdn Bhd for Rumah Idaman Affordable homes

22 June 2019
Corporate

Launch of 143 double storey link homes, Clover, Encorp Cahaya Alam

July

1 July 2019
Corporate

Jamuan Aidilfitri Encorp Berhad 2019

October

1 October 2019
Corporate

Vacant Possession of 171 double storey link homes, Dahlia, Encorp Cahaya Alam, 3 months ahead of schedule

October

26 October 2019
Corporate Social Responsibility

Encorp's Day Out: Let's Go Back To Nature with underprivileged children from Zomi Education Center of Kota Damansara

November

1 November 2019

Corporate Social Responsibility

Don't Paint The Town Red and Respect The Road with primary school students of Sekolah Kebangsaan Seksyen 6, Kota Damansara

3 November 2019

Corporate Social Responsibility

Blood Donation Drive with Encorp employees

8 November 2019

Corporate

Winner of HR Asia Best Companies To Work For in 2019 at the HR Asia Awards

16 November 2019

Corporate

Appreciation event for the 171 Home Owners of Dahlia, Encorp Cahaya Alam, who just received Vacant Possession

29 November 2019

Corporate Social Responsibility

Provide Better Healthcare for the underprivileged children of Kota Damansara

December

6 December 2019

Corporate

Fire Drill conducted at Encorp Corporate Office

ENCORP IN THE NEWS

01

NEWS (/NEWS)BUSINESS (/BUSINESS)LIFESTYLE (/LIFESTYLE)SPORTS (/SPORTS)WORLD (/WORLD)OPINION

Home (https://www.nst.com.my) › Property (https://www.nst.com.my/property)

5 minute read

Puteri Harbour: A potential gem in the south

January 4, 2019 @ 11:53am

PUTERI Harbour in Iskandar Puteri could be the future for Johor but it requires good management to progress, said Zelin Properties chief executive officer Previndran Singhe.

"Puteri Harbour is a town that lacks vital management. It is well-planned and well-designed, and I think it will be the future for Johor. But for the town to succeed there must be proper public policies in place," he told NST Property.

Previndran said the first thing stakeholders need to do is create a good business environment.

Secondly, there must be improvement of the infrastructure.

"Puteri Harbour has the infrastructure but they also need to provide things like free WiFi.

They have to make sure the Internet is stable.

"Thirdly, the stakeholders should give grants for human capital. Currently, (in Malaysia) one per cent of gross domestic product is spent on research and development. In South Korea, it is 4.5 per cent while in Organisation for Economic Cooperation and Development countries, it is 2.5 per cent.

"Fourthly, there should be repetition. You want people to come and live there so there must be something that will attract them."

Puteri Harbour is an integrated waterfront development overlooking the Straits of Johor.

Modelled after international waterfront enclaves like Sentosa Cove and Monaco, Puteri Harbour comprises residential and retail options.

With a completed public marina, Puteri Harbour is the only location in Iskandar Demand for residential properties has improved over the years.

Projects launched in 2012 and 2013 such as Imperia, Somerset Serviced Apartments, Encorp Marina and Teega are almost sold out.

In 2014, UEM Sunrise launched Almas, a mixed development comprising a 42-storey residential tower, a 42-storey residential suites, a 28-storey office tower and a five-storey retail/shop offices. This project has a gross development value (GDV) of RM1.6 billion.

In the following year, the company launched Estuari featuring superlinks, twin villas, villas and condominiums with total GDV of RM6.52 billion.

Teega is the most prominent structure in Puteri Harbour. It comprises a 35-storey condominium, a 35-storey serviced apartment block and a 25-storey office tower, including retail, with total GDV of RM1.4 billion.

"For Puteri Harbour, the stakeholders need to show quality of life, safety, good social economic and environment practices as well as adequate transportation," said Previndran.

UEM Sunrise managing director and chief executive officer Anwar Syahrin Abdul Ajib told NST Property there is great potential in Puteri Harbour despite the soft market.

He said there is interest but people are adopting a wait-and-see approach.

02

STARBIZ, WEDNESDAY 27 FEBRUARY 2019 — News 5

CORPORATE RESULTS

Encorp

	Q4'17	Q4'18
Revenue (RM bil)	47.80	**101.22**
Pre-tax profit (RM mil)	-30.73	**-5.19**
Net profit (RM mil)	-27.13	**-9.11**
EPS (sen)	-9.57	**-3.10**
Dividend (sen)	0.00	**0.00**

03

STARBIZ, THURSDAY 2 MAY 2019

Encorp to bank on property development projects on Felda land

PETALING JAYA: Encorp Bhd, which is owned by Felda Investment Corp (FIC), will drive its revenue growth by looking into property development projects on Felda's landbank in strategic locations throughout the country.

FIC holds a 64.38% stake in Encorp.

In its 2018 annual report, Encorp said it would be capitalising on its existing property portfolio.

"We will drive future growth by leveraging on our relationship with landowners to access their landbanks in strategic locations with a view of identifying partnerships, as well as exploring with our holding company, Felda, to build a pipeline of property development projects," it added.

Felda had acquired a 49.5% stake in Encorp for RM239.72mil or RM1.55 per share in 2014.

Felda and FIC ended up with 72.27% in Encorp after forking out RM306.11mil.

Encorp, which has been suffering losses in the last two quarters, aimed to return to the black by embarking on a transformation programme.

In the fourth quarter of the last financial year, Encorp's losses narrowed to RM9.11mil from RM27.13mil in the corresponding quarter previously.

Although the company did not declare any dividends for the financial year ended Dec 31, 2018 (FY18), it planned to do so in the near future.

Encorp's focus is on growing revenue from its existing property portfolio in Shah Alam.

"Within our existing property portfolio, our focus is on launching new properties in Encorp Cahaya Alam, namely Clover and Lily," it said.

On its Bukit Katil Township in Melaka, the property developer said it would finalise the development strategy and master plan to boost returns.

In FY18, Encorp obtained the planning permission for the Bukit Katil development.

Going forward, Encorp said the company is committed to its turnaround journey by prioritising revenue growth and enhancing operational efficiencies to drive its business goals in the long-term.

"Underscoring all our future efforts is our unrelenting commitment to offer innovative products to drive Encorp's value proposition in the market place, and ensure strong customer relationships," the company added.

For FY19, the company is cautiously optimistic about generating medium-term profitability through the strategic plan of revenue growth and enhancing operational efficiencies.

"Despite the challenging market environment expected for the year ahead, we remain cautiously optimistic that our focused efforts would result in the successful completion of our turnaround journey.

"We are also setting in place a strong foundation to ensure our sustainable long-term business growth.

"We will maintain a sharp focus on our revenue growth strategy, while improving our operational efficiency within our optimised business model," the company pointed out.

04

PCSB–MGB Consortium, Must Ehsan and PKNS to develop affordable homes

PCSB-MGB Consortium, Must Ehsan Development Sdn Bhd and Perbadanan Kemajuan Negeri Selangor (PKNS) signed an agreement on June 18 to develop Rumah Mampan homes at Encorp Cahaya Alam in Shah Alam, Selangor.

Also known as Mampan Cahaya, the project is the latest affordable housing initiative introduced by Menteri Besar Selangor Inc (MBI). It is aimed at helping the Bell group in Selangor own a home.

"Owning a home can be beyond many households' reach. With this in mind, the Selangor government is taking various steps to make housing more accessible," Selangor Menteri Besar Amirudin Shari said at the agreement signing ceremony.

The guests of honour included Economic Affairs Minister Datuk Seri Mohamed Azmin Ali and Housing and Local Government Minister Zuraida Kamaruddin, also present were Permodalan Negeri Selangor Bhd (PNS) Datuk Seri Ahmad Ceme, MBI group chief operating officer Soffian Affendi Amirudin, Must Ehsan Development chairman Datuk Jaafar Abu Bakar, PKNS CEO Datuk Mohd Azmi Mohd Zain and UBI Bina Group and MGB Bhd group managing director Tan Sri Lim Hock San.

"With Rumah Mampan, we will be able to offer more quality affordable housing options to lower and middle income families in Selangor," said Amirudin.

Occupying 16.18 acres, Phase 1 of Rumah Mampan — which is will be launched in the second half of this year — will comprise 1,800 apartments. With an estimated gross development value of RM400 million, this phase is scheduled for completion in 2023.

Each unit will have three bedrooms and two bathrooms, with a built-up of 1,001 sq ft.

Priced at RM250,000, the apartments will come with a television set and cabinet, kitchen cabinets, refrigerator, air conditioners, wardrobe and water heaters. Each unit will be allocated two parking bays.

Buyers must be Malaysians, aged 18 years and above, have a household income of less than RM10,000 a month and must be registered with Lembaga Perumahan dan Hartanah Selangor. Selangor residents will be given priority to own these homes.

A total of 500 units will be reserved for Federal Land Development Authority settlers.

Lim said the development of affordable housing will help build sustainable communities and provide a comfortable living environment for its residents.

The first Rumah Mampan project — Idaman Aisyah in Bandar Teknologi Kajang — was launched in April.

01 | New Straits Times - 4 January 2019

02 | The Star - 27 February 2019

03 | The Star - 2 May 2019

04 | The Edge - 18 June 2019

05

PROPERTY /News

CARAYA ALAM TOWNSHIP

Encorp: Full completion by 2023

A Clover show unit.

07

thesundaily

LOCAL WORLD BUSINESS SPORT LIFESTYLE SPOTLIGHT OPINION GEAR UP!

Encorp seeking over RM25m from contractor for project delay

06 NOV 2019 / 20:20 H.

PETALING JAYA: Encorp Iskandar Development Sdn Bhd, a unit of Encorp Bhd, has served a notice of arbitration dated Nov 6, on Konsortium Ipmines Merz Sdn Bhd in respect of Konsortium Ipmines' delay to complete a project.

06

New Straits Times • THURSDAY, JULY 4, 2019

30 PROPERTY /News

SALE PLAN

Encorp receives many enquiries on Strand Mall

Encorp Bhd chairman Hussein Ismail says the developer is planning to rebrand Strand Mall to conceptualising it as a medical, wellness and lifestyle hub. ENCORP PIC

Strand Mall may be worth more than RM320 million. ENCORP PIC

05 | New Straits Times - 27 June 2019

06 | New Straits Times - 4 July 2019

07 | The Sun Daily - 6 November 2019

RECOGNITION OF A GROWING ENCORP

2019

Winner of HR Asia:
Best Companies to Work for in Asia Awards 2019

2018

Winner of HR Asia:
Best Companies to Work for in Asia Awards 2018

Winner of Employer of Choice Award (Silver) Private Sector, Malaysia International HR Awards 2018

2017

Winner of Best Investor Relations Company, 7th Asian Excellence Recognition Awards 2017

Winner of HR Asia:
Best Companies to Work for in Asia Awards 2017

Winner of Employer of Choice Award (Silver), Malaysia HR Awards 2017

Winner of Property Development (CSR), Malaysia Social Media Week Awards 2017

Winner of Property Development, Selangor Business Excellence Awards 2017

2016

Winner of Jury for Encorp Strand Mall, Universal Design Award 2016

Finalist Winner of Best Mixed Development for Encorp Strand, iProperty.com People's Choice Awards 2016

2015

Winner of Construction Industry Development Board's Qlassic Award

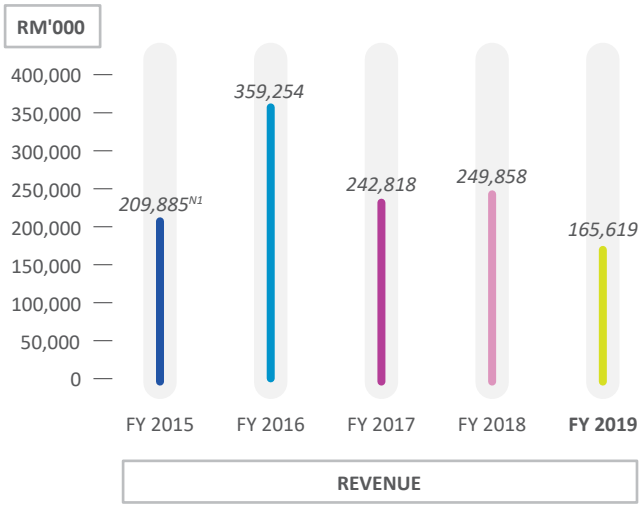
- Best Quality Assessment System in Construction (Qlassic) Achievement - Encorp Cahaya Alam Frangipani Phase 1
- High Quality Assessment System in Construction (Qlassic) Achievement - Encorp Cahaya Alam Frangipani Phase 1 & 2

National Record Holder for Human Achievement of Most Variety of Breakfast Dishes Served in a Single Event, Malaysia Book of Records 2015

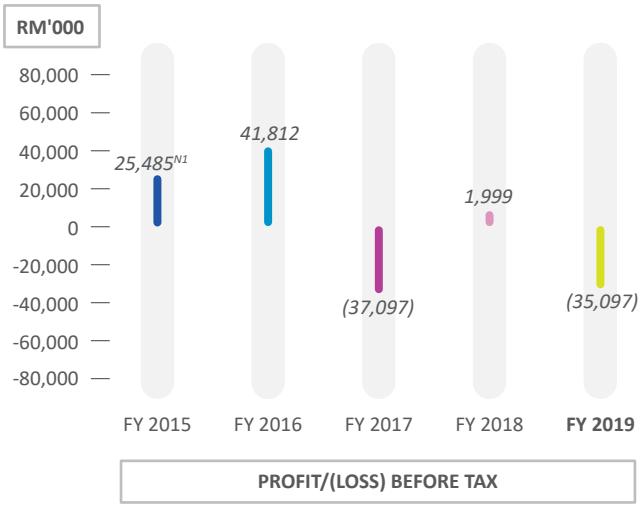
Winner of Malaysia HR Awards 2015

- Employer of Choice Award (Silver)
- HR Leader of the Year Award (Bronze)

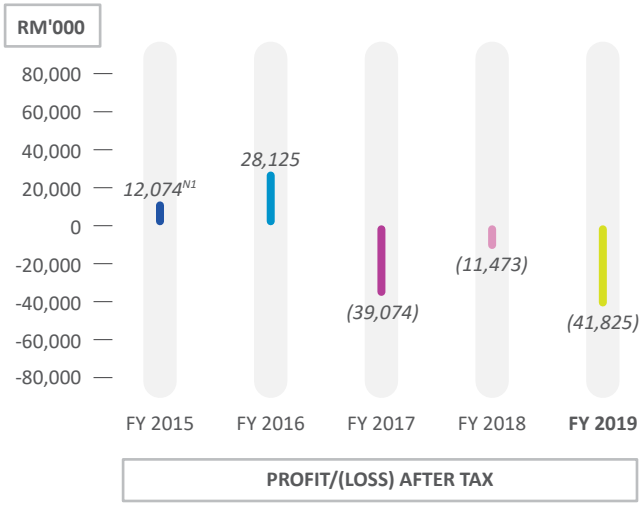
GROUP FINANCIAL HIGHLIGHTS



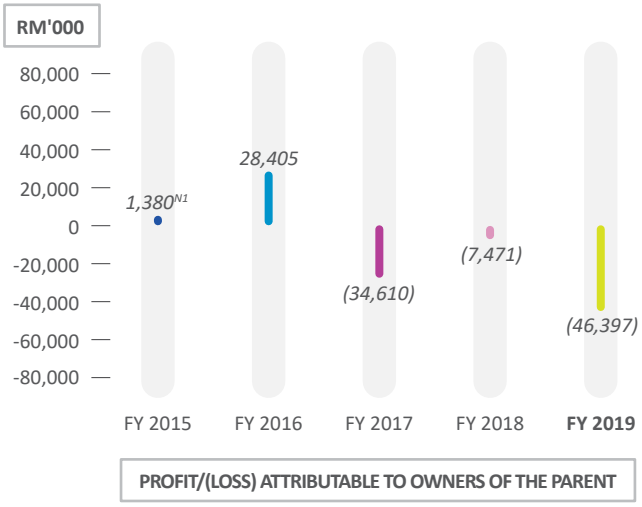
REVENUE



PROFIT/(LOSS) BEFORE TAX



PROFIT/(LOSS) AFTER TAX



PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT

N1 The financial year results exclude the results from discontinued operations.

N2 There is no margin available due to the loss position for that year.

N3 The results are attributable to owners of the parent.

N4 The net gearing ratio is calculated using the loans and borrowing amount plus trade payables however excluding the Sukuk Murabahah, cash and bank balances, fixed deposits and investment securities. The Sukuk Murabahah has been excluded as the Sukuk is secured by the assignment of the contract Concession Payments and the Project Escrow Account and the Sukuk does not have any financial recourse to the Group.

N5 Includes property development cost.

FINANCIAL RATIOS	2019	2018	2017	2016	2015
Profit before tax margin (%)	N2	0.8%	N2	11.6%	12.1% N1
Basic (loss)/earnings per share (sen)	(15.16)	(2.54)	(12.23)	10.19	0.50 N1
Closing share price as at end of year (RM)	0.31	0.43	0.65	0.60	0.80
Price-earning ratio (times)	(0.02)	(0.17)	(0.05)	0.06	1.61 N1
Return on capital employed (ROCE)	0.06	0.06	0.04	0.08	0.09 N1
Return on equity (ROE) N3	(0.13)	(0.02)	(0.09)	0.07	0.003 N1
Net gearing ratio (%) N4	57%	55%	53%	53%	34%
Net assets per share (RM) N3	1.13	1.32	1.34	1.50	1.42
Shares ('000)	306,474	293,952	293,952	278,648	278,645

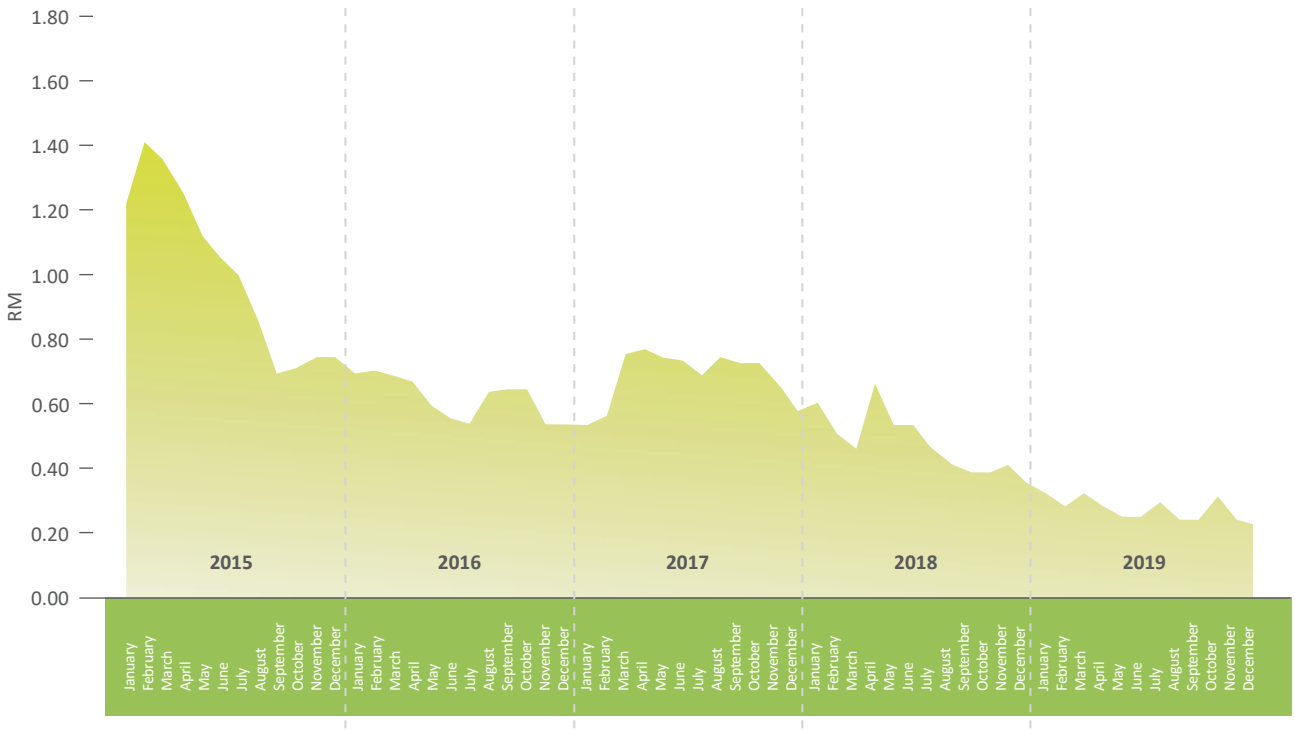
KEY BALANCE SHEET DATA	2019 RM'000	2018 RM'000	2017 RM'000	2016 RM'000	2015 RM'000
Property, plant and equipment	5,298	5,623	6,258	6,878	7,536
Investment properties	303,050	303,620	314,740	325,130	324,860
Land held for property development	501,581	511,739	404,814	293,836	93,028
Trade and other receivables	807,763	906,193	906,851	1,001,179	1,012,666
Inventories N5	148,122	157,417	266,211	342,507	143,084
Cash & cash equivalents and Investment Security	173,369	179,858	145,761	180,967	127,651
Other assets	29,465	44,259	97,260	74,524	151,899
Assets of disposal group classified as held for sale	-	100	97	23,087	28,224
Right-of-use asset	21,056	-	-	-	-
Total Assets	**1,989,704**	**2,108,809**	**2,141,992**	**2,248,108**	**1,888,948**
Loans and borrowings	93,041	136,571	122,940	213,823	243,602
Sukuk Murabahah	785,021	841,275	895,984	944,841	987,275
Trade and other payables	633,292	626,364	572,145	543,711	153,327
Other liabilities	23,121	33,094	70,096	35,255	17,995
Liabilities of disposal group classified as held for sale	-	950	945	934	1,251
Lease liabilities	22,005	-	-	-	-
Total Liabilities	**1,556,480**	**1,638,254**	**1,662,110**	**1,738,564**	**1,403,450**
Total Equity	433,224	470,555	479,882	509,544	485,498
Non-controlling interest	87,335	82,343	86,345	90,809	91,142
Shareholders' equity N3	345,889	388,212	393,537	418,735	394,356

SHARE PERFORMANCE

Stock Exchange	Stock Name	Stock Code
Bursa Malaysia Securities Berhad	ENCORP	6076

During the year	2015	2016	2017	2018	2019
Highest (RM)	1.52	0.90	0.92	0.83	0.45
Lowest (RM)	0.72	0.57	0.57	0.35	0.27

Share Price (Bursa Malaysia)
Based on month-end closing price



Encorp Strand Mall, Kota Damansara

SECTION 07

CORPORATE GOVERNANCE

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102 Audit, Risk and Governance Committee Report
109 Statement on Risk Management & Internal Control
117 Statement of Directors' Responsibility

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("the Board") reaffirms its commitment to and supports the best practices of the Malaysian Code on Corporate Governance ("the Code") which sets out broad principles, intended outcome and guidance to promote and cultivate a strong culture of good corporate governance for listed companies.

The Board strives to ensure that the highest standards of corporate governance are practiced to protect and enhance shareholders' value.

During the financial year ended 31 December 2019, the Board continued to adhere to the principles and recommendations of the Code. The Board is pleased to report to the shareholders on how the Company has applied each Practice as set out in the Code in the Corporate Governance Overview Statement below, along with certain departures from the Code. For full details in relation to the compliance and/or departure from each Practice set out in the Code during the financial year ended 31 December 2019, please refer to the Corporate Governance Report 2019 on the Company's website at www.encorp.com.my.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I. Board Responsibilities

In line with the Code, the Board has adopted a Board Charter which was last reviewed on 26 February 2019. The Board Charter primarily sets out the Board's strategic intent and outlines the Board's roles and responsibilities, to ensure that all Board members are aware of their fiduciary duties and responsibilities, legislations and regulations affecting their conduct. The Board Charter aims to promote highest standards of corporate governance within the Group, so that the interests of the shareholders, customers and other stakeholders are safeguarded.

The Board had on 31 July 2019 adopted and implemented a Code of Conduct and Business Ethics to provide guidance and set common ethical standards to promote consistency in behavior across the Group. It includes, amongst others, guidance on health and safety, disclosure of conflict of interest, maintaining confidentiality and gift and business courtesies. The Directors, management and employees are expected to behave ethically and professionally at all times and protect the reputation of the Company. The Group communicates its Code of Conduct and Business Ethics to all Directors, management and employees.

More information on the Board Charter and the Code of Conduct and Business Ethics can be found on the Company's website at www.encorp.com.my.

The Board has the following principal responsibilities, which facilitate the discharge of the Board's stewardship in the pursuit of the best interest of the Company:

- Reviewing, approving and monitoring the implementation of business plan and overall strategic directions;
- Overseeing the conduct of the Company's business to evaluate whether the business is being properly managed and ensures that measures are in place against which Management's performance can be assessed;
- Identifying principal risks and ensuring the implementation of appropriate systems to manage and mitigate these risks;
- Succession planning, includes appointment, training, fixing compensation of and where appropriate, replacing key management;
- Developing and implementing an investor relations programme or shareholders' communications policy for the Company and encouraging the use of information technology for effective dissemination of information;
- Reviewing the adequacy and integrity of the Company's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines; and
- Ensuring that the Company has appropriate corporate governance structures in place including standards of ethical behavior and promoting a culture of corporate responsibility.

Board Balance

During the financial year ended 31 December 2019, the role of the Chairman and the Executive Committee ("EXCO") are distinct and separate to ensure that there is a balance of power and authority. The Chairman is responsible for the leadership, effectiveness, conduct and governance of the Board while the EXCO takes care of the business continuity of Encorp Group in the absence of key management personnel. The EXCO acts as a conduit between the Board and the Management in ensuring the success of the Company's governance and management functions. Currently, the EXCO consists of three (3) members as set out on page 29. The Chairman of the Board is also chairing the EXCO, however, he and other EXCO members have not been accorded with employment salaries and do not involve in the business and day-to-day management of the Company. Any decisions by EXCO shall be made by majority EXCO members present prior to the recommendation to the Board and the Chairman of EXCO does not have casting vote.

Role of Company Secretary

The Board is supported by a suitably qualified and competent company secretary that has legal qualifications, and is qualified to act as company secretary under Section 235(2) of the Companies Act 2016. The Company Secretary provides support to the Board in fulfilling its fiduciary duties and leadership role in shaping the Corporate Governance of the Company. In this respect, Company Secretary plays an advisory role to the Board, particularly with regard to the Company's constitution, Board policies and procedures, and its compliance with regulatory requirements, codes, guidance and legislation for the affairs of the Board.

Company Secretary has attended trainings and seminars conducted by the Companies Commission of Malaysia and Bursa Malaysia Securities Berhad ("Bursa Securities") to keep abreast with the relevant updates on statutory and regulatory requirements such as updates on the Main Market Listing Requirements of Bursa Securities, compliance with the Capital Markets and Services Act 2007, Companies Act 2016 and to ensure the Company's adherence to the Code. Therefore, the Board are regularly updated and advised by the Company Secretary on new statutory and regulatory requirements.

Board meetings

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

During the financial year under review, ten (10) Board meetings were held. The summary of attendance of the Board is as follows:

Name of Director	No. of Meetings Attended	
Hussein bin Ismail	100%	10/10
Mahadzir bin Mustafa *(Appointed on 27.6.2019)*	80%	4/5
Datuk Haji Jaafar bin Abu Bakar	100%	10/10
Abdul Rahim bin Abdul Hamid	100%	10/10
Datuk Muzzammil bin Mohd Nor *(Retired on 29.5.2019)*	100%	5/5

II. Board Composition

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

Practice 4.1 of the Code states that at least half (1/2) of the Board should comprise Independent Directors. During the financial year ended 31 December 2019, there were four (4) members of the Board, comprising one (1) Non-Independent Non-Executive Chairman, two (2) Independent Directors and one (1) Non-Independent Non-Executive Director and hence is in compliance with Practice 4.1.

This composition also complies with the Main Market Listing Requirements ("Listing Requirements") of Bursa Securities which requires that at least two (2) Directors or one-third (1/3) of the Board, whichever is higher, must be independent directors.

The Board implemented an evaluation process, for assessing the effectiveness and competencies of the Board as a whole. The results of the self-assessment by Directors and the Board's effectiveness as a whole as compiled by the Company Secretary were tabled to the Board for review and notation. The Board was satisfied with the results of the annual assessment and that the current size and composition of the Board is appropriate and well-balanced with the right mix of skills. The Board was also satisfied with the Board composition comprising individuals of high caliber, credibility and with the necessary skills and qualifications to enable the Board to discharge its duties and responsibilities effectively.

Board Independence

The Board has developed the criteria to assess the independence of the independent directors on an annual basis. When assessing independence, the Board is encouraged to focus beyond the independent director's background, economic and family relationships and consider whether the independent director can continue to bring independent and objective judgment to Board deliberations.

Practice 4.2 of the Code states that the tenure of an independent director should not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, an independent director may continue to serve on the Board subject to the annual shareholders' approval. If the Board continues to retain the independent directors after the twelfth (12th) year, the Board should seek shareholders' approval through a two-tier voting process as outlined in the Code.

The Nominating and Remuneration Committee had performed an annual review on the independence of the Independent Directors. At present, there are no Independent Directors whose tenure exceeds a cumulative term of nine (9) years in the Company.

The Board has undertaken an assessment of all the two (2) Independent Directors as per the criteria defined under the Listing Requirements and other independence criteria applied by the Company which took into account the individual Director's independence of management and free from any business or other relationship which could interfere with the exercise of independent and objective judgment, and his ability to advise the Board on matters relating to transaction where conflict of interest may exist. Based on the assessment done, the Board concluded that each of the Independent Directors continues to demonstrate behaviour that reflect their independence.

Appointment of Directors

When appointing a Director, the Nominating and Remuneration Committee and the Board will consider the background, experience, skill, competency, knowledge and potential contribution of the candidate, whilst the Practice 4.5 of the Code will also be given due consideration for boardroom diversity. The Nominating and Remuneration Committee considers, evaluates and proposes to the Board any new board appointments, whether of executive or non-executive position. The Nominating and Remuneration Committee recommends suitable candidate for appointment to the Board, the appointment of which will be decided upon by the Board as a whole to ensure a balanced mix of experience and expertise amongst its members. Thereafter, the Board carries out its own assessment based on the recommendations made by the Nominating and Remuneration Committee and determines the appointments to be made.

On the appointment of new Director, the new Director is required to commit sufficient time to attend to the Company's matters before accepting his appointment to the Board. Directors are required to notify the Chairman before accepting any new directorship and to indicate the time expected to be spent on the new appointment. In compliance with Paragraph 15.06(1) of the Listing Requirements, all Directors of Encorp do not hold more than five (5) directorships of listed issuer at any one time.

The Board recognizes the challenges in achieving the right balance of diversity on the Board. Nevertheless, the Board is committed to provide fair and equal opportunities and nurturing diversity within the Group. The Board has established a Board Diversity Policy to ensure that through the Nominating and Remuneration Committee, selection and appointment of new board member take into the consideration the candidates from a wide variety of background, without discriminating based on gender, age, ethnic, marital status and religion but on the required mix of skill, knowledge and professional experience which the new director should bring to the Company. The Board is mindful of the Practice 4.5 of the Code and will ensure that suitable women candidates are sought and considered as part of the recruitment exercise. This will be done over time, taking into account the present size of the Board, the merit and suitability of female candidates and the evolving challenges to the Company from time to time.

Re-Election and Re-Appointment of Directors

In accordance with the Company's Constitution, one-third (1/3) of the Directors are required to retire from office at each Annual General Meeting ("AGM") and all Directors shall retire at least once in every three (3) years. The retiring Directors shall be eligible for re-election at the AGM. Newly appointed directors during the year must offer themselves to the shareholders for re-election at the next AGM following their appointment.

Directors' Training

All Directors have attended the Mandatory Accreditation Programme prescribed by Bursa Securities.

The Directors constantly participate in training programmes, seminars and conferences to keep themselves abreast with changes and new developments, both in the legal and commercial aspects.

During the financial year ended 31 December 2019, the Directors have attended the following training programmes/ seminars/workshops/talks:

Name of Director	Training and Seminars attended
Hussein bin Ismail	• Governance Symposium 2019 : by Malaysian Institute of Accountant (MIA) • The Latest Development on the Malaysian Code on Corporate Governance : by Malaysian Institute of Corporate Governance • Cyber Security in the Boardroom : by Deloitte • Seminar on Year 2020 Budget & Other Tax Developments : by Folks Management Services Sdn Bhd • Corporate Rescue: Corporate Voluntary Arrangements & Judicial Management : by Suruhanjaya Syarikat Malaysia (SSM) • Companies Act 2016 : by Suruhanjaya Syarikat Malaysia (SSM) • Preparing for Corporate Liability in Malaysia & How Ethics Makes Businesses Sustainable : by Suruhanjaya Syarikat Malaysia (SSM)
Mahadzir bin Mustafa	• Mandatory Accreditation Programme : by The Iclif Leadership And Governance Centre • The Latest Development on The Malaysian Code On Corporate Governance : by Malaysian Institute of Corporate Governance
Datuk Haji Jaafar bin Abu Bakar	• The Latest Development on The Malaysian Code On Corporate Governance : by Malaysian Institute of Corporate Governance
Abdul Rahim bin Abdul Hamid	• Governance Symposium 2019 : by Malaysian Institute of Accountants • The Latest Development on The Malaysian Code On Corporate Governance : by Malaysian Institute of Corporate Governance • Bursa Thought Leadership - Leadership Greatness in Turbulent Times : Building Corporate Longevity : by Institute of Corporate Directors Malaysia • Bursa Thought Leadership - The Convergence of Digitisation and Sustainability Institute of Corporate Directors Malaysia

III. Remuneration

Board Remuneration

The Nominating and Remuneration Committee recommends the remuneration package for the Executive Director/ GCEO to the Board for approval. The Executive Director abstains from deliberation and voting on decisions in respect of his own remuneration.

The Nominating and Remuneration Committee comprises wholly of Independent Non-Executive Directors as follows:-

Name	Designation	Directorship
Abdul Rahim bin Abdul Hamid	Chairman	Independent Non-Executive Director
Datuk Haji Jaafar bin Abu Bakar	Member	Independent Non-Executive Director

The Nominating and Remuneration Committee assists the Board in fulfilling the following functions:

(i) New appointments, re-election and re-appointment

- to establish clear and appropriate criteria on the selection and recruitment of the Board;
- to consider and recommend to the Board candidates for directorship based on a variety of sources including existing Board members, management, major shareholders and/or independent sources, taking into consideration the candidates' skills, knowledge, expertise, experience, time, commitment, character, professionalism, independence and integrity that fit the Company's objectives and strategic goals;
- to recommend to the Board candidates to fill the seats on Board as Directors or Board Committees having regard to their ability to discharge the responsibilities/functions as required under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR");
- to evaluate the balance of skills, knowledge, experience and diversity (including gender diversity), age, cultural background on the Board and senior management;
- to evaluate and recommend to the Board on the re-election and re-appointment of the directors who are subject to retirement at annual general meeting;
- to evaluate and recommend to the Board the appointment, promotion and termination of the executive director, chief executive officer and senior management; and
- to ensure each of the Director, chief executive officer or key senior management has the character, experience, integrity, competence and time to effectively discharge his role as Director, chief executive officer or key senior management as required under Paragraph 2.20A of the MMLR before appointment and fulfills the requirements under Section 198 of Companies Act, 2016 and Paragraph 15.05 of the MMLR.

(ii) Evaluation

- to establish clear and appropriate criteria on annual assessment of the Board;
- to assess annually the effectiveness and competencies of the Board as a whole, the Board Committees and the contribution of each individual director; and
- to assess annually the independence of the independent directors.

(iii) Succession planning and training

- to establish appropriate plans for succession at Board level and senior management level; and
- to review the training needs of the Board.

(iv) Remuneration

- to establish formal and transparent remuneration policies and procedures to attract and retain Board members and senior management of the Company and its subsidiaries ("the Group");
- to review and recommend to the Board the remuneration package for executive director, chief executive officer and senior management;
- to review with chief executive officer and executive directors, their goals and objectives and to assess their performance against these objectives as well as contribution to the Company's short-term and long-term corporate strategy; and
- to review and recommend to the Board the annual increments and bonuses of executive directors and senior management team.

(v) Additional duties and responsibilities

- to carry out such other responsibilities, functions or assignments as may be defined jointly by the Nominating and Remuneration and the Board from time to time; and
- to carry out such other responsibilities as guided by MMLR and Malaysian Code on Corporate Governance 2017.

The terms of reference of the Nominating and Remuneration Committee is provided in the Company's website at www.encorp.com.my.

The Nominating and Remuneration Committee deliberated on the following matters in 2019:

- Annual Board assessment on the effectiveness and competencies of the Board as a whole, Board Committees and individual directors;
- Evaluation of the independence of each Independent Director on an annual basis;
- Identification of appropriate training and education programmes with respect to the business, structure and management of the Group as well as the expectations of the Board with regards to their contributions to the Board and Group; and
- Revised Terms of Reference of Nominating and Remuneration Committee.

Policies and Procedures

The Executive Director/GCEO is not entitled to annual Directors' fees nor entitled to receive any meeting allowances for the Board and Board Committee meetings that he attends.

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

The Directors' Remuneration Policy was adopted by the Board on 26 November 2015, which aims to attract, develop and retain high performing and motivated Directors with a competitive remuneration package.

The remuneration of Directors for the financial year ended 31 December 2019 is as follows:

Group	Fees (RM'000)	Salaries / Allowance & Other Emoluments (RM'000)	Defined contribution plan (RM'000)
Hussein bin Ismail	260	22	-
Mahadzir bin Mustafa *(Appointed on 27.6.2019)*	65	12	-
Datuk Haji Jaafar bin Abu Bakar	132	22	-
Abdul Rahim bin Abdul Hamid	140	22	-
Datuk Muzzammil bin Mohd Nor *(retired on 29.5.2019)*	54	7	-
Total	652	85	-

Company	Fees (RM'000)	Salaries / Allowance & Other Emoluments (RM'000)	Defined contribution plan (RM'000)
Hussein bin Ismail	240	19	-
Mahadzir bin Mustafa *(Appointed on 27.6.2019)*	55	10	-
Datuk Haji Jaafar bin Abu Bakar	96	19	-
Abdul Rahim bin Abdul Hamid	120	19	-
Datuk Muzzammil bin Mohd Nor *(retired on 29.5.2019)*	44	7	-
Total	556	74	-

Senior Management Remuneration

Practice 7.2 of the Code states that the Company should disclose on a named basis the top (5) Senior Management's remuneration component including salary, bonus, benefits in kind and other emoluments in bands of RM50,000. The Board is of the view that such disclosure will give rise to recruitment and talent retention issues. The remuneration for the top five (5) Senior Management for the financial year ended 31 December 2019, ranged as follows:

Remuneration ranges (RM)	No. of Senior Management
200,001 – 250,000	2
250,001 – 300,000	0
300,001 – 350,000	0
350,001 – 400,000	1
400,001 – 450,000	1
450,001 – 500,000	0
500,001 – 550,000	0
550,001 – 600,000	1

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit, Risk and Governance Committee

The Audit, Risk and Governance Committee is made up of three (3) members comprising of two (2) Independent Directors and one (1) Non-Independent Director appointed by the Board and it has written terms of reference clearly setting out its authority and duties. The terms of reference and Report of the Audit, Risk and Governance Committee are also provided in this Annual Report and website at www.encorp.com.my.

The Audit, Risk and Governance Committee assists the Board in fulfilling its oversight responsibilities, primarily reviewing the quarterly and annual financial statements of the Group prior to their submission to the Board for approval, focusing particularly on accounting policies and compliance; reviewing the scope of external audit and audit process; and reviewing the Group's system of internal control and risk management.

The Audit, Risk and Governance Committee currently comprises the following members:

Name	Designation	Directorship
Abdul Rahim bin Abdul Hamid	Chairman	Independent Non-Executive Director
Datuk Haji Jaafar bin Abu Bakar	Member	Independent Non-Executive Director
Mahadzir bin Mustafa *(Appointed on 27.6.2019)*	Member	Non-Independent Non-Executive Director

Relationship with External Auditors

Through the Audit, Risk and Governance Committee, the Group has established a transparent relationship with the external auditors in seeking professional advice and ensuring compliance with the laws and regulations. The external auditors were invited to attend the Audit, Risk and Governance Committee Meeting to give their views on the state of affairs of the Company, where necessary. The external auditors also highlight to the Board any material deficiency pertaining to the system of internal control and compliance issues of the Group.

The Company has established an External Auditors Policy to assess and monitor the external auditors. The Audit, Risk and Governance Committee has assessed the independence of Messrs Ernst & Young PLT and was satisfied with their competency and independence. The Audit, Risk and Governance Committee has therefore recommended the re-appointment of Messrs Ernst & Young PLT as auditors to the Board, upon which shareholders' approval will be sought at the forthcoming AGM.

II. Risk Management and Internal Control Framework

Risk Management Committee

The Risk Management Committee comprises the Heads of Departments and Group's senior management. The Risk Management Committee reports to the Audit, Risk and Governance Committee on a quarterly basis. The Audit, Risk and Governance Committee assists the Board in providing oversight over the Group's management of risk and reviews the adequacy of compliance and control throughout the Group.

Internal Control

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

The effectiveness of the Group's system of internal control is reviewed periodically by the Audit, Risk and Governance Committee. The Group's Statement on Risk Management & Internal Control is set out on page 109 to 116.

Whistle Blowing Policy

As part of its commitment to uphold the highest standards of ethics, integrity and accountability, the Group has formalised a Whistle Blowing Policy. This is essentially a mechanism to enable the employees to disclose internally any serious malpractice or misconduct without fear of reprisal. This policy provides a safe and acceptable platform for employees to channel their concerns about illegal, unethical or improper business conduct affecting the Group.

The complainant should report immediately if they have a reasonable belief that a wrongdoing has been, is being or it believed to have committed. The complainant is encouraged to make a report via the following methods:

- Meet or contact any Risk and Governance Department staff to make a report; and
- In writing and delivered either by hand, mail to the Chairman of Audit, Risk and Governance Committee

The Board and the Management give their assurance that the whistle-blower identities are kept confidential and the whistle-blower will not be at risk to any detrimental action as a result of raising a concern with good faith. The Company, however, does not extend this assurance to someone who maliciously raises a matter which is untrue. If an investigation is necessary, the investigation team shall have full access to people, documentation and evidences as required and necessary to carry out the investigation in accordance to the authority assigned by the Board.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. Communication with Stakeholders

The Company adheres strictly to the disclosure requirements under the Listing Requirements of Bursa Securities. The financial results of the Company are announced quarterly to Bursa Securities via Bursa Link. Material transactions and events are also announced accordingly.

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

The Company maintains regular and effective communication with its shareholders and stakeholders by attending to shareholders' and investors' e-mails and phone calls enquiries, Company general meetings and other Company events. The Notice for the Company's Annual General Meetings provides information to the shareholders regarding the details of the AGM, their entitlement to attend the AGM, their rights to appoint a proxy and information as to who may count as a proxy.

The Company's website has a dedicated section that provides all relevant information on the Company which is accessible to the public. While the Company endeavours to provide as much information as possible to its shareholders and stakeholders, the Company is mindful of the legal and regulatory framework governing the release of material information.

Corporate Disclosure Policy

The Board has formalized a Corporate Disclosure Policy ("CDP") which aims to provide accurate, timely, consistent and fair disclosure of corporate information to enable informed and orderly market decision by the investors and stakeholders. The CDP sets out the policies and procedures for disclosure of material information of the Group. The CDP is applicable to all Directors and employees of the Group.

II. Conduct of General Meetings

The AGM is the principal forum for communication with shareholders. At each AGM, the Board encourages shareholders to participate in the question and answer session whereby the Directors are available to discuss aspects of the Groups' performance and its business activities. The Chairman responds to shareholders' questions during the meeting.

In line with Paragraph 8.29A of the Listing Requirements, the Company has always made the necessary preparation for poll voting for all resolutions at its AGM.

ADDITIONAL COMPLIANCE INFORMATION

PURSUANT TO MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

Non-Audit Fees

During the financial year under review, the fees paid / payable to the external auditors, Messrs Ernst & Young PLT and its affiliated companies in relation to the audit and non-audit services rendered to Encorp Berhad and its subsidiaries are as follows:

	Group (RM)	Company (RM)
Statutory audit services provided by Messrs Ernst & Young PLT	282,000.00	113,000.00
Non-audit services provided by Messrs Ernst & Young PLT	10,000.00	10,000.00
Advisory services provided by affiliates of Messrs Ernst & Young PLT	N/A	N/A
Total	292,000.00	123,000.00

Material Contracts

There were no material contracts entered into by the Group involving Directors' and major shareholders' interests which were still subsisting as at the end of the financial year under review or which were entered into since the end of the previous financial year.

Recurrent Related Party Transactions

The Company was given shareholders' mandate to enter into recurrent related party transactions for the sale of properties in the ordinary course of business, provision of comprehensive facilities management services, construction and property development works with related parties ("Recurrent Transactions") at the Nineteenth Annual General Meeting held on 29 May 2019.

There were no Recurrent Transactions conducted during the financial year ended 31 December 2019.

Utilisation of Proceeds

Save as disclosed below, there were no proceeds raised by the Company from corporate proposals:

(a) On 20 March 2019, the Company had issued 12,521,800 new ordinary shares at an issue price of RM0.35 per share pursuant to a private placement exercise ("Private Placement"). The new ordinary shares were subsequently listed and quoted on the Main Market of Bursa Malaysia Securities Berhad on 22 March 2019.

The details of the utilisation of the proceeds from the Private Placement up to 31 December 2019 were as follows:

Details of utilisation	Proposed Utilisation (RM)	Actual Utilisation (RM)	Balance to be Utilised (RM)
Working capital for Bukit Katil Project [1]	3,982,630.00	546,504.69	3,436,125.31 [2]
Expenses in relation to the Private Placement	400,000.00	39,156.94	360,843.06 [2]
Total	4,382,630.00	585,661.63	3,796,968.37 [2]

Notes:

[1] *Proceeds from the private placement exercise were used to fund the initial works and for working capital for Encorp's development of commercial and housing projects into an integrated Township on a parcel of land in Bukit Katil, Melaka ("Bukit Katil Project").*

[2] *The remaining amount relating to expenses in relation to the private placement has been utilised for the working capital for Encorp Berhad during the year.*

AUDIT, RISK AND GOVERNANCE COMMITTEE REPORT

The Board of Directors is pleased to present the report on the Audit, Risk and Governance Committee for the financial year ended 31 December 2019.

MEMBERSHIP AND MEETINGS OF THE AUDIT, RISK AND GOVERNANCE COMMITTEE

During the financial year ended 31 December 2019, the Audit, Risk and Governance Committee convened Six (6) meetings which were attended by the members as tabulated below:-

Name of Director	Directorship	No. of Meetings Attended	
Abdul Rahim bin Abdul Hamid	Chairman, Independent Non-Executive Director	100%	6/6
Datuk Haji Jaafar bin Abu Bakar	Independent Non-Executive Director	100%	6/6
Datuk Muzzammil bin Mohd Nor *(Retired on 29 May 2019)*	Non-Independent Non-Executive Director	50%	2/4
Mahadzir bin Mustafa *(Appointed on 27 June 2019)*	Non-Independent Non-Executive Director	100%	2/2

The chief operating officer, Head of Finance, the head of risk management and the representatives from the external auditors and internal auditors and/or advisor also attended the meetings at the invitation of the Audit, Risk and Governance Committee. The Company Secretary acts as the secretary of the Audit, Risk and Governance Committee.

The Audit, Risk and Governance Committee also met separately with the external auditors without the Executive Board members and management's presence on three (3) occasions during the year.

TERMS OF REFERENCE OF AUDIT, RISK AND GOVERNANCE COMMITTEE

Objective

The objective of the Audit, Risk and Governance Committee is to assist the Board in discharging its responsibility relating to the Group's financial reporting, as well as, to assist the Board in fulfilling its fiduciary duties in relation to governance, ethics and risk management.

Composition

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

The Board adopts the definition of "independent director" as defined under the Main Market Listing Requirements ("Main Market LR") of Bursa Malaysia Securities Berhad ("Bursa Securities").

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

(a) a member of the Malaysian Institute of Accountants ("MIA"); or

(b) if he is not a member of MIA, he must have at least three (3) years of working experience and;

- he must have passed the examinations specified in Part 1 of the First Schedule of the Accountants Act 1967; or
- he must be a member of one of the associations of the accountants specified in Part ll of the First Schedule of the Accountants Act 1967; or

(c) fulfils such other requirements as prescribed or approved by Bursa Securities.

No alternate director of the Board shall be appointed as a member of the Audit, Risk and Governance Committee. Any former key audit engagement partner of the external auditors of the Company must first observe a cooling-off period of at least two (2) years before he/she is eligible for appointment as a member of the Audit, Risk and Governance Committee.

If a member of the Audit, Risk and Governance Committee resigns, dies, or for any reason ceases to be a member resulting in non-compliance to the composition criteria as stated above, the Board shall fill the vacancy within three (3) months.

Chairman

The members of the Audit, Risk and Governance Committee shall elect a Chairman from amongst their number who shall not be the Chairman of the Board and who is an independent director.

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

Secretary

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

Meetings

The Audit, Risk and Governance Committee shall meet regularly and hold at least four (4) meetings in a year, with due notice of issues to be discussed, and shall record its conclusions in discharging its duties and responsibilities. In addition, the Chairman may call for additional meetings at any time at the Chairman's discretion. Audit, Risk and Governance Committee meetings may be held at two (2) or more venues within or outside Malaysia using any technology that enables the members as a whole to participate for the entire duration of the meeting.

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

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

The Chief Executive Officer, Chief Operating Officer, the Head of Finance, a representative of the internal auditors and a representative of the external auditors should normally attend meetings. Other Board members and employees may attend meetings upon the invitation of the Audit, Risk and Governance Committee.

The Audit, Risk and Governance Committee shall be able to convene meetings with the external auditors without the presence of other directors and employees at least once a year.

Questions arising at any meeting of the Audit, Risk and Governance Committee shall be decided by a majority of votes of the members present.

A member of the ARC shall abstain from discussion or deliberation and voting on matters which give rise to an actual or perceived conflict of interest for him.

Resolution in Writing

A resolution in writing, signed by all the members of the Audit, Risk and Governance Committee for the time being entitled to receive notice of a meeting of the Audit, Risk and Governance, shall be as valid and effectual as if it had been passed at a meeting of the Audit, Risk and Governance Committee duly convened and held.

Minutes

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

The minutes of the Audit, Risk and Governance Committee meeting shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting.

Quorum

In order to form a quorum for the Audit, Risk and Governance Committee meeting, the majority of members present must be independent directors.

Authority

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

(a) have explicit authority to investigate any matter within its terms of reference;

(b) have full and unlimited/unrestricted access to all information and documents/resources required to perform its duties;

(c) obtain independent professional or other advice;

(d) have direct communication channels with the external auditors and persons carrying out the internal audit function or activity; and

(e) where the Audit, Risk and Governance Committee is of the view that the matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Main Market LR of Bursa Securities, the Audit, Risk and Governance Committee shall promptly report such matter to Bursa Securities.

Duties

The duties of the Audit, Risk and Governance Committee shall be:-

(a) oversee all matters relating to external audit

- to discuss with the external auditors where necessary, the nature and scope of the audit and ensure co-ordination of audits where more than one audit firm is involved;
- to discuss problems and reservations arising from the interim and final audits and any matter the auditors may wish to discuss (In the absence of management, where necessary);
- to review with the external auditors, their management letter and management's response, the external auditors' report and the audited financial statements before the same are presented to the Board for approval;
- to review with the external auditors, their evaluation of the systems of internal control and risk management framework of the Group;
- to consider the appointment of external auditors taking into consideration, amongst others, the suitability, independence, experience, resource and objectivity as well as the appropriateness of their audit fees as recommended by the management;
- to assess the suitability and independence of external auditors in respect of the provision of audit and non-audit services to the Group and the Company in accordance with the terms of all relevant professional and regulatory requirements;
- to annually assess the performance of the external auditors and report to the Board on the independence of the external auditors and obtaining their assurance on the continued registration with Audit Oversight Board;
- to consider any letter of resignation of external auditors and any questions of resignation and dismissal;
- to review the level of assistance given by the employees of the Group to the external auditors; and
- to undertake continuous professional development to keep abreast of relevant developments in accounting and auditing standards, practices and rules.

(b) oversee all matters relating to internal audit

- to review and ensure that the Company and Group maintains a sound and effective system of internal controls and risk management framework;
- to review the adequacy of the scope, functions, competency, experience and resources of the internal audit function;
- to ensure the internal audit is carried out objectively and is independent from the management of the Company and the functions which it audits;
- to review and approve the internal audit plan and internal audit annual budget;
- to ensure co-ordination of external audit with internal audit;
- to review major findings of internal audit reviews and management's response and ensure that appropriate actions are taken on the recommendations of the internal audit function;
- to review any assessment of the performance of the member of the internal audit function;
- to approve any appointment or termination of senior staff members of the internal audit function; and
- to keep itself informed of resignations of internal audit staff members and provide resigning staff member an opportunity to submit his/ her reasons for resigning.

(c) review of financial statements

To review the quarterly and year-end financial statements of the Group before submission to the Board, focusing particularly on:

- any changes in accounting policies and practices;
- significant audit issues and adjustments arising from audit;
- going concern assumption;
- compliance with the applicable approved accounting standards and regulatory requirements; and
- compliance with the Main Market LR of Bursa Securities and other legal requirements.

(d) review of systems of internal control and risk management

- to review the reports of respective risk management teams in relation to the adequacy and integrity of the Group's internal control systems in mitigating risks;
- to review and recommend the risk management policy, procedures and risk management framework to the Board;
- to review the effectiveness of the risk management framework and to ensure that the framework adopted is based on an internationally recognised risk management framework that is able to identify, assess, manage and monitor significant financial and non-financial risks in a regular and timely manner;
- to provide guidance on the overall risk strategy for implementation and ensure that the principles and requirements of managing risk are consistently adopted throughout the Group;
- to communicate to the Board the critical risks (present & potential) the Group faces, their profile change (if any) and the management action plans to manage these risks; and
- to conduct annual review and periodic testing of the Group's internal control and risk management framework.

(e) governance responsibilities

- to review the Group's governance framework as guided by the Malaysian Code of Corporate Governance and other best practices in corporate governance;
- to review the Group's policies to support the implementation of the Group's governance framework; and
- to review and monitor the Group's policies and practices in compliance with legal and regulatory requirements.

(f) additional duties and responsibilities

- to review any related party transactions and conflict of interest situation that may arise within the Group or the Company including any transaction, procedure or course of conduct that raises questions of management integrity;
- to verify the allocation of Employees' Share Option Scheme ("ESOS") and Employees' Share Grant Scheme ("ESGS") in compliance with the criteria as stipulated in the by-laws of the ESOS and ESGS of the Company, if any; and
- to carry out such other responsibilities, functions or assignments as may be defined jointly by the Audit, Risk and Governance Committee and the Board from time to time.

Review of Committee

The Nominating and Remuneration Committee shall review the term of office and performance of the Audit, Risk and Governance Committee and each of its members at least once a year to determine whether the Audit, Risk and Governance Committee and its members have carried out their duties in accordance with the terms of reference and thereafter make its recommendations to the Board for consideration.

The Audit, Risk and Governance Committee shall review its terms of reference periodically and recommend any changes it considers necessary.

TRAINING

The Audit, Risk and Governance Committee members have attended the following training, seminars and conferences during the year to acquire relevant knowledge that enables them to discharge their duties effectively:

1. The Latest Development on The Malaysian Code On Corporate Governance : by Malaysian Institute of Corporate Governance
2. Governance Symposium 2019 : by Malaysian Institute of Accountants
3. Mandatory Accreditation Programme : by The Iclif Leadership And Governance Centre
4. Bursa Thought Leadership - Leadership Greatness in Turbulent Times : Building Corporate Longevity : by Institute of Corporate Directors Malaysia
5. Bursa Thought Leadership - The Convergence of Digitisation and Sustainability Institute of Corporate Directors Malaysia
6. Cyber Security in the Boardroom : by Deloitte
7. Seminar on Year 2020 Budget & Other Tax Developments : by Folks Management Services Sdn Bhd
8. Corporate Rescue: Corporate Voluntary Arrangements & Judicial Management : by Suruhanjaya Syarikat Malaysia
9. Companies Act 2016 : by Suruhanjaya Syarikat Malaysia
10. Preparing for Corporate Liability in Malaysia & How Ethics Makes Businesses Sustainable : by Suruhanjaya Syarikat Malaysia

SUMMARY OF ACTIVITIES OF THE AUDIT, RISK AND GOVERNANCE COMMITTEE DURING 2019

In accordance with its Terms of Reference, the following activities were undertaken during the year by the Audit, Risk and Governance Committee:

- Reviewed the quarterly unaudited financial statements of the Group for the financial quarters ended 31 December 2018, 31 March 2019, 30 June 2019 and 30 September 2019 with Management prior to the Board's deliberation and approval for their release to the Bursa Securities. The review focused particularly on:-
    - Any change in or implementation of accounting policies and practices;
    - Significant adjustments arising from the audit, if any;
    - The going concern assumption;
    - Significant and unusual events; and
    - Compliance with accounting standards and other legal requirements.
- Reviewed the draft audited annual financial statements for the financial year ended 31 December 2018 with Management and the external auditors before recommending it to the Board for approval and release to the Bursa Securities.
- Reviewed and discussed Management Accounts with Management.
- Reviewed and deliberated on the Enterprise Risk Management (ERM) report which was updated every quarter by the Risk Management Department.
- Reviewed and discussed the audit report, the extent of assistance rendered by Management, issues and reservations arising from statutory audit with the external auditors.
- Assessed the performance of the external auditors, including their suitability and independence and recommended the same to the Board for re-appointment.
- Met with the external auditors three (3) times without the presence of the Executive Board members and Management and no major issues were highlighted.
- Reviewed the internal audit activities carried out by the Internal Auditors and deliberated on significant audit findings identified, audit recommendations made and management's action plans to ensure that the risks issues were adequately addressed.

- Reviewed and recommended the Corporate Governance Overview Statement, Audit and Risk Committee Report and Statement of Risk Management & Internal Control and Statement of Sustainability and to the Board for approval.
- Reviewed with the external auditor, the audit plan inclusive of areas of audit emphasis, audit fees, and scope for the year as well as the audit procedures to be followed prior to commencement of annual audit for 2019.
- Reviewed related party transactions entered into by the Group.
- Reviewed and recommended to the Board the Circular to Shareholders in respect of the proposed shareholders' mandate for recurrent related party transactions.
- Discussed the implication of any development or latest changes and pronouncements issued by the statutory and regulatory bodies on the Group.
- Updated the Board on the issues and concerns discussed during their meetings and made the necessary recommendations to the Board.

SUMMARY OF ACTIVITIES OF THE INTERNAL AUDIT FUNCTION DURING THE YEAR

The internal audit function of the Company has been outsourced to an independent professional firm, Baker Tilly Monteiro Heng Governance Sdn Bhd, which assists the Audit, Risk and Governance Committee in discharging its duties and responsibilities. They act independently and with due professional care and report directly to the Audit, Risk and Governance Committee.

The internal audit provides risk-based and objective assurance on the adequacy and effectiveness of the risk management, internal control and governance processes.

During the financial year ended 31 December 2019, the major activities carried out by the out-sourced internal audit were as follows:

- Performed risk-based internal audits on a quarterly basis as specified in the approved annual audit plan.
- Issued quarterly internal audit reports to the Audit, Risk and Governance Committee detailing audit issues and recommendations for corrective actions to be adopted by Management, to overcome the deficiencies or to enhance controls. The identified key internal audit areas performed in 2019 are the following:
    - Mall Management Operations
    - Procurement and Contract Management
    - Corporate Governance
    - Property Project Management
- Issued quarterly internal audit reports to the Audit, Risk and Governance Committee detailing audit issues and recommendations for corrective actions to be adopted by Management, to overcome the deficiencies or to enhance controls.
- Conducted follow-up on selected area upon Audit, Risk and Governance Committee's request.

The costs incurred for the internal audit function for the financial year ended 31 December 2019 amounted to RM69,278.00.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

The Board of Directors ("Board") of Encorp Berhad ("Encorp" or "the Group") is committed to nurture, preserve and maintain a sound risk management framework and internal control system and good corporate governance practices throughout its group of companies. The Board's Statement on Risk Management and Internal Control ("Statement") featuring the Group's risk management framework and its state of internal control is outlined as follows. The Statement was prepared pursuant to paragraph 15.26(b) of the Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements ("MMLR") and guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers ('the Guidelines") and Practice 9.1 for Principle B of the Malaysian Code on Corporate Governance ("MCCG") 2017.

BOARD'S RESPONSIBILITY

The Board affirms its overall responsibility for the Group's risk management and internal control systems covering not only financial controls but also strategic, operational and compliance to regulatory requirement. The implementation of the control systems is undertaken by the management which regularly reports on identified risks and actions taken to mitigate and/or minimise such risks. The oversight of these critical areas is carried out by the Board and assisted by the Risk Management Committee ("RMC").

The Group's risk management and internal control systems are designed to efficiently and effectively manage risks that may prevent the achievement of the Group's business objectives, and to provide information for accurate reporting, decision making and ensuring compliance with regulatory and statutory requirements. The Board also ensures that there is a robust framework of ongoing risk management processes in identifying, evaluating and managing significant risks faced by the Group to promote long-term success of the Group.

In view of the inherent limitations in the systems of internal control and risk management, the Board recognises that these systems can only manage rather than eliminate, the possibility of poor judgement in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances. It is structured in such a manner that it can only provide reasonable but not absolute assurance that the likelihood of a significant adverse impact on objectives arising from future events or situations is at a level acceptable to the business through a combination of preventive, detective and corrective measures.

During FY2019, the RMC reviewed, appraised and assessed the controls and actions in place to mitigate and manage the overall Group's risk exposure, as well as raised issues of concerns and recommended mitigating actions. The RMC reports to the Audit, Risk and Governance Committee ("ARGC") on a quarterly basis where key risks and mitigating actions are deliberated and implemented. The ARGC subsequently presents a summary of the respective key risks and action plans to the Board.

During the financial year, the adequacy and effectiveness of the internal controls were reviewed by the ARGC in relation to the internal audits conducted by an independent professional firm, Baker Tilly Monteiro Heng Governance Sdn Bhd ("IA"). The ARGC deliberated on the audit issues and actions taken by Management and a summary of these deliberations have been presented to the Board.

Where there are internal controls and risk-related matters warranting the attention of the Board, these matters are recommended by the ARGC to the Board for its deliberation and decision.

KEY FEATURES OF RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Group has a well-defined organisational structure with clearly delineated lines of accountability, authority and responsibility to the Board, its committees and operating departments. Key processes have been established in reviewing the adequacy and effectiveness of the risk management and internal control system.

1. AUTHORITY AND RESPONSIBILITY

- The ARGC, with the assistance of the RMC, has oversight over the Group's risk management framework, policies and performs regular risk management assessments and through the Risk & Governance Department ("RGD"), reviews the internal control procedure and processes, and evaluates the adequacy and effectiveness of the risk management and internal control system. The committee also seeks the observations of the independent external auditors of the Group, whenever required. Further details are set out in the Audit, Risk and Governance Committee Report.

- The RMC oversees, performs regular reviews on risk management processes and ensures risk management is applied over the Group's businesses and operations. The RMC is chaired by the Group Chief Operating Officer and includes representatives from all departments. Each department's risk management function is led by the respective Heads of the Department.

- The Nomination and Remuneration Committee assists the Board to review and recommend appropriate remuneration policies for Directors and senior management, as well as reviews and recommends candidates to the Board, and evaluates the performance of the Board as a whole and the contribution of each individual Director (including Board Committees) on an annual basis. Further details are set out in the Corporate Governance Overview Statement.

2. PLANNING, MONITORING AND REPORTING

- Regular, comprehensive and up-to-date information are conveyed to the Board and its committees of the Group including major subsidiaries covering finance, operations and other business indicators such as economic and market conditions at their monthly or periodic meetings, facilitating the monitoring of performance against the corporate strategy and business plans.

- Annual Budgets for the forthcoming year by departments and Group are prepared and submitted by each department in the Group and approved by the Board. These budgets are used to monitor actual versus budgeted and prior period's performance with major variances being reviewed and management actions taken as necessary. It provides the Board with comparative information to assess and monitor the performance of the Group.

3. POLICIES, PROCEDURES AND VALUES

- Clearly documented and formalised policies and procedures have been put in place to ensure compliance with internal controls, relevant laws and regulations, which are subjected to regular reviews and improvement, have been communicated to all levels and are easily accessible on the Company's intranet platform. Standard operating policies and procedures are updated to reflect changes in processes or to resolve operational deficiencies. Instances of non-compliance with such policies and procedures are reported thereon by IA to ARGC.

- Guidelines have been established within the Group for recruitment, selection and termination, compensation and benefits, code of conduct, human capital development and performance appraisal system based on the Group and individual KPIs, core values and competencies. Employee engagements and customer satisfaction surveys, where applicable, are conducted to gain feedbacks for continuous improvement.

- The Whistle Blowing Policy has also been established and implemented to provide appropriate communication and feedback channels which facilitate whistleblowing, in a transparent and confidential manner. The Whistle Blowing Policy serves as a guideline for stakeholders and employees to report in a safe and confidential manner, any concerns regarding possible illegal actions, improprieties in relation to financial reporting, compliance, unethical conduct or malpractice within the Group to the management.

- A process of hierarchical reporting has been established to ensure accountability and proper reporting structure with defined lines of responsibility and delegation of authority. Clearly defined levels of authority for day-to-day operations and decision making are reviewed periodically and have been disseminated to all employees.

- Adoption and consistent application of appropriate accounting policies in the annual financial statements of the Group, and prudent judgements and reasonable estimates have been made in accordance with the applicable accounting standards in Malaysia. Processes and controls are in place for effective and efficient financial reporting and disclosure in the annual and quarterly financial statements of the Group to give a true and fair view of the financial position of the Group.

- Top down communication is made to all levels, of the Group's values such as the Board Charter, Corporate Culture, our Statements of Vision, Mission and Core Values, Code of Ethics & Conduct as well as avenues for whistleblowing.

4. AUDIT

- The Independent Internal Audit function provides assurance to the ARGC through the internal audit reviews based on the internal audit plan approved by the ARGC. Internal Audit also facilitates and evaluates the effectiveness of the governance, risk management and internal control framework and recommends enhancement, where appropriate. Findings arising from these reviews are presented, together with Management's response and proposed action plans, to the ARGC. The ARGC receives reports on the Internal Audit findings and is updated regularly on issues that require further follow-up and rectification by management. Further details of the activities of the internal audit function are provided in the Audit, Risk and Governance Committee Report.

- The external auditor's annual audit strategy, audit plan and scope of work for the financial year in relation to the audit services on the Group's financial statements as well as non-audit services are reviewed and approved by the ARGC. Further details on the oversight of the external auditors are set out in the Audit, Risk and Governance Committee Report.

- The Group's Property Division and its subsidiaries have been accorded ISO 9001:2015 Quality Management System accreditation, demonstrating the Group's quest in consistently improving the strength of its internal controls. As part of the requirements of the certification, scheduled audits are conducted internally by the Compliance & Sustainability unit of the RGD as well as by auditors of the relevant certification bodies. The results of these audits are reported to Management.

5. RISK MANAGEMENT

The Board recognises its role and responsibilities on effective risk oversight to set the tone and culture towards effective risk management and internal controls. The review process was delegated to the ARGC. However, the Board as a whole remains responsible for all the actions of the committee with regards to the execution of the delegated role.

- RISK MANAGEMENT PROCESSES

  The Group adopts an Enterprise Risk Management ("ERM") Framework to proactively identify, evaluate, mitigate and manage any changes in the significant risks faced by the business in the Group in its achievement of objectives and strategies. It would also involve the assessment of the impact and likelihood of such risks and the effectiveness of controls in place to manage them. The process includes the enhancement of the system of internal controls when there are changes to the business environment.

In line with the Group's commitment to deliver sustainable value, this ERM Framework aims to provide an integrated and organised approach group-wide. It outlines the ERM methodology which is in line with the Principles and Guidelines of ISO31000:2018 Risk Management, mainly promoting the risk ownership and continuous monitoring of key risks faced by the Group. The ERM assessment reviews are carried out on a quarterly basis to address major risk areas of concern together with the necessary action plan, if any, from the perspectives of regulatory & legal, sales, governance & operational controls, financial, customers, products & services, suppliers, project management, information technology, branding and human capital.

The key aspects of the ERM Framework are:

- The RMC comprising management staff from each department are charged with the responsibilities of continuous monitoring and management of the risks of the Group;

- ERM assessment reviews are performed quarterly to identify, assess and manage the risks faced by the Group. The ERM assessment reviews are carried out to address major risk areas of concern, if any from the perspectives of the environment, regulatory and legal governance, operational controls, financial, the customer, products and services, suppliers and human capital;

- Likelihood of occurrence of those risk factors and magnitude of their impacts are determined based on each department's level of risk tolerance;

- Key risk management strategies or Management Action Plans ("MAPs") for key business processes are identified based upon risk evaluation;

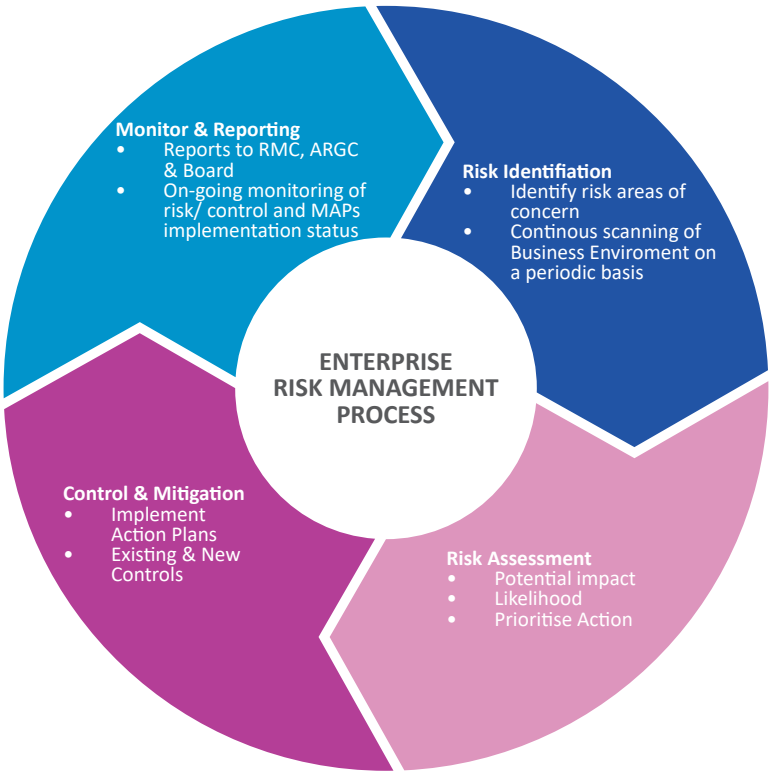
- The key risks identified during the ERM assessment reviews together with the controls for managing them and the MAPs to be implemented and summarised in the Risk Profiles and Risk Registers, serve as the supporting details for the ERM Assessment Report and as the means for assuring the ARGC that the ERM processes are effective;

- ERM compliance reviews are carried out on a continuous basis to ensure the controls/key risk management strategies for managing risks are functioning effectively;

- The ARGC upon receiving the ERM Assessment Report from RGD shall review and monitor the effectiveness of the Group's systems of internal control before onward submission to the Board for endorsement. The Chairman of the ARGC would inform the Directors of any salient matters noted by the ARGC and which require the Board's notice or direction; and

- The results of the ERM Framework, i.e. the internal control procedures that are identified to address key risks, are used as one of the basis to develop risk-based internal audit plans.

The Group's ERM process is shown below:



This process has been embedded in all aspects of the Group's activities and has been in place for the year under review and up to the date of approval of this statement for inclusion in the annual report.

The management assists the Encorp Board in the implementation of its policies and procedures on risk and internal controls by identifying and assessing the risk faced in its operations. They are also responsible for the design, operation and monitoring of suitable internal controls to mitigate and control these risks. All employees are accountable for operating within these policies. The management has also identified key risks for their respective departments and monitoring is done to ensure that significant changes in risk levels are identified in a timely manner and actions are taken appropriately to address the risks. Emerging risks are also identified and reported to RMC and included in the monitoring process to ensure that steps are taken to manage the risks in a timely manner.

Encorp Berhad's assurance function such as internal auditors provides further independent assurance on the adequacy and effectiveness of risk management and internal control systems as part of their audit reviews. All reports relating to the risk management process are brought to the attention of the Board through the ARGC.

- **The Group has Five (5) Core Response Strategies for Risk Management as follows:**

1. **Risk Acceptance**

   Management may choose not to act and to consciously accept certain risks which are significantly low in likelihood of occurrence and/or impact. Factors to consider for risks of such nature would be:

   - Adequacy of current controls;
   - Quality and quantity of information on the controls;
   - Likelihood and consequences of the risk occurring; and
   - The cost of additional controls.

2. Risk Reduction

Risks may be reduced by taking specific actions aimed at reducing the likelihood of occurrence, thus reducing the impact of these risks on the Group's businesses.

3. Risk Sharing

Risk involves partnering with others to share responsibility for the risk activities.

4. Risk Transfer

Management may choose to transfer all or part of a certain risk to other parties via:

- Transferring an entire business process to another party as is the case with sub-contracting and outsourcing arrangements;
- Sharing the business process with another party as is the case with partnerships and joint venture arrangements; and
- Retaining the process and transferring the legal and financial risks as is the case with insurance arrangements and the use of certain treasury/financial products.

5. Risk Treatment

Management may change the type of risk, including but not limited to:

- Remove the risk altogether;
- Change the likelihood (such as moving servers to a higher floor to reduce risk of flood damage);
- Change the consequences;
- Share the risk through agreements, partnerships, further insurance etc.; and
- Retain and mitigate the risk by informed decision.

Risk management discipline ensures that risk assessment is an on-going process whereby risks and risk mitigation measures are regularly reviewed and adjusted accordingly. The continuous risk assessment process therefore represents the cornerstone of an effective ERM program for the Group.

- **Risk Management Activities**

As part of the Group's effort to instill a proactive risk management culture and ownership, the following activities were undertaken during the year under review:

- Group-wide ERM awareness which was also incorporated into the induction programme for newcomers. This was part of the Group's initiative to enchance internal communications.
- Held discussions with Heads of Department to obtain endorsement on key risk areas and commitments on action plans.
- Providing risk advisory and independent risk assessment as well as facilitated discussions across the Group.

Apart from the above, RGD participates in other value-adding exercises such as:

- Review policy and procedures

  The review of the policy and procedures is conducted by RGD together with key relevant personnel from respective departments or operating subsidiaries.

- Assist in conducting regulatory research

  Such research is conducted to ensure that the Group's projects and businesses (existing or new) remain compliant to laws and regulations.

- Assist in conducting observations on compliance to tender opening process

  RGD participates in tender opening processes to form an independent party to ensure transparency in tender opening process.

During the financial year, the Board through the ARGC was updated on a quarterly basis on the latest status of the corporate risks for which management have identified according to the likelihood and impact of those risks and the action plans being taken to manage the said risks.

6. Insurance on Key Assets

Adequate insurance of major assets and resources of the Group are in place to ensure that they are sufficiently covered against any mishap that may result in material losses to the Group.

OTHER KEY ELEMENTS OF INTERNAL CONTROL PROCESSES AT ENCORP

Whilst the Board maintained full control and direction over appropriate strategic, financial, organisational and compliance issues, it has delegated to management the implementation of the system of internal control.

Other elements in the system of internal control framework include the following:

- Terms of Reference
  Clear definitions of the terms of reference, i.e. functions, authorities and responsibilities of the various committees of Senior Management and the Board of Directors have been established.

- Limits of Authority ("LOA")
  The LOA has been established as part of Encorp's effort in ensuring an optimal balance between strong corporate governance practices and operational efficiency. It is a written delegation of authority by the Board to the Management within the Encorp Group. Its key objectives are to provide a holistic view of the authority limits set, to encourage delegation, empowerment and accountability, and to eliminate guesswork and confusion hence providing clarity. The LOA document is subject to periodical review to incorporate any changes that affect the authority limit.

- Management Styles and Control Procedures
  Periodic operational meetings are conducted among management to discuss and review the business plans, budgets, financial and operational performance of the Group.

  Operating policies and procedures are made available to guide staff in their day-to-day work processes. As such operating policies and Standard Operating Procedures (SOPs) have been established, as well as reviewed and updated periodically to meet changing business and operational needs and regulatory requirements.

  Quality control and progress of the project is monitored via frequent site visits by the relevant teams, regular site meetings with the contractors and employment of fulltime staff on site.

- Tender
  Review and award of major contracts are carried out through a rigorous tendering process. A minimum of three tenderers are called and tenders are awarded based on criteria including quality, pricing, track record and speed of delivery.

- Safety and Security
  Management has always placed importance in complying with the relevant occupational safety, health and environment rules and regulations to ensure that all the employees are aware of the safety procedures that are in place for their own safety during any emergency and that the Groups' assets and resources are well protected from any accident or mishap.

It also important to note that the IA independently reviews the internal control systems to provide to the ARGC with sufficient assurance that the systems of internal control are effective to address the risks identified.

The Board is satisfied with the design of the control system and is of the view that the system which is in place for the year under review is sound and sufficient to safeguard shareholders' investments, customers' interest and the Group's assets.

The Group's system of internal control applies principally to Encorp Berhad and its subsidiaries. Joint ventures have been excluded because the Group does not have full management and control over them.

ASSURANCE PROVIDED BY MANAGEMENT

In line with the Guidelines, the Management has provided assurance to the Board that the Group's risk management and internal control system are in place and operating reliably in all material aspects to meet the Group's objectives during the financial year under review.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by Paragraph 15.23 of the MMLR of Bursa Securities, the external auditors have reviewed this Statement on Risk Management and Internal Control in accordance with Audit and Assurance Practical Guide 3, and reported to the Board that nothing has come to their attention that causes them to believe that the Statement on Risk Management and Internal Control intended to be included in the annual report for the FYE 2019 has been prepared, in all material aspects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, nor is the Statement on Risk Management and Internal Control factually inaccurate.

THE BOARD'S CONCLUSION

For the financial year under review and up to the date of issuance of this statement, the Board is pleased to state that the Group's system of risk management and internal control was rated overall as satisfactory, adequate and effective for the Group's purpose and safeguards the Group's assets and shareholders' investment, as well as the interest of customer, employees and other stakeholder. There have been no material losses, contingencies or uncertainties identified from the reviews.

The Board has also received assurance from the Management that the Group's risk management and internal control framework is operating adequately and effectively in all material aspects.

THE BOARD WILL CONTINUE TO MONITOR ALL MAJOR RISKS AFFECTING THE GROUP AND WILL TAKE THE NECESSARY MEASURES TO MITIGATE THEM AND ENHANCE THE ADEQUACY AND EFFECTIVENESS OF THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM OF THE GROUP.

This Statement on Risk Management and Internal Control is made in accordance with a resolution of the Board of Directors dated 25 June 2020.

STATEMENT OF DIRECTORS' RESPONSIBILITY

On Annual Audited Financial Statements

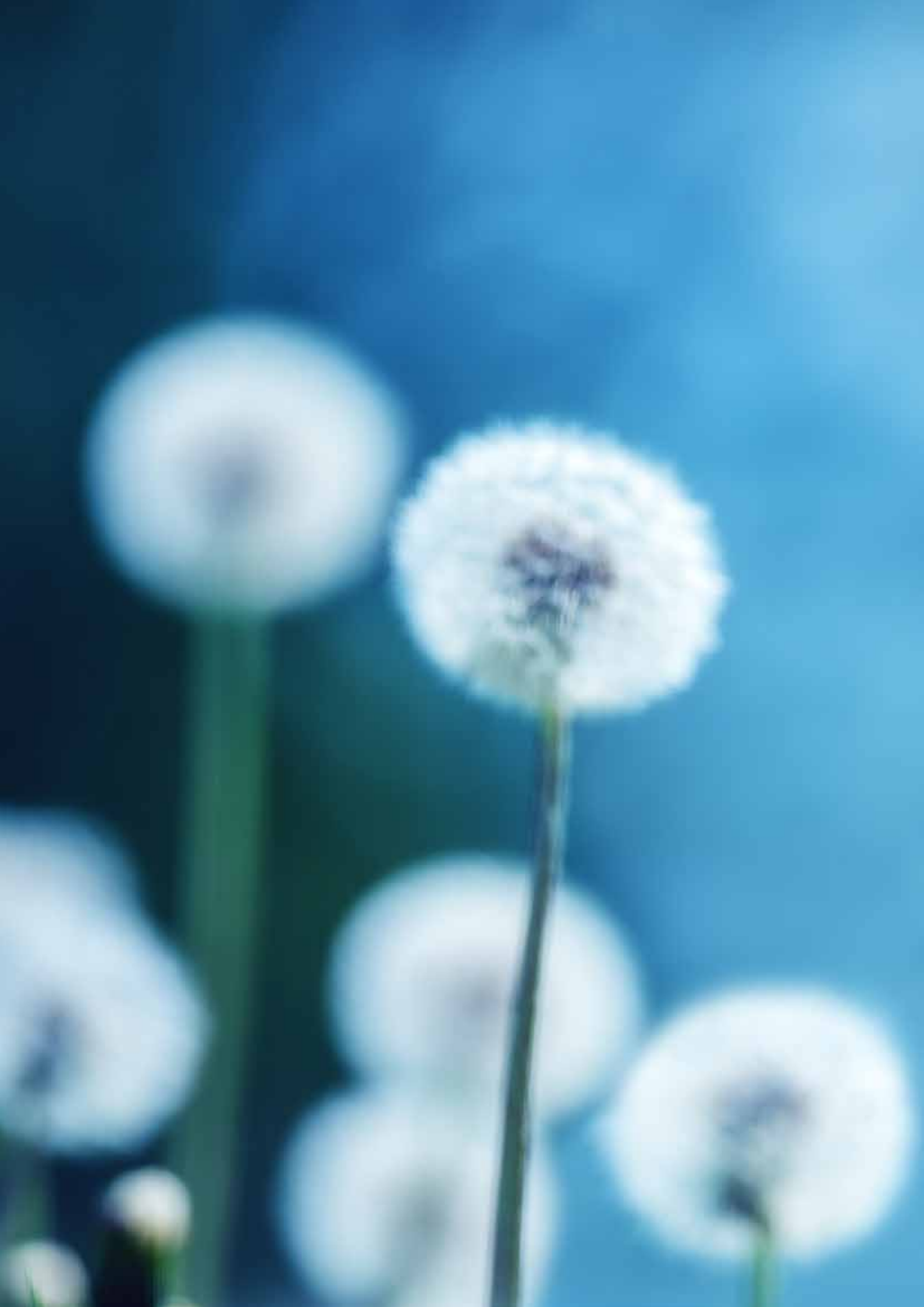
The Directors have overall responsibility for preparing the annual audited financial statements. Under the Companies Act 2016, the Directors are required to prepare the financial statements in accordance with applicable approved accounting standards which give a true and fair view of the financial position as at the end of each financial year and the financial performance for each financial year of the Company and all its subsidiaries ("Group").

In preparing the financial statements for the financial year ended 31 December 2019, the Directors have:

- adopted appropriate accounting policies and applied them consistently;
- used reasonable and prudent judgments and estimations;
- ensured that applicable approved accounting standards and statutory requirements have been followed; and
- prepared the financial statements on the going concern basis.

The Directors are also responsible for ensuring the Group properly keeps adequate accounting records that are sufficient to explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the relevant statutory requirements. The Directors have overall responsibility for taking reasonable steps to safeguard the assets of the Group and to prevent and detect frauds and other irregularities.

Encorp Strand, Kota Damansara



SECTION 08

FINANCIALS

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DIRECTORS' REPORT & AUDITED FINANCIAL STATEMENTS

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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	(41,825)	(170,994)
Loss attributable to:		
Owners of the parent	(46,397)	(170,994)
Non-controlling interests	4,572	-
	(41,825)	(170,994)

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.

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
	781	630

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.

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 have 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.

(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.

Other statutory information (cont'd.)

(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.

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 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	292	123

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

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 138 to 255 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 138 to 255 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

Independent auditors' report to the members of Encorp Berhad (Incorporated in Malaysia)

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 138 to 255.

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.

Independent auditors' report to the members of
Encorp Berhad
(Incorporated in Malaysia)

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.

Independent auditors' report to the members of
Encorp Berhad
(Incorporated in Malaysia)

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.)

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

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.

Independent auditors' report to the members of
Encorp Berhad
(Incorporated in Malaysia)

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.)

The Group's accounting policies and disclosures on property development activities based on percentage of completion method, 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.

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.

Independent auditors' report to the members of
Encorp Berhad
(Incorporated in Malaysia)

Report on the audit of the financial statements (cont'd.)

Key audit matters (cont'd.)

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

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.

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.

Independent auditors' report to the members of
Encorp Berhad
(Incorporated in Malaysia)

Report on the audit of the financial statements (cont'd.)

Key audit matters (cont'd.)

c) Impairment of investment in a subsidiary (cont'd.)

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

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 to from EDPL in Note 8 and 19(c).

Independent auditors' report to the members of
Encorp Berhad
(Incorporated in Malaysia)

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.

Independent auditors' report to the members of
Encorp Berhad
(Incorporated in Malaysia)

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.

Independent auditors' report to the members of
Encorp Berhad
(Incorporated in Malaysia)

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.)

- 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.

- 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.

Independent auditors' report to the members of
Encorp Berhad
(Incorporated in Malaysia)

Report on the audit of the financial statements (cont'd.)

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

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.

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

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

	Note	Group 2019 RM'000	Group 2018 RM'000 (Restated)	Company 2019 RM'000	Company 2018 RM'000
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.

Consolidated statement of financial position
As at 31 December 2019

	Note	Group 31.12.2019 RM'000	31.12.2018 RM'000 (Restated)	1.1.2018 RM'000 (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
		1,550,063	1,615,945	1,575,501
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
		439,641	492,764	566,394
Assets of disposal group classified as held for sale	26	-	100	97
		439,641	492,864	566,491
Total assets		1,989,704	2,108,809	2,141,992

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

	Note	Group 31.12.2019 RM'000	31.12.2018 RM'000 (Restated)	1.1.2018 RM'000 (Restated)
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		345,889	388,212	393,537
Non-controlling interest		87,335	82,343	86,345
Total equity		433,224	470,555	479,882
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
		1,065,201	1,181,463	1,252,269
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
		491,279	455,841	408,896
Liabilities directly associated with disposal group classified as held for sale	26	-	950	945
		491,279	456,791	409,841
Total liabilities		1,556,480	1,638,254	1,662,110
Total equity and liabilities		1,989,704	2,108,809	2,141,992

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

Statement of financial position
As at 31 December 2019

		Company		
	Note	31.12.2019 RM'000	31.12.2018 RM'000	1.1.2018 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	-	-
		151,586	296,692	297,159
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
		105,820	111,733	105,279
Total assets		257,406	408,425	402,438

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

		Company		
	Note	31.12.2019 RM'000	31.12.2018 RM'000	1.1.2018 RM'000
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		163,733	330,345	342,527
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
		72,738	78,080	59,911
Total liabilities		93,673	78,080	59,911
Total equity and liabilities		257,406	408,425	402,438

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

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	Accummulated 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

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	Accummulated 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.

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

	I----------Non-distributable----------I			
	Share capital (Note 27) RM'000	**Treasury shares (Note 27) RM'000**	**Accummulated 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	397,280	(327)	(233,220)	163,733
At 1 January 2018	392,898	(327)	(50,044)	342,527
Loss for the year	-	-	(12,182)	(12,182)
At 31 December 2018	392,898	(327)	(62,226)	330,345

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

Statements of cash flows
For the year ended 31 December 2019

	Group		Company	
	2019 RM'000	**2018 RM'000 (Restated)**	**2019 RM'000**	**2018 RM'000**
Cash flows from operating activities				
(Loss)/Profit before tax	(35,097)	1,999	(171,231)	(12,182)
Adjustments for:				
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)

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

	Group		Company	
	2019 RM'000	**2018 RM'000 (Restated)**	**2019 RM'000**	**2018 RM'000**
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

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

	Group		Company	
	2019 RM'000	**2018 RM'000 (Restated)**	**2019 RM'000**	**2018 RM'000**
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 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Cash	221	17	28	17

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.

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.

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.

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.

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)

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)

Effective for annual periods beginning on or after 1 January 2021:

MFRS 17	Insurance Contracts

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)

Deferred:

Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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.

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.

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.

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.

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.

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.

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

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

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.

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.

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

2.9 Leases (cont'd.)

As a lessee (cont'd.)

(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

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.

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

2.9 Leases (cont'd.)

As a lessee (cont'd.)

(ii) Lease liabilities (cont'd.)

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.

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.

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

2.10 Investment properties (cont'd.)

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.

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.

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

2.11 Intangible assets (cont'd.)

Computer software (cont'd.)

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.

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.

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

2.12 Impairment of non-financial assets (cont'd.)

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 and when circumstances indicate that the carrying value may be impaired.

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.

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.

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

2.13 Financial assets (cont'd.)

Initial recognition and measurement (cont'd.)

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

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.

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

2.13 Financial assets (cont'd.)

Financial assets at amortised cost (debt instruments) (cont'd.)

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.

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.

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

2.13 Financial assets (cont'd.)

Financial assets at fair value through profit or loss (cont'd.)

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.

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.

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

2.13 Financial assets (cont'd.)

Derecognition (cont'd.)

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.

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.

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

2.14 Impairment of financial assets (cont'd.)

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.

(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.

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

2.16 Inventories (cont'd.)

(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.

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

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.

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.

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

2.19 Financial liabilities (cont'd.)

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.

(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.

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

2.19 Financial liabilities (cont'd.)

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 used. 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.

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.

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

2.21 Employee benefits (cont'd.)

(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 expects 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.

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.

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

2.22 Revenue recognition (cont'd.)

(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.

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.

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

2.22 Revenue recognition (cont'd.)

(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.

(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.

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

2.22 Revenue recognition (cont'd.)

(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.

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.

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

2.23 Taxes (cont'd.)

(b) Deferred tax (cont'd.)

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.

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.

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

2.23 Taxes (cont'd.)

(b) Deferred tax (cont'd.)

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.

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

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.

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

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.

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.

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

2.28 Current versus non-current classification (cont'd.)

A liability is current when:

It is expected to be settled in normal operating cycle;

(i) It is held primarily for the purpose of trading;

(ii) It is due to be settled within twelve months after the reporting period; or

(iii) 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.

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).

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

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
- 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.

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.

4. Revenue

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

	Group		Company	
	2019 RM'000	2018 RM'000 (Restated)	2019 RM'000	2018 RM'000
Derived from third parties				
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	-	-
Derived from related companies				
Facility management fees	-	8,160	-	-
Management fees from subsidiaries	-	-	4,335	4,380
	165,619	249,858	4,335	4,380
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	-	-
	165,619	249,858	4,335	4,380

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:

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

5. Cost of sales

	Group	
	2019 RM'000	2018 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
	58,135	109,435

6. Other operating income

Included in other operating income are as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 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	-	-	-

7. Finance costs

	Group		Company	
	2019 RM'000	2018 RM'000 (Restated)	2019 RM'000	2018 RM'000
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 acrcretion of deferred payment to ultimate holding body	27,847	29,797	-	-
Interest expenses on lease liabilities	1,300	-	1,298	-
	127,004	128,923	2,991	2,023
Less:				
- interest capitalised in land held for property development (Note 15(a))	-	(29,797)	-	-
- interest capitalised in property development cost (Note 15(b))	-	(308)	-	-
	127,004	98,818	2,991	2,023

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

8. (Loss)/Profit before tax

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 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	-	-

9. Employee benefits expense

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 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 RM'000	2018 RM'000	2019 RM'000	2018 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

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

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.

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 is as follows:

	Group		Company	
	2019 RM'000	**2018 RM'000 (Restated)**	**2019 RM'000**	**2018 RM'000**
(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)	-	-
Adjustments:				
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)	-

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	(46,397)	(7,471)

	Number of Shares	
	2019 '000	2018 '000
Weighted average number of ordinary shares for basic loss per share computation*	306,088	293,566

* 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	(15.16)	(2.54)

(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.

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

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	2,766	642	1,376	4,784
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	2,603	642	1,220	4,465
Net carrying amount				
At 31 December 2018	367	-	198	565
At 31 December 2019	163	-	156	319

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).

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.

At fair value	Shopping Mall RM'000	Terrace Shop office RM'000	Total RM'000
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

		Group		
	Note	31.12.2019 RM'000	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.

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	20,061	397,265	95,283	512,609
Accumulated impairment losses				
At 1 January 2019	(11,241)	-	-	(11,241)
Exchange differences	213	-	-	213
At 31 December 2019	(11,028)	-	-	(11,028)
Carrying amount				
At 31 December 2019	9,033	397,265	95,283	501,581
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)	20,448	403,380	99,152	522,980

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	(11,241)	-	-	(11,241)
Carrying amount				
At 31 December 2018 (as restated)	9,207	403,380	99,152	511,739
At 1 January 2018 (as restated)	12,643	331,696	60,475	404,814

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)	-	29,797

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	26,127	14,777	546,521	587,425
Cumulative costs recognised in statements of profit or loss				
At 1 January 2019				(482,646)
Recognised during the year				(37,876)
At 31 December 2019				(520,522)
Property development costs at 31 December 2019				66,903
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	(835)	-	835	-
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)	26,127	8,878	520,142	555,147

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)	37,624	79,656

(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	-	294	-

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 RM'000	31.12.2018 RM'000	1.1.2018 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	1,723	1,901	20,890

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

	Group	
	2019 RM'000	2018 RM'000
Interest expense (Note 7)	-	308

(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 RM'000	31.12.2018 RM'000	1.1.2018 RM'000
At cost	67,530	70,963	84,443
At net realisable value	13,689	13,953	17,244
	81,219	84,916	101,687

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.

16. Investment in subsidiaries

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

(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	-	-
Encorp Facilities Management Sdn. Bhd.	@	Malaysia	Facilities management services provider	100	100	-	-

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 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	-	-

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	-	-

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 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.

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

(ii) Summarised statements of comprehensive income- MEDSB Group

	2019 RM'000	2018 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	4,572	(5)

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
	38,490	25,931

17. Investment in associate

	Group	
	31.12.2019 RM'000	31.12.2018 RM'000
Unquoted shares in Malaysia, at cost	-	30

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 off the share in its associate, Sinmah Development JV Sdn. Bhd. ("SDJSB"). No gain and loss was recognised arising from the disposal.

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	197,003	2,120	199,123
Accumulated amortisation and impairment:			
At 1 January 2018	178,499	1,749	180,248
Amortisation (Note 8)	-	169	169
Impairment (Note 8)	5,100	-	5,100
At 31 December 2018 and 1 January 2019	183,599	1,918	185,517
Amortisation (Note 8)	-	136	136
Impairment (Note 8)	6,000	-	6,000
At 31 December 2019	189,599	2,054	191,653
Net carrying amount:			
At 31 December 2018	13,404	202	13,606
At 31 December 2019	7,404	66	7,470

Company	Computer software RM'000
Cost	
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	1,372
Accumulated amortisation:	
At 1 January 2018	1,093
Amortisation (Note 8)	112
At 31 December 2018 and 1 January 2019	1,205
Amortisation (Note 8)	112
At 31 December 2019	1,317
Net carrying amount:	
At 31 December 2018	167
At 31 December 2019	55

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 RM'000	**31.12.2018 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.

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
		108,119	147,259
Expected credit losses	(c)	(2,042)	(6,093)
Trade receivable, net		106,077	141,166
Other receivables			
Amount due from holding company	(d)	53	53
Deposits		5,720	5,086
Sundry receivables		3,674	3,880
		9,447	9,019
Expected credit losses	(c)	-	(267)
Other receivable, net		9,447	8,752
Total current receivables		115,524	149,918
Non-current			
Trade receivables			
Concession income receivables	(b)	692,239	756,275
Other receivables			
Long term receivables	(e)	48,461	48,461
Expected credit losses	(c)	(48,461)	(48,461)
		-	-
Total non-current receivables		692,239	756,275
Total trade and other receivables		807,763	906,193

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
		8,053	5,943
Expected credit losses	(c)	(1,237)	(1,184)
Trade receivable, net		6,816	4,759
Other receivables			
Amount due from:			
- subsidiaries	(d)	133,165	135,456
- holding company	(d)	53	53
Deposits		697	685
Sundry receivables		91	170
		134,006	136,364
Expected credit losses	(c)	(35,779)	(36,269)
Other receivable, net		98,227	100,095
Total current receivables		105,043	104,854
Non-current			
Other receivables			
Long term receivables	(e)	39,019	39,019
Expected credit losses	(c)	(39,019)	(39,019)
		-	-
Total trade and other receivables		105,043	104,854

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 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 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	-	-
	42,041	83,201	-	-
Credit impaired				
Individually impaired	2,042	6,093	70	70
	44,083	89,294	70	70

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 RM'000	31.12.2018 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
	1,105,648	1,242,426
Unearned income	(349,373)	(428,186)
	756,275	814,240
Concession income receivables analysed as:		
Due within one year	64,036	57,965
Due after one year	692,239	756,275
	756,275	814,240

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 lossed	(288)	-
Written off	(4,121)	(50)
Amounts recovered (Note 6)	(870)	(7)
At 31 December	2,042	6,093

Company		
At 1 January	1,184	905
Expected credit losses (Note 8)		
- Individually assessed	100	279
- Reversal of expected credit lossed	(47)	-
At 31 December	1,237	1,184

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 lossed	(267)	-
At 31 December	48,461	48,728

Company		
At 1 January	75,288	71,810
Expected credit losses (Note 8)		
- Individually assessed	670	3,478
- Reversal of expected credit lossed (Note (i))	(1,160)	-
At 31 December	74,798	75,288

(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 lossed	(1,042)	-
At 31 December	23,092	24,134

(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.).

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)	21,056	-	-
Non-current liabilities				
Lease liabilities	(b)	20,949	-	-
Current liabilities				
Lease liabilities	(b)	1,056	-	-
Company				
Non-current assets				
Right-of-use assets	(a)	21,024	-	-
Non-current liabilities				
Lease liabilities	(b)	20,935	-	-
Current liabilities				
Lease liabilities	(b)	1,039	-	-

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	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	21,056	21,024	-	-

(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
	32,994	32,871

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	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	22,005	21,974	-	-

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

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
	207,587	(10,951)	196,636	(13,871)	182,765
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)
	(216,498)	3,613	(212,885)	18,753	(194,132)
	(8,911)	(7,338)	(16,249)	4,882	(11,367)

21. Deferred tax (cont'd.)

Presented after appropriate offsetting as follows:

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

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
	104,984	67,186	187,434	18,325

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

22. Other investments

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

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	
	Note	31.12.2019 RM'000	31.12.2018 RM'000 (Restated)
Contract assets			
Property development	(a)	5,452	8,237
Construction contract costs incurred to date	(b)	-	-
		5,452	8,237
Contract liabilities			
Property development	(a)	(4,181)	(2,439)

(a) Contract assets/(liabilities) from property development

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

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	1,271	5,798

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	-	-
	-	8,250
Less: Progress billings	-	(8,250)
Amount due from customers on contract	-	-
Presented as:		
Gross amount due from customers on contract	-	-
Retention sum on construction contracts included in:		
- trade payables	-	300

24. Other current assets

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

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

(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).

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 RM'000	**31.12.2018 RM'000**	**31.12.2019 RM'000**	**31.12.2018 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	42,868	60,957	644	1,091

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 RM'000	**31.12.2018 RM'000**
Current asset		
Cash and bank balances, representing the asset of disposal group classified as held for sale	-	100

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 RM'000	31.12.2018 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)
	(838)
Net cash outflow on disposal	
Cash and cash equivalents disposed	(100)
Gain on disposal	
Total amount novated with EVSB debt	3,078
Net liabilities disposed	838
Non-controlling interests	(420)
	3,496

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		306,474,217	(386,000)	397,280	(327)

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	2,902

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.

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
		257,455	205,461	133,928
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
		89,390	105,612	97,970
		346,845	311,073	231,898
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
		286,447	315,291	340,247
Total trade and other payables		633,292	626,364	572,145

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
		51,691	55,063
Total trade and other payables		51,699	55,071

(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.

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 RM'000	2018 RM'000	2019 RM'000	2018 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	202	215	76	74

(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 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 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	-	-	-
		118,958	108,093	15,000	15,000
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	-
		6,056	8,000	6,039	8,000
Total current loans and borrowings		125,014	116,093	21,039	23,000

30. Loans and borrowings (cont'd)

	Note	Group 31.12.2019 RM'000	Group 31.12.2018 RM'000	Company 31.12.2019 RM'000	Company 31.12.2018 RM'000
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	-	-
		754,104	861,753	-	-
Unsecured:					
Lease liabilities	(j)	20,949	-	20,935	-
Total non-current loans and borrowings		775,053	861,753	20,935	-
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 31.12.2019 RM'000	Group 31.12.2018 RM'000	Company 31.12.2019 RM'000	Company 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	-
	900,067	977,846	41,974	23,000

(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.

30. Loans and borrowings (cont'd.)

(a) Sukuk Murabahah (cont'd.)

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.

(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.

30. Loans and borrowings (cont'd.)

(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.

(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	Group 31.12.2019 RM'000	31.12.2018 RM'000 (Restated)	1.1.2018 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	-
		14,538	21,923	64,776

(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 2019 RM'000	2018 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	4,018	16,439

(b) Provision for affordable housing obligations

	Group 2019 RM'000	2018 RM'000 (Restated)
At 1 January	5,484	-
Addition	13,137	5,484
Reversal	(8,101)	-
At 31 December 2019	10,520	5,484

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 crystalise 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 RM'000	2018 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
Company			
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)	(3,122)	(2,547)

(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.

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.)

(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	54	77	54	77
	641	578	641	577

Included in the total remuneration of key management personnel is:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 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 RM'000	Level 2 RM'000	Level 3 RM'000	Total 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
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
	-	111,689	303,620	415,309

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.)

Company	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
At 31 December 2019				
Financial assets:				
- Investment securities carried at fair value through profit or loss (Note 22)	-	-	-	-
	-	-	-	-
At 31 December 2018				
Financial assets:				
- Investment securities carried at fair value through profit or loss (Note 22)	-	5,620	-	5,620
	-	5,620	-	5,620

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	RM1.00 to RM22.00 psf
		Outgoings	RM1.50 psf
		Allowance for void	10%
		Reversionary yield rates	7%
		Term yield rates	6.5%
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	RM1.50 to RM12.00 psf
		Outgoings	RM1.50 psf
		Allowance for void	10%
		Reversionary yield rates	7%
		Term yield rates	6.5%

34. Fair value measurements (cont'd.)

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").

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

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

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.

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.

34. Fair value measurements (cont'd.)

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

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.

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

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.

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**
By industry sectors				
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%
	800,358	100%	903,534	100%

* Less than 1% of total receivables

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

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

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 managament in relation to the Group’s ability to continue as a going concern are disclosed in Notes 2 and 29(c).

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

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

(b) Liquidity risk management (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd.)

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 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

(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.

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

(c) Interest rate risk management (cont'd.)

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

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	
	Note	31.12.2019 RM'000	31.12.2018 RM'000 (Restated)	31.12.2019 RM'000	31.12.2018 RM'000
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		574,969	583,077	93,029	71,360
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		433,224	470,555	163,733	330,345
Capital and net debt		1,008,193	1,053,632	256,762	401,705
Gearing ratio		57%	55%	36%	18%

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.

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.

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 * RM'000	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

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

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

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 * RM'000	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

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 * RM'000	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

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	-
		4,758	1,854

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
		9,982	30,549

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		(692,161)	(841,218)
		(675,999)	(819,966)

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		(527,267)	(522,543)
		(522,865)	(513,811)

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
	165,619	249,858	817,399	834,588

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
		817,399	834,588

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

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
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
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

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

Group	Note	As previously stated RM'000	Adjustment RM'000	As restated RM'000
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)
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.

38. Changes in comparatives (cont'd.)

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

(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%.

(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.

LIST OF PROPERTIES

LOCATION LAND	DESCRIPTION AND EXISTING USE	AREA (sq. m)	NET CARRYING AMOUNTS AS AT 31.12.19 (RM'000)	YEAR OF ACQUISITION
Completed Investment Properties				
Red Carpet Avenue	29 units terrace shop offices	18,124	136,690	2013
Strand Mall	4 storey retail podium including a basement car park and 4 levels of car park located above the retail podium	122,445	183,000	2013

LOCATION LAND	DESCRIPTION AND EXISTING USE	AREA (sq. m)	NET CARRYING AMOUNTS AS AT 31.12.19 (RM'000)	YEAR OF ACQUISITION
Inventories - Properties Held For Sale				
PN 81890 Lot 4028 Bandar Shah Alam, Daerah Petaling, Selangor Darul Ehsan	1 unit 3 storey shop office	173	1,171	2000
Garden Office, Kota Damansara, Selangor Darul Ehsan on PT 10563 HS(D) 251908, Mukim Sungai Buloh, Daerah Petaling, Selangor Darul Ehsan	17 units of office suites & 767 units of car park bay (99 years lease expiring on 14/11/2107)	13,452	34,198	2000
PN 83359 Lot 5427, PN 83360 Lot 5428 & PN 83285 Lot 5485, Bandar Shah Alam, Daerah Petaling, Selangor Darul Ehsan	Residential properties (99 years lease expiring on 28/03/2104)	1,490	120	2000
PN 117612 Lot 53634, Pekan Baru Sungai Buloh, Daerah Petaling, Selangor Darul Ehsan	29 units of residential apartment & 66 units of car park bay (99 years lease expiring on 14/11/2107)	4,883	25,187	2000
PN 82706 Lot 4775 & PN 82726 Lot 4795, Bandar Shah Alam, Daerah Petaling, Selangor Darul Ehsan	2 units of residential properties (99 years lease expiring on 30/03/2104)	356	1,163	2000
PN 81989 Lot 4120, PN 82108 Lot 4226, PN82145 - 82146 Lot 4263 - 4264, PN 82149 Lot 4267, PN 82152 - 82153 Lot 4270 - 4271, PN 82155 - 82159 Lot 4273 - 4277, PN 82177 Lot 4294 & PN 82192 Lot 4301, Bandar Shah Alam, Daerah Petaling, Selangor Darul Ehsan	14 units of residential properties (99 years lease expiring on 22/03/2104 & 25/03/2104)	2,142	4,121	2000
HS(D) 458136, PTD 166961, Mukim Pulai, Daerah Johor Bahru, Johor	65 units of residential apartment, 16 units of retail & 496 units of car park bay (freehold land)	14,065	56,117	2012

LOCATION LAND	DESCRIPTION AND EXISTING USE	AREA (sq. m)	NET CARRYING AMOUNTS AS AT 31.12.19 (RM'000)	YEAR OF ACQUISITION
Inventories - Properties Under Development & Land Held for Development				
PN 81947 - 81954 Lot 4084 - 4091, PN 81956 - 81965 Lot 4092 - 4101, PN 81994 - 82016 Lot 4127 - 4149, PN 82019 - 82033 Lot 4152 - 4166, PN 82035 - 82041 Lot 4171 - 4177, PN 82042 - 82046 Lot 4179 - 4183, PN 82052 - 82058 Lot 4190 - 4196, PN 82060 - 82063 Lot 4197 - 4200, PN 82083 - 82092 Lot 4201 - 4210, PN 82196 - 82202 Lot 4307 - 4313 & PN 82204 - 82250 Lot 4314 - 4360, Bandar Shah Alam, Daerah Petaling, Selangor Darul Ehsan	Residential properties under construction (99 years lease expiring on 22/03/2104 & 25/03/2104)	24,082	6,115	2000
PN 82833 - 82852 Lot 4902 - 4921, PN 82854 - 82925 Lot 4924 - 4995 & PN 82927 - 82946 Lot 4997 - 5016, Bandar Shah Alam, Daerah Petaling, Selangor Darul Ehsan	Land held for property development (99 years lease expiring on 31/03/2104)	22,989	3,689	2000
PN 83361 - 83425 Lot 5432 - 5496, PN 83426 - 83434 Lot 5499 - 5507 & PN 83435 - 83452 Lot 5509 - 5526 Bandar Shah Alam, Daerah Petaling, Selangor Darul Ehsan	Land held for property development (99 years lease expiring on 31/03/2104)	16,195	3,398	2000
PN 82610 - 82624 Lot 4692 - Lot 4706, PN 82644 - 82651 Lot 4707 - 4714, PN 82653 - 82664 Lot 4718 - 4729, PN 82669 - 82670 Lot 4730 - 4731, PN 82671 - 82675 Lot 4744 - 4748, PN 82677 - 82683 Lot 4749 - 4755 & PN 83748 - 83759 Lot 4732 - 4743, Bandar Shah Alam, Daerah Petaling, Selangor Darul Ehsan	Land held for property development (99 years lease expiring on 28/03/2104 & 30/03/2104)	12,396	3,398	2000
PN 81867 Lot 4006, Bandar Shah Alam, Daerah Petaling, Selangor Darul Ehsan	Land held for property development (99 years lease expiring on 31/03/2104)	19,119	1,939	2000
PN 81869 Lot 4010, Bandar Shah Alam, Daerah Petaling, Selangor Darul Ehsan	Land held for property development (99 years lease expiring on 31/03/2104)	30,471	3,090	2000

PN 83453 Lot 5530, Bandar Shah Alam, Daerah Petaling, Selangor Darul Ehsan	Land held for property development (99 years lease expiring on 31/03/2104)	17,332	1,754	2000
Lot 6934, Title No PN43209, Mukim Bukit Katil, Daerah Melaka Tengah, Melaka	Leasehold land held for property development (99 years lease expiring on 27 January 2096)	2,594,000	380,000	2016

LOCATION LAND	DESCRIPTION AND EXISTING USE	AREA (sq. m)	NET CARRYING AMOUNTS AS AT 31.12.19 (RM'000)	YEAR OF ACQUISITION
Oversea Inventories				
67 Canning Highway, Victoria Park, Australia being Lots 26, 27 & 28 on Strata Title Plan 63339	3 units of residential apartment (freehold)	1,187	13,689	2010

LOCATION LAND	DESCRIPTION AND EXISTING USE	AREA (sq. m)	NET CARRYING AMOUNTS AS AT 31.12.19 (RM'000)	YEAR OF ACQUISITION
Inventories - Overseas Properties Under Development & Land Held for Development				
15 Tea Tree Close Cockburn Central, Perth, Australia	Freehold land held for property development	11,002	9,032	2012

* The figures are based on the net carrying amounts recorded by the respective subsidiaries of the Group.

SECTION 09

SHAREHOLDINGS' INFORMATION

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SHAREHOLDINGS' INFORMATION

ANALYSIS OF SHAREHOLDINGS AS AT 19 MAY 2020

Issued Share Capital : RM 397,280,458.65 comprising 306,474,217 ordinary shares *
Class of Shares : Ordinary shares
Voting Rights : One (1) vote per ordinary share

* Including 386,000 shares bought and retained as treasury shares

Size of Holdings	No. of Shareholders	%	No. of Shares	% of Shareholdings
1 - 99	140	6.79	1,135	0.00
100 - 1,000	304	14.74	203,010	0.07
1,001 - 10,000	1,179	57.15	4,836,816	1.58
10,001 - 100,000	355	17.21	12,719,429	4.16
100,001 – less than 5% of issued shares	83	4.02	51,260,301	16.75
5% and above of issued shares	2	0.10	237,067,526	77.45
Total	2,063	100.00	306,088,217	100.00

INFORMATION OF SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholders	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
Felda Investment Corporation Sdn. Bhd.	197,067,526	64.38	-	-
Federal Land Development Authority	-	-	197,067,526①	64.38
Anjakan Masyhur Sdn. Bhd.	40,000,000	13.07	-	-
Azhar bin Mohd Awal	-	-	40,000,000②	13.07
Azman Hanafi bin Abdullah	-	-	40,000,000②	13.07

① Deemed interest through Felda Investment Corporation Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016.

② Deemed interest by virtue of their substantial shareholdings in Anjakan Masyhur Sdn. Bhd.

LIST OF DIRECTORS' SHAREHOLDINGS

Directors	Shareholdings			
	Direct No. of Shares	%	Indirect No. of Shares	%
Hussein Bin Ismail	-	-	-	-
Mahadzir Bin Mustafa	-	-	-	-
Datuk Haji Jaafar Bin Abu Bakar	-	-	-	-
Abdul Rahim Bin Abdul Hamid	-	-	-	-

LIST OF 30 LARGEST SHAREHOLDERS (as at 19 May 2020)

No.	Name	No. of Shares	%
1.	Felda Investment Corporation Sdn. Bhd.	197,067,526	64.38
2.	Anjakan Masyhur Sdn. Bhd.	40,000,000	13.07
3.	Amsec Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account – Ambank (M) Berhad for Peh Lian Hwa (Smart)	12,521,800	4.09
4.	Maybank Securities Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Fong Kiah Yeow (Margin)	4,671,400	1.53
5.	JF Apex Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Satvinder Singh (Margin)	3,730,700	1.22
6.	CGS-CIMB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Teh Swee Heng (MM1118)	2,465,200	0.81
7.	Ting Ding Ing	1,924,500	0.63
8.	Alliancegroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tan Kian Chuan (8059299)	1,834,100	0.60
9.	RHB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Mohd Isa Bin Ismail	1,391,500	0.45
10.	Rosnah Binti Abd Majid	1,354,401	0.44
11.	Haslinah Binti Hassan	1,130,000	0.37
12.	Azman Bin Karim	1,081,000	0.35
13.	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Chew Pok Oi	1,060,800	0.35
14.	Abdul Aziz Bin Abdul Kadir	1,000,000	0.33

No.	Name	No. of Shares	%
15.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Stuart Saw Teik Siew	659,500	0.22
16.	Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Mahadi Bin Mahussein (Margin)	600,000	0.20
17.	Eng Chong Him	524,600	0.17
18.	Mohd Isa Bin Ismail	511,700	0.17
19.	Tung Yoke Cheng	481,000	0.16
20.	CGS-CIMB Nominees (Asing) Sdn Bhd. Pledged Securities Account for Lim Geok Eng Mary (MY0955)	468,500	0.15
21.	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Neoh Soo Keat	433,400	0.14
22.	Annedjma Capital Sdn. Bhd.	425,600	0.14
23.	Olive Lim Swee Lian	410,000	0.13
24.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chow Chee Fai (7003968)	400,000	0.13
25.	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tan Kian Aik	380,300	0.12
26.	Lai Thiam Poh	380,000	0.12
27.	Low Hock Boon	371,800	0.12
28.	Lim Geok Eng Mary	360,000	0.12
29.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Siow Wong Yen @ Siow Kwang Hwa (PBCL-0G0320)	342,000	0.11
30.	Alliancegroup Nominees (Tempatan) Sdn Bhd Leong Yuet Mooi (8105904)	338,200	0.11
	Total	278,319,527	90.93

Encorp Strand Business Suites, Kota Damansara

STATEMENT OF SHARE BUY-BACK

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING PURSUANT TO PARAGRAPH 12.06(1) OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

1. Disclaimer Statement

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

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

2. Introduction

The Company had on 25 February 2020, announced that it will be seeking shareholders' approval at the 20th Annual General Meeting ("AGM") of the Company for the proposed renewal of authority for the Company to purchase its own ordinary shares ("Encorp Shares") of up to 10% of the total number of issued shares of the Company ("Proposed Renewal of Authority for Share Buy-Back").

The purpose of this Statement is to provide the information on the Proposed Renewal of Authority for Share Buy-Back together with the Directors' recommendation thereon, and to seek shareholders' approval of the Ordinary Resolution on the Proposed Renewal of Authority for Share Buy-Back to be tabled at the 20th AGM of the Company to be held at the Broadcast Venue at Executive Lounge, Third Floor, Encorp Berhad, No 46-3, Jalan PJU 5/22, Pusat Perdagangan Kota Damansara, Kota Damansara PJU 5, 47810 Petaling Jaya, Selangor Darul Ehsan.

3. Details of the Proposed Renewal of Authority for Share Buy-Back

At the 19th AGM of the Company held on 29 May 2019, the shareholders had approved the renewal of the authority for the Company to purchase its own shares of up to 10% of the total number of issued shares of the Company. The said approval will expire at the conclusion of the 20th AGM of the Company unless renewed by an ordinary resolution passed by the shareholders.

The renewal of authority for the Company to purchase its own shares will be effective immediately upon the passing of the Ordinary Resolution at the forthcoming 20th AGM and will expire at:

(i) the conclusion of the next AGM of the Company following the general meeting at which such resolution was passed at which time it shall lapse unless by an ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions;

(ii) the expiration of the period within which the next AGM of the Company after the date is required by law to be held; or

(iii) revoked or varied by an ordinary resolution passed by the shareholders in a general meeting,

whichever occurs first.

The Company may only purchase its own shares at a price which is not more than 15% above the weighted average market price of the shares for the five (5) market days immediately before the purchase.

In accordance with Section 127 of the Companies Act 2016 (the "Act"), the Company could deal with any Encorp Shares so purchased in the following manner:

(i) to cancel the shares so purchased;
(ii) to retain the shares so purchased as treasury shares; or
(iii) to retain part of the shares so purchased as treasury shares and cancel the remainder of the shares.

Shares that are purchased by the Company shall be deemed to be cancelled immediately on purchase unless it is held as treasury shares. If such purchased shares are held as treasury shares, the Directors of the Company may:-

(a) distribute the shares as share dividends to shareholders;

(b) resell the shares or any of the shares in accordance with the relevant rules of Bursa Securities;

(c) transfer the shares, or any of the shares for the purposes of or under an employees' share scheme;

(d) transfer the shares, or any of the shares as purchase consideration;

(e) cancel the shares or any of the shares; or

(f) sell, transfer or otherwise use the shares for such other purposes as the minister charged with the responsibility for companies may by order prescribe.

If such purchased shares are held as treasury shares, the rights attached to them as to attending and voting at meetings and any purported exercise of such rights is void. The treasury shares shall not confer the right to receive dividends or other distributions, whether cash or otherwise, of the Company's assets including any distribution of assets upon winding up of the Company.

In addition, the treasury shares shall not be taken into account in calculating the number or percentage of shares or of a class of shares in the Company for any purposes including, without limiting the generality of the provision in the Act or the Listing Requirements of Bursa Securities on substantial shareholding, takeovers, notices, the requisitioning of meetings, the quorum for a meeting and the result of a vote on resolutions at meetings of shareholders.

Where treasury shares are distributed as share dividends, the costs of the shares on the original purchase shall be applied in the reduction of the funds otherwise available for distribution as dividends.

Where the shares so purchased or treasury shares are cancelled, the costs of the shares shall be applied in the reduction of the profits otherwise available for distribution as dividends. The issued capital of the Company shall be diminished by the shares so cancelled.

The Encorp Shares purchased and retained by Encorp as treasury shares can only be resold at a price which is:

(i) not less than the weighted average market price of the Encorp Shares for the five (5) market days immediately prior to the resale; or

(ii) at a discount of not more than 5% to the weighted average market price of the Encorp Shares for the five (5) market days immediately before the resale provided that:

    (a) the resale takes place not earlier than thirty (30) days from the date of purchase; and

    (b) the resale price is not less than the cost of purchase of the Encorp Shares being resold.

In accordance with Paragraph 12.26 of the Listing Requirements, Encorp may purchase its own shares in odd lots, i.e. any number of its own shares which is less than the number of shares prescribed by Bursa Securities as a board lot through Direct Business Transaction or in any other manner as may be approved by Bursa Securities in accordance with such requirements as may be prescribed or imposed by Bursa Securities.

To date, the Company has yet to determine the manner of which the purchased shares are to be treated.

4. Rationale for the Proposed Renewal of Authority for Share Buy-Back

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

(a) The proposed share buy-back will provide the Company the option to return its surplus financial resources to its shareholders;

(b) Depending on the effective cost of funding of the shares to be purchased, the earnings per share of the Group may be enhanced (in the case where the shares so purchased are cancelled), and thereby long term investors are expected to enjoy a corresponding increase in the value of their investments in the Company;

(c) If the shares purchased are kept as treasury shares, the treasury shares may be realised with potential gain without affecting the total number of issued shares of the Company. Alternatively, the shares purchased can be distributed as share dividends to reward the shareholders of the Company; and

(d) The Company may be able to stabilise the supply and demand of its shares in the open market and thereby supporting its fundamental value.

5. Retained Profits

The proposed share buy-back must be made wholly-out of the company's retained profits. The maximum amount of funds to be utilized must not exceed the retained profit of the Company.

Based on the Audited Financial Statements of the Company for the financial year ended 31 December 2019, the accumulated loss account of the Company stood at RM233,219,809.

6. Source of Funds

The amount allocated for share buy-back will be financed by internally generated funds and/or bank borrowings, the proportion of which will depend on the quantum of the purchase consideration as well as the availability of internally generated funds and repayment capability of the Company, if financed by bank borrowings, at the date(s) of the purchase(s). In the event that the Company intends to purchase its own shares using external borrowings, the Board of Directors shall ensure that the Company shall have sufficient funds to repay the external borrowings and that the repayment would have no material effect on the cash flow of Encorp group of companies.

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

The proforma effects of the proposed share buy-back on the shareholdings of the Directors of the Company as at 19 May 2020 on the assumption that shares purchased from shareholders other than the Directors are set out below:

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

The proforma effects of the proposed share buy-back on the shareholdings of the Directors of the Company as at 19 May 2020 on the assumption that shares purchased from shareholders other than the Directors are set out below:

Directors	Before Proposed Renewal of Authority for Share Buy-Back				After Proposed Renewal of Authority for Share Buy-Back ①			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Hussein Bin Ismail	-	-	-	-	-	-	-	-
Mahadzir Bin Mustafa	-	-	-	-	-	-	-	-
Datuk Haji Jaafar Bin Abu Bakar	-	-	-	-	-	-	-	-
Abdul Rahim Bin Abdul Hamid	-	-	-	-	-	-	-	-

① Assuming that 10% of the existing total number of issued shares of Encorp are bought and retained as treasury shares in total.

The proforma effects of the proposed share buy-back on the shareholdings of the substantial shareholders in Encorp as at 19 May 2020 on the assumption that shares are purchased from shareholders other than the substantial shareholders are set out below:

Substantial Shareholders	Before Proposed Renewal of Authority for Share Buy-Back				After Proposed Renewal of Authority for Share Buy-Back #			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Felda Investment Corporation Sdn. Bhd.	197,067,526	64.38	-	-	197,067,526	74.53	-	-
Federal Land Development Authority	-	-	197,067,526①	67.16	-	-	197,067,526①	74.53
Anjakan Masyhur Sdn. Bhd.	40,000,000	13.07	-	-	40,000,000	14.50	-	-
Azhar Bin Mohd Awal	-	-	40,000,000②	13.07	-	-	40,000,000②	14.50
Azman Hanafi Bin Abdullah	-	-	40,000,000②	13.07	-	-	40,000,000②	14.50

Assuming that 10% of the existing total number of issued shares capital of Encorp are bought and retained as treasury shares in total.

① Deemed interest through Felda Investment Corporation Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016.

② Deemed interest by virtue of their substantial shareholdings in Anjakan Masyhur Sdn. Bhd.

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

Potential advantages of the Proposed Renewal of Authority for Share Buy-Back to the Company and its shareholders are stated in Section 4 above.

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

(a) it will reduce the financial resources of the Group and may result in the Group foregoing better investment opportunities in future or, at least deprive Encorp Group of interest income that can be derived from the funds utilised for the Share Buy-Back; and

(b) as the Share Buy-Back can only be made out of retained profits of the Company, it may result in the reduction of financial resources available for distribution to shareholders in the immediate future.

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

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

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

(a) Share Capital

The effects of any purchase of the Company's own shares will depend on whether the Encorp Shares so purchased are cancelled or retained as treasury shares.

The proposed share buy-back will not have any effect on the total number of issued shares if all the Encorp Shares purchased are to be retained as treasury shares, re-sold or distributed to our shareholders.

The proposed share buy-back will however, result in the reduction of the total number of issued shares if the Encorp Shares so purchased are cancelled. The proforma effects of the proposed share buy-back based on the issued and paid-up share capital as at 19 May 2020 and assuming the Encorp Shares so purchased are cancelled are set out below:

	No. of Encorp Shares
Existing issued and paid-up share capital as at 19 May 2020	306,474,217
Treasury shares as at 19 May 2020	(386,000)
If maximum number of shares are purchased pursuant to the proposed share buy-back	(30,261,422)
Issued and paid-up share capital as diminished, if the treasury shares are cancelled	275,826,795

(b) NA

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

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

(c) Working Capital

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

(d) EPS

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

(e) Dividends

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

The proposed share buy-back may have an adverse impact on the Company's dividend policy for the financial year ending 31 December 2020 as it would reduce the cash available, which may otherwise be used for dividend payment. Nonetheless, the treasury shares purchased may be distributed as dividends to shareholders of the Company, if the Company so decides.

(f) Shareholdings

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

Please refer to Section 7 above for further details on the shareholding structure of Directors and substantial shareholders of the Company.

10. Implication Under the Malaysian Code on Take-Overs and Mergers, 2016 (the "Rules")

In the event the proposed share buy-back results in any director(s), substantial shareholder(s) and/or parties acting in concert with him/them triggering a mandatory offer obligation under the Code, the affected director(s) or substantial shareholder(s) will be obliged to make a mandatory offer for the remaining Encorp Shares not held by him/them.

However, an approval may be sought from the Securities Commission by the affected director(s) or substantial shareholder(s) for exemption under the Code before a mandatory offer obligation is triggered.

11. Purchase, Resale and Cancellation of shares made in the previous twelve (12) months

As per the Record of Depositors as at 19 May 2020, a total of 386,000 shares were held as treasury shares.

None of the 386,000 shares bought back has been resold, cancelled or distributed as share dividend.

12. Public Shareholding Spread

As at 19 May 2020, the public shareholding spread of Encorp was 22.5%. The Company will not undertake any share buy-back if that will result in further breach of paragraph 8.02(1) of the Main Market Listing Requirements of Bursa Securities, which requires the Company to maintain a shareholding spread of at least 25% of its total listed shares (excluding treasury shares) are in the hands of public shareholders. The Board is mindful of the shareholding spread requirement and will continue to be mindful of the requirement when making any purchase of Encorp Shares by the Company.

13. Share Prices

The monthly highest and lowest prices of the shares traded on the Bursa Securities for the last twelve (12) months from April 2019 to May 2020 are as follows:

Year/ Month	2019 Apr	2019 May	2019 June	2019 Jul	2019 Aug	2019 Sept	2019 Oct	2019 Nov	2019 Dec	2020 Jan	2020 Feb	2020 Mar	2020 Apr	2020 May
(Rm) High	0.39	0.40	0.34	0.40	0.36	0.32	0.38	0.35	0.35	0.31	0.30	0.29	0.29	0.23
(Rm) Low	0.35	0.33	-	0.29	0.27	0.28	0.28	0.29	0.28	0.28	0.24	0.20	0.21	0.19

The last transacted price of Encorp shares on 19 May 2020, being the last practicable date prior to the printing of this statement was RM 0.20.

14. Directors' Statement

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

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

15. Directors' Recommendation

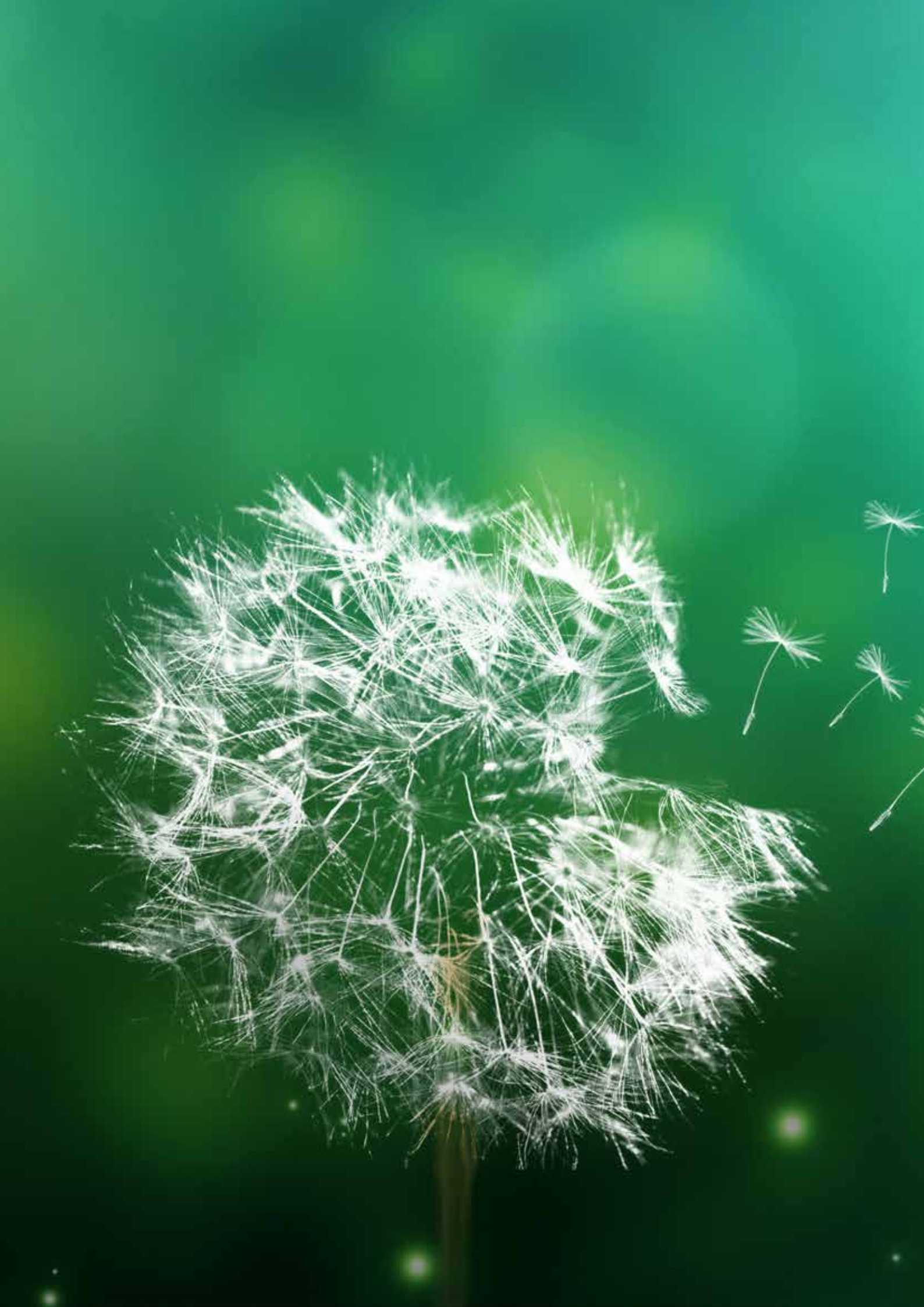
The Board of Directors recommends that you vote in favour of the Ordinary Resolution for the Proposed Renewal of Authority for Share Buy-Back to be tabled at the forthcoming AGM.

16. Other Information

Copies of the following documents will be available for inspection at the registered office of Encorp at No.45-1, Jalan PJU 5/21, Pusat Perdagangan Kota Damansara, Kota Damansara PJU 5, 47810 Petaling Jaya, Selangor Darul Ehsan, during normal office hours on any working day from 26 June 2020 up to and including the date of the AGM:

(a) Constitution of Encorp; and
(b) Audited financial statements for financial years ended 31 December 2018 and 31 December 2019.

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



SECTION 10

ANNUAL GENERAL MEETING

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NOTICE OF 20TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 20th Annual General Meeting ("AGM") of ENCORP BERHAD will be conducted as a fully virtual AGM at the Broadcast Venue at Executive Lounge, Third Floor, Encorp Berhad, No 46-3, Jalan PJU 5/22, Pusat Perdagangan Kota Damansara, Kota Damansara PJU 5, 47810 Petaling Jaya, Selangor Darul Ehsan, on Wednesday, 23 September 2020 at 3.00 p.m. for the following purposes:

Agenda

As Ordinary Business

1	To receive the Audited Financial Statements for the financial year ended 31 December 2019 together with the Reports of the Directors and Auditors thereon.	(Please refer to Explanatory Note 1)
2	To approve the Directors' fees of up to RM700,000.00 for the period from 1 June 2020 until the next AGM of the Company, to be payable on a quarterly basis in arrears.	(Ordinary Resolution 1)
3	To approve the payment of Directors' benefits of up to RM170,000 being meeting attendance allowances and up to RM85,000 for each Director being the medical benefits, from 1 June 2020 until the next AGM of the Company.	(Ordinary Resolution 2)
4	To re-elect the following Director who retire in accordance with Clause 99 of the Constitution of the Company: (a) YBhg Datuk Haji Jaafar Bin Abu Bakar	(Ordinary Resolution 3)
5	To re-elect the following Director who retire in accordance with Clause 106 of the Constitution of the Company: (a) Mahadzir Bin Mustafa	(Ordinary Resolution 4)
6	To re-appoint Messrs Ernst & Young PLT as Auditors of the Company until the conclusion of the next AGM and to authorise the Directors to fix the Auditors' remuneration.	(Ordinary Resolution 5)

As Special Business

To consider and, if thought fit, to pass the following resolutions:

7	Authority to Allot Shares pursuant to Sections 75 and 76 of the Companies Act 2016 "THAT subject to Sections 75 and 76 of the Companies Act 2016 and approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to allot shares in the Company, at any time to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares allotted pursuant to this resolution does not exceed ten per centum (10%) of the total number of issued shares of the Company for the time being and the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so allotted on Bursa Malaysia Securities Berhad ("Bursa Securities"); AND THAT such authority shall commence immediately upon the passing of this resolution and continue to be in force until the conclusion of the next AGM of the Company."	(Ordinary Resolution 6)
8	Proposed Renewal of Authority for Share Buy-Back "THAT subject always to the Companies Act 2016, the Constitution of the Company, Main Market Listing Requirements ("Listing Requirements") of Bursa Securities, and the approvals of all relevant governmental and/or regulatory authorities, the Directors of the Company be and are hereby authorised to make purchases of such amount of ordinary shares in the Company through Bursa Securities, provided that: (a) the aggregate number of ordinary shares purchased and/or held by the Company as treasury shares shall not exceed ten per centum (10%) of the existing total number of issued shares of the Company for the time being; (b) the maximum funds allocated by the Company for the purpose of purchasing its shares shall not exceed the total retained profits of the Company; and (c) the authority conferred by this resolution will commence immediately upon passing of this ordinary resolution and shall continue to be in force until: (i) the conclusion of the first AGM of the Company following the general meeting at which such resolution was passed at which time it shall lapse unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; (ii) the expiration of the period within the next AGM after that date is required by law to be held; or (iii) revoked or varied by ordinary resolution passed by the shareholders in a general meeting; whichever is earlier.	

	AND THAT the Directors of the Company be and are hereby authorised to deal with the shares purchased in their absolute discretion in the following manner: (i) cancel all the shares so purchased; (ii) retain the shares so purchased as treasury shares; or (iii) retain part of the shares so purchased as treasury shares and cancel the remainder of the shares. AND FURTHER THAT the Directors of the Company be and are hereby authorised to take all such steps as are necessary and/or enter into any and all agreements, arrangements and guarantees with any party or parties to implement, finalise and give full effect to the aforesaid purchase with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities from time to time to implement or to effect the purchase of its own shares."	(Ordinary Resolution 7)
9	Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature as specified in Section 2.3 of the Circular to Shareholders dated 26 June 2020. "THAT, subject always to the Listing Requirements of Bursa Securities, approval be and is hereby given to the Company and its subsidiaries ("Encorp Group") to enter into and give effect to specified recurrent related party transactions of a revenue or trading nature of the Encorp Group with specified classes of related parties (as defined in the Listing Requirements of Bursa Securities and as specified in Section 2.3 of the Circular to Shareholders dated 26 June 2020) which are necessary for the day-to-day operations in the ordinary course of business and are carried out at arms' length basis on normal commercial terms of the Encorp Group, on terms not more favourable to the related parties than those generally available to the public and are not detrimental to minority shareholders of the Company and such approval shall continue to be in force until: (a) the conclusion of the next AGM of the Company at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; (b) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 340(2) of the Companies Act 2016, (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016); or (c) revoked or varied by resolution passed by the shareholders in a general meeting; whichever is earlier.	

	THAT authority be and is hereby given to the Directors of the Company to complete and do all such acts and things as they may consider necessary or expedient in the best interest of the Company (including executing all such documents as may be required) to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution."	(Ordinary Resolution 8)
10	To transact any other ordinary business of which due notice has been given in accordance with the Companies Act 2016.	

By Order of the Board

Lee Lay Hong
LS 0008444
SSM PC No. 201908002088
Company Secretary

Selangor Darul Ehsan
26 June 2020

Explanatory Notes:

1. Audited Financial Statements

The Audited Financial Statements are laid in accordance with Section 340(1) (a) of the Companies Act 2016 for discussion only under Agenda 1. They do not require shareholders' approval and hence, will not put for voting.

2. The payment of Directors' benefits of up to RM170,000 being meeting attendance allowances and up to RM85,000 for each Director being the medical benefits, from 1 June 2020 until the next AGM of the Company.

The details of the estimated total benefits payable to Non-Executive Chairman and Non-Executive Directors for the period from 1 June 2020 until the next AGM are as follows:

(a) Meeting allowance (no change from the previous year)

Estimated amount of meeting allowance up to RM170,000 is calculated based on the number of scheduled Board's and Board Committees' meetings.

(b) Medical benefits

Estimated amount of medical benefits is up to RM85,000 for each Director.

This authority, unless revoked or varied by the Company in a general meeting, will expire at the conclusion of the next AGM of the Company.

3. Authority to Allot Shares Pursuant to Sections 75 and 76 of the Companies Act 2016

The above Ordinary Resolution 6 is a renewal of the General Mandate for the Directors to allot shares pursuant to Sections 75 and 76 of the Companies Act 2016.

The above Ordinary Resolution 6, if passed, will give authority to the Directors of the Company, from the date of the above AGM, to allot shares to such persons in their absolute discretion without convening a general meeting provided the aggregate number of share allotted does not exceed ten per centum (10%) of the total number of issued shares of the Company for the time being. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the 19th AGM held on 29 May 2019 and which will lapse at the conclusion of the 20th AGM to be held on 23 September 2020.

The General Mandate sought will enable the Directors of the Company to allot shares, including but not limited to further placing of shares, for purposes of funding investment(s), working capital and/or acquisition(s).

4. Proposed Renewal of Authority for Share Buy-Back

The proposed adoption of Ordinary Resolution 7 is intended to renew the authority granted by the shareholders of the Company at the AGM held on 29 May 2019. The proposed renewal of authority for share buy-back will allow the Board of Directors to exercise the power of the Company to purchase not more than ten per centum (10%) of the total number of issued shares of the Company at any time within the time period stipulated in the Listing Requirements of Bursa Securities.

5. Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

The proposed Ordinary Resolution 8, if approved, will allow the Company and its subsidiaries to enter into recurrent related party transactions of a revenue and trading nature relating to sale of properties by the Encorp Group to related parties. The details of the proposal are set out in the Circular to Shareholders dated 26 June 2020 which is circulated together with the Annual Report 2019.

Notes:

1. As part of the initiatives to curb the spread of Covid-19, the 20th AGM of the Company will be conducted on a fully virtual basis by way of live streaming and online remote voting via Remote Participation and Voting ("RPV") facilities available on Securities Services e-Portal of Securities Services (Holdings) Sdn. Bhd. at https://www.sshsb.net.my/login. Please follow the procedures in the Administrative Guide in order to participate remotely via RPV.

2. The broadcast venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the meeting to be present at the main venue of the meeting. **NO MEMBERS/PROXIES** from the public shall be physically present at the broadcast venue on the day of the 20th AGM.

3. In respect of deposited securities, only members whose names appear in the Record of Depositors on 15 September 2020 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at this 20th AGM.

4. A proxy may but need not be a member of the Company.

5. If the appointer is a corporation, the form of proxy must be given under its common seal or under the hand of an officer or attorney of the corporation duly authorised.

6. A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting provided that the provision of Section 294(2) of the Companies Act 2016 is complied with.

7. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.

8. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

9. The appointment of proxy may be made in a hardcopy form or by electronic means as follows and must be deposited with the Company's Share Registrar, Securities Services (Holdings) Sdn. Bhd. not less than forty-eight (48) hours before the time for holding this meeting or any adjournment thereof. Otherwise the instrument of proxy should not be treated as valid.

   (a) By Hardcopy Form
   The Form of Proxy or the Power of Attorney or other authority, if any, must be deposited at the office of the Company's Shares Registrar, Securities Services (Holdings) Sdn. Bhd at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Malaysia.

   (b) By Online system
   The instrument appointing a proxy can be electronically submitted to the Share Registrar via Securities Services e-Portal at https://www.sshsb.net.my/login (Kindly refer to the Administrative Guide for further information).

Statement accompanying Notice of Annual General Meeting

(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

Details of individuals who are standing for election as Directors

There are no individuals who are standing for election as directors (excluding directors standing for a re-election) at the 20th Annual General Meeting of the Company.

Authority for Directors to allot shares pursuant to Sections 75 and 76 of the Companies Act 2016

Kindly refer to item (3) of the Explanatory Notes at page 279.

(Company No: 200001004231 (506836-X))

ADMINISTRATIVE GUIDE FOR THE 20TH ANNUAL GENERAL MEETING

Date:	Wednesday, 23 September 2020
Time:	3.00 p.m.
Broadcast Venue:	Executive Lounge, Third Floor, Encorp Berhad, No 46-3, Jalan PJU 5/22, Pusat Perdagangan Kota Damansara, Kota Damansara PJU 5, 47810 Petaling Jaya, Selangor Darul Ehsan.

MODE OF MEETING

In light of the Covid-19 pandemic, the 20th AGM of the Company will be conducted on a fully virtual AGM through live streaming from the broadcast venue and online remote participation via Remote Participation and Voting facilities ("RPV") provided by Securities Services (Holdings) Sdn. Bhd. via its Securities Services e-Portal accessible at https://www.sshsb.net.my/login.

The broadcast venue is strictly a main venue of the 20th AGM where the Chairman will be present in compliance with Section 327(2) of the Companies Act 2016. Thus, **NO MEMBERS/PROXIES** will be physically present at the broadcast venue on the day of the 20th AGM.

We have provided the broadcast venue address above to comply with Section 327 of the Companies Act 2016. Members/proxies from the public should not be physically present, and will not be admitted, at the broadcast venue on the day of the 20th AGM.

ENTITLEMENT TO PARTICIPATE AND VOTE

In respect of deposited securities, only members whose names appear in the Record of Depositors on 15 September 2020 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at this 20th AGM.

In view that the 20th AGM will be conducted on a virtual basis, if you are unable to attend the meeting via RPV on 23 September 2020, you may appoint the Chairman of the 20th AGM as proxy and indicate the voting instructions in the Form of Proxy.

If you wish to personally participate in the 20th AGM, please do not submit any Form of Proxy. You will not be allowed to participate in the 20th AGM together with a proxy appointed by you.

The original Form of Proxy must be deposited at the Company's Share Registrar, Securities Services (Holdings) Sdn. Bhd. at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time for holding this meeting or any adjournment thereof. Otherwise the instrument of proxy should not be treated as valid.

Alternately, you may also submit the Form of Proxy electronically via Securities Services e-Portal at https://www.sshsb.net.my/login.

Corporate Shareholder or its authorised representative who wish to participate and vote remotely at the AGM must contact the Share Registrar and will be required to provide the following documents to the Share Registrar not less than forty-eight (48) hours before the time set for holding the meeting:

(a) original certificate of appointment of its Corporate Representative under the seal of the corporation;
(b) copy of the Corporate Representative's MyKad (front and back separately) or valid Passport; and
(c) Corporate Representative's email address and mobile number.

The Share Registrar will respond to your remote participation request upon receipt of these documents.

For the beneficiary who holds shares of the Company under a Nominee Company's Central Depository System ("CDS") account, and who wishes to use the RPV facilities to participate and vote at the AGM remotely, he/she can request his/her Nominee Company to appoint him/her as a proxy. In this respect, he/she must contact the Share Registrar and will be required to provide the following documents to the Share Registrar no later than forty-eight (48) hours before the time set for holding the meeting:

(a) duly executed Form of Proxy by the Nominee Company;
(b) copy of the proxy holder's MyKad (front and back separately) or valid Passport; and
(c) Proxy holder's email address and mobile number.

The Share Registrar will respond to your remote participation request upon receipt of these documents.

PROCEDURES FOR REMOTE PARTICIPATION AND VOTING (RPV)

Please read and follow the procedures and actions reflected below to engage in remote participation through live streaming and online remote voting at the 20th AGM using the RPV facilities:

	Procedures	Actions
	BEFORE AGM	
1	Register as a USER with Securities Services e-Portal	Log on to https://www.sshsb.net.my/login. • Click on 'REGISTER NOW' to register. You will be prompted to fill up your information and to submit a copy of your MyKad (front and back separately) or valid Passport for verification purposes. • Users must register before 3.00 p.m. on Thursday, 17 September 2020. • You will receive a notification email within one (1) working day. Your email address is your user ID. • Verify your user account within seven (7) days from receiving the notification email. • This is a ONE-TIME registration. If you are already a registered user of Securities Services e-Portal, you are not required to register again.
2	Submit your request for RPV registration/ e-Proxy Form	Registration will be opened from 3.00 p.m. on Saturday, 27 June 2020 until 3.00 p.m. on Monday, 21 September 2020. • Registration options (a) RPV registration - Login with your user ID and password. - Select Company name: Encorp Berhad - 20th AGM on Wednesday, 23 September 2020 at 3.00 p.m. - Registration for Remote Participation. - Click ">" to register for remote participation at the 20th AGM. (b) Submission of e-Proxy Form - Login in with your user ID and password - Select Company name: Encorp Berhad - 20th AGM on Wednesday, 23 September 2020 at 3.00 p.m. - Submission of Proxy Form. - Click ">" to submit your e-Proxy Form for the meeting. - Step 1 - Select individual shareholder/corporate/authorised representative of a body corporate. - Step 2 - Insert EVERY CDS account number and indicate the number of shares accordingly.

		- Step 3 - Submit your remote participation/e-Proxy Form. - Appointed proxies need not register for remote participation, but they will need to be registered users of the Securities Services e-Portal before 3.00 p.m. on Thursday, 17 September 2020. - The proxy will be given access to remote participation at the meeting to which he/she is appointed for. - You will receive a notification email acknowledged receipt your remote participation/e-Proxy Form. - After the General Meeting ROD as at 15 September 2020, you will receive an email that will advise if your registration for remote participation/e-Proxy Form has been approved or rejected. - A copy of your remote participation/e-Proxy Form can be accessed via My Records in the Securities Services e-Portal. - Read and agree to the Terms & Conditions and confirm the Declaration. • Evidence of authority - For body corporates, the appointed corporate /authorised representative must upload the evidence of authority, such as: - Certificate of Appointment of Corporate Representative, Power of Attorney, letter of authority or other documents proving authority. - Documents that are not in English or Bahasa Malaysia must be accompanied by a certified translation in English in one (1) file. For verification, the original evidence of authority and translation thereof, if required, must be submitted to: Securities Services (Holdings) Sdn. Bhd at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Malaysia.
	ON THE DAY OF 20TH AGM	
3	Login to Securities Services e-Portal	• Login with your user ID and password for remote participation. • Login 15 minutes before the commencement of AGM at 3.00 p.m. on Wednesday, 23 September 2020.
4	Submit questions through live streaming	• Select “Event”. • Select Company name: Encorp Berhad – 20th AGM on Wednesday, 23 September 2020 at 3.00 p.m. – Live Stream Meeting. • Click “>” to join the 20th AGM remotely. • Read and agree to the Terms & Conditions and confirm the Declaration. • Use the text box to submit a question for the Chairman/Board. Your questions will be responded to during the AGM. If there is time constraint, the responses will be emailed to you after the meeting. • NOTE: Quality of the live streaming is dependent on the bandwidth and stability of the internet connection of the remote participants’ location.
5	Online remote voting	• Select “Event”. • Select Company name: Encorp Berhad – 20th AGM on Wednesday, 23 September 2020 at 3.00 p.m. – Remote Voting. • Click the radio button against each resolution to review and confirm your vote, then click “>” to submit your votes online for the resolutions tabled.

		• Voting commences at 3.00 p.m. on Wednesday, 23 September 2020 and will end at the time announced by the Chairman. • Read and agree to the Terms & Conditions and confirm the Declaration prior to submitting your votes. • Your votes casted will apply throughout ALL the CDS accounts you represent as an individual shareholder, corporate/authorised representative and proxy. Where you are attending as a proxy, we will take the shareholder's indicated votes in the Form of Proxy. • A copy of your submitted remote voting record can be accessed via My Records in the Securities Services e-Portal.
6	End of remote participation	• Upon the announcement by the Chairman on the closure of the 20th AGM, the live streaming will end.

POLL VOTING

The voting at the 20th AGM will be conducted by poll in accordance with Paragraph 8.29A of Bursa Malaysia Securities Berhad Main Market Listing Requirements. Members can submit votes on the resolutions upon commencement of the AGM at 3.00 p.m. on Wednesday, 23 September 2020 until the end of the voting session which will be announced by the Chairman of the meeting. Upon completion of the voting session, the Scrutineers will verify and announce the poll results followed by the Chairman's declaration on whether the resolutions are duly passed.

ANNUAL REPORT 2019 AND CIRCULAR TO SHAREHOLDERS

The Company's Annual Report 2019 is available on the Company's website at www.encorp.com.my.

Please note that printed copies of the Annual Report 2019 will be available only upon request. You may submit your request for a printed copy of the Annual Report by completing the enclosed Requisite Form and either send by post to Company's Registered Office address at No. 45-1, Jalan PJU 5/21, Pusat Perdagangan Kota Damansara, Kota Damansara PJU 5, 47810 Petaling Jaya, Selangor or email to pauline@encorp.com.my, the printed copy of the Annual Report will be despatched to you by ordinary post within four (4) market days from the date of receipt of your request. However, please consider the environment before you decide to request for the printed copy.

NO DOOR GIFT/FOOD VOUCHER

There will be NO distribution of door gift/food voucher to members/proxies who participate in the 20th AGM.

RECORDING OR PHOTOGRAPH

Strictly NO unauthorized recording or photography of the proceedings of the 20th AGM.

ENQUIRY

For enquiries prior to the AGM, please contact Company's Share Registrar during office hours on Monday to Friday from 9.00 a.m. to 5.30 p.m. (except public holidays):

Share Registrar: Securities Services (Holdings) Sdn. Bhd.

Contact person: Mr Wong Piang Yoong +603 2084 9168
Mr Jerry Tan Hor Seng +603 2084 9165
Mr Yeow Lip Lin +603 2084 9006
Puan Lily +603 2084 9163
En Saiful +603 2084 9164

Email address: eservices@sshsb.com.my

FORM OF PROXY

No. of Shares Held	
CDS Account No.	
Telephone No.	

ENCORP BERHAD

ENCORP BERHAD
(Company No. 200001004231 (506836-X))
(Incorporated in Malaysia)

*I/We _____
(Full name as per NRIC/Certificate of Incorporation in CAPITAL letters)

Company No./NRIC No. (new) _____ (old) _____

of _____
(Full Address)

_____
(Full Address)

being a member of ENCORP BERHAD, hereby appoint _____

_____ NRIC No. (new) _____
(Full name as per NRIC in CAPITAL letters)

(old) _____ or failing *him/her _____
(Full name as per NRIC in CAPITAL letters)

NRIC No. (new) _____ (old) _____

or failing *him/her, the Chairman of the Meeting as *my/our proxy to vote for *me/us on *my/our behalf at the 20th Annual General Meeting ("AGM") of the Company to be held at the Broadcast Venue at Executive Lounge, Third Floor, Encorp Berhad, No 46-3, Jalan PJU 5/22, Pusat Perdagangan Kota Damansara, Kota Damansara PJU 5, 47810 Petaling Jaya, Selangor Darul Ehsan, on Wednesday, 23 September 2020 at 3.00 p.m. and at any adjournment thereof.

*My/our proxy is to vote as indicated below:

(Please indicate with an "X" in the appropriate boxes how you wish your vote to be cast. If you do not indicate how you wish your proxy to vote on any resolution, the proxy shall vote as he/she thinks fit, or at his/her discretion, abstain from voting.)

No.	Ordinary Resolutions	For	Against
1.	Approval of Directors' Fees of up to RM700,000.00 for the period from 1 June 2020 until the next AGM, to be payable on quarterly basis in arrears.		
2.	Approval of Directors' benefits of up to RM170,000.00 being meeting attendance allowances and up to RM85,000 for each Director being the medical benefits from 1 June 2020 until the next AGM of the Company.		
3.	Re-election of YBhg Datuk Haji Jaafar Bin Abu Bakar.		
4.	Re-election of Mahadzir Bin Mustafa.		
5.	Re-appointment of Messrs Ernst & Young PLT as Auditors and authority to the Directors to fix the Auditors' remuneration.		
6.	Authority for Directors to Allot Shares pursuant to Sections 75 and 76 of the Companies Act 2016.		
7.	Proposed renewal of authority for share buy-back.		
8.	Approval of Proposed Shareholders' Mandate as specified in Section 2.3 of the Circular to Shareholders dated 26 June 2020.		

Dated this ..... day of 2020

_____
Signature(s)/Common Seal of Member(s)

For appointment of two proxies, percentage of shareholdings to be represented by the proxies:		
	No. of shares	Percentage
Proxy 1		
Proxy 2		
Total		100%

Notes:

1. As part of the initiatives to curb the spread of Covid-19, the 20th AGM of the Company will be conducted on a fully virtual basis by way of live streaming and online remote voting via Remote Participation and Voting ("RPV") facilities available on Securities Services e-Portal of Securities Services (Holdings) Sdn. Bhd. at https://www.sshsb.net.my/login. Please follow the procedures in the Administrative Guide in order to participate remotely via RPV.
2. The broadcast venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the meeting to be present at the main venue of the meeting. **NO MEMBERS/PROXIES** from the public shall be physically present at the broadcast venue on the day of the 20th AGM.
3. In respect of deposited securities, only members whose names appear in the Record of Depositors on 15 September 2020 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at this 20th AGM.
4. A proxy may but need not be a member of the Company.
5. If the appointer is a corporation, the form of proxy must be given under its common seal or under the hand of an officer or attorney of the corporation duly authorised.
6. A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting provided that the provision of Section 294(2) of the Companies Act 2016 is complied with.
7. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
8. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
9. The appointment of proxy may be made in a hardcopy form or by electronic means as follows and must be deposited with the Company's Share Registrar, Securities Services (Holdings) Sdn. Bhd. not less than forty-eight (48) hours before the time for holding this meeting or any adjournment thereof. Otherwise the instrument of proxy should not be treated as valid.
   (a) By Hardcopy Form
   The Form of Proxy or the Power of Attorney or other authority, if any, must be deposited at the office of the Company's Shares Registrar, Securities Services (Holdings) Sdn. Bhd. at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Malaysia.
   (b) By Online system
   The instrument appointing a proxy can be electronically submitted to the Share Registrar via Securities Services e-Portal at https://www.sshsb.net.my/login (Kindly refer to the Administrative Guide for further information.

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PLACE STAMP HERE

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

(Fold here)

ENCORP
BERHAD

Company No: 200001004231
(506836-X)

45G, Jalan PJU 5/21, Pusat Perdagangan Kota Damansara,
Kota Damansara PJU 5, 47810 Petaling Jaya,
Selangor Darul Ehsan.

www.encorp.com.my encorpbhd @encorpberhad