



As a team, we take pride in cultivating the dreams of our people. Everyone has their own goals in life and we help realise that through our mutual efforts. Each individual plays their part, turning dreams into successful developments while practising values such as integrity, mutual respect, teamwork and ethics. To get to the finish line, we cultivate good practices such as having a safe and nurturing environment to work in. From the top to the bottom, everybody is a team player and this is how we cultivate dreams.



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.



EB Good 2 Great From Now!



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.

FINANCIAL CALENDAR

Announcement of Financial Results

28— APR 2017

- Announcement of the year end 2016 audited Profit Before Tax of RM41.81 million.
- Announcement of the first quarter result of 2017 unaudited Profit Before Tax of RM11.44 million.



25— AUG 2017

- Announcement of the second quarter result of 2017 unaudited Profit Before Tax of RM9.95 million.
- Announcement of the third quarter result of 2017 unaudited Loss Before Tax of RM20.80 million.





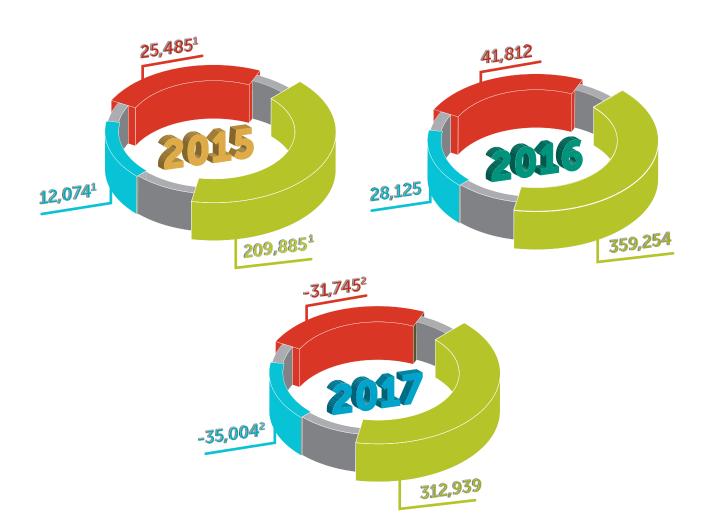
Room Mutiara 3, Ground Floor, The Royale Chulan Damansara Hotel, No.2, Jalan PJU 7/3, Mutiara Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan on Monday, 28 May 2018 at 3.00 p.m.

FINANCIAL **HIGHLIGHTS**

As at 31 December 2017

A | Revenue (RM'000) B | Profit Before Tax (RM'000)

Profit After Tax (RM'000)



Shareholders' Funds RM402.29 million³

Loss Per Share 10.79 sen³

Net Assets Per Share RM1.37³

¹ Excluding results from discontinued operation.

² At the loss position.

³ Attributable to owners of the parent.



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MANAGEMENT PERSPECTIVE



MESSAGE FROM THE CHAIRMAN

Dear Valued Shareholders.

On behalf of the Board of Directors of Encorp Berhad (Encorp), I am pleased to present you the Annual Report of the company for the financial year ended 31 December 2017 (FY2017).

FY2017 was a challenging year for Encorp with some areas of the property market buoyed by expectations of recovery but others weighed down by concerns of oversupply, tight bank lending standards and generally cautious investor sentiment.

The corporate restructuring within the Group in 2014 has reinvigorated the company and since then has infused it with a new sense of purpose and drive. My own appointment as chairman took place on 26 January 2018, and I look forward to serving all members of the Encorp family by helping to cultivate our collective dreams and aspirations, and building a working environment that is grounded in teamwork, mutual respect, ethics and integrity.

FINANCIAL PERFORMANCE

For FY2017, Encorp recorded revenue of RM312.94 million, compared to RM359.25 million for financial year ended 31 December 2016 (FY2016) and RM209.89 million for financial year ended 31 December 2015 (FY2015). Loss after tax for FY2017 was RM35.00 million compared to profit after tax of RM28.13 million for FY2016 and profit after tax of RM12.07 million (excluding results from discontinued operation) for FY2015.

Lower revenue for FY2017 was due primarily to decreased contributions from Encorp's property development and construction management divisions.

A detailed review of the Group's financial operations can be found in the Management Discussion and Analysis section of this Annual Report on page 8.

EARNINGS PER SHARE

Loss per share was valued at 10.79 sen, while net assets per share was RM1.37 and shareholders' funds (attributable to owners of the parent) stood at RM402.29 million.

SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY

In FY2017, Encorp focused its sustainability practices on highlighting the economic environmental, and social impacts of its business activities and initiatives, and the Group continued to demonstrate its commitment to integrating sustainability practices and community initiatives into all aspects of its operations. Details of these initiatives can be found in the Statement on Sustainability section on page 85 and in the Corporate Social Responsibility section on page 43 of this Annual Report.

MANAGEMENT PERSPECTIVE

CORPORATE GOVERNANCE STANDARDS

Encorp is dedicated to a strong code of ethics for corporate governance, accountability and transparency. In the course of FY2017, Encorp held nine Board Meetings and one Annual General Meeting. Encorp's standards of practice and policy adhere to the Malaysian Code on Corporate Governance 2017, and details of these standards can be found on page 62 of this Annual Report.

DIVIDENDS

Encorp remains fully committed to delivering earnings and value to our shareholders while ensuring consistent and sustainable performance in the long term. In this regard, we plan to declare shareholder dividends in the near future on a basis that is sensitive to the need for the profitable and sustainable growth of our Group of Companies.

AWARDS AND ACCOLADES

Since Encorp's establishment in 2000, we have worked hard to achieve and maintain a reputation for consistently high product quality as well as in nurturing and developing the capabilities of all members of the Encorp team. We have received many industry accolades over the years, and in FY2017 we received several valuable external awards including the following:

- Corporate Social Responsibility Award at the Malaysia Social Media Week 2017;
- Property Development Award at the Selangor Business Excellence Awards 2017;
- Employer of Choice (Silver) Award at the Malaysia HR Awards 2017;
- Best Company to Work For Award at HR Asia Best Companies to Work For in Asia 2017; and
- Best Investor Relations Company Award at the Asian Excellence Recognition Awards 2017.

The Encorp family cherishes this recognition, and it is important to note that these awards do not represent the end of the journey for us. Instead, they inspire us to work even harder so that we may serve our stakeholders better, appreciate the contributions of our team members more and continue to deliver on our promises to customers while always supporting our partners and attending to the needs of the environment and the communities we impact on.

In the area of standards certification, the unstinting dedication of the Encorp team working on the Encorp Strand Residences, Kota Damansara—and the team's passion for quality throughout the year—has earned a 72% score in the Construction Industry Development Board's (CIDB) Quality Assessment System in Construction (Qlassic) category.

Furthermore, the Encorp subsidiary, Encorp Trading Services Sdn. Bhd., has added value to the Group's commitment to high standards in construction management by successfully obtaining the following:

- CIDB Certification of G7 Grade with an additional electrical and mechanical specialisation (Encorp Trading Services Sdn. Bhd. previously achieved CIDB Certification for civil engineering and building construction works with no tender limit); and
- Renewal of Type C1 Grade by the National Water Service Commission for another year, which allows Encorp Trading Services Sdn. Bhd. to undertake construction, installation or renovation (including hot tapping) to the water supply system works.

OUTLOOK AND PROSPECTS

Despite forecasts for moderate Gross Domestic Product (GDP) growth of 5.0% to 5.5% for 2018, we anticipate that the property sector will remain mixed for the year. On one hand, industry commentators such as the Real Estate and Housing Developers' Association (REHDA) have signalled the beginnings of a recovery in the property market due to expected GDP growth, while the Rating Agency Malaysia (RAM) Ratings has upgraded its outlook for residential property from negative to stable with the expectation of a gradual increase in market activity.

On the other hand, however, several factors persisting from previous years indicate that a full recovery might still be elusive. As I mentioned at the outset of this message, concerns about an overhang in some sub-sectors of the property market as well as stricter bank lending rules and caution among investors have contributed to subdued market conditions in 2017 that may well persist into 2018.

Notwithstanding these external factors, Encorp will continue to grow its business through good planning and improvements to operational efficiencies. We will place even greater emphasis on product innovation and design, and implement cost-control measures throughout our operations while always maintaining the highest standards of quality.

Encorp's brand and reputation is only as good as the people who make up the Encorp team. In this, I am proud to be part of a corporate family that is so deeply committed to the common purpose of excellence and the core values of ethical practice, strong relationships, profitable and sustainable success, and continuous learning.

Our commitment to Quality, Standards, Value and Services will remain at the forefront of all our activities, and these strengths will help Encorp thrive in this challenging and competitive environment.

APPRECIATION

I take this opportunity to thank all our shareholders, customers and business associates for their trust and confidence in us over the years.

In particular, I would like to record my appreciation of the previous management of Encorp, particularly former Group Chief Executive Officer YBhg Dato' Haji Zakaria Nordin, who has always exhibited an exemplary commitment to good governance. We will build on this legacy and continually improve ourselves on our Encorp journey.

On behalf of the Board, I would also like to express my utmost appreciation to the management and staff of Encorp for their continued dedication and contribution to the company.

I would also like to thank my colleagues on the Board of Directors for their wisdom, guidance and direction in formulating the strategies necessary to ensure Encorp's future growth and success.

While we will continue to face uncertainties in the business environment in the coming year, I am confident that the combination of our sound business plan, strong operational fundamentals, a clear strategy for growth, and above all the strength of the Encorp team, will help us achieve success and prosperity in our endeavours.

Thank you.

Chairman Hussein Bin Ismail MANAGEMENT PERSPECTIVE

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Encorp Berhad (Encorp) was established in March 2000 and achieved listing on the Main Market of Bursa Malaysia Securities Berhad on 11 February 2003. In 2014, Felda Investment Corporation Sdn. Bhd. (FIC)—which is the investment arm of the Federal Land Development Authority (FELDA)—acquired a 72.29% stake in Encorp. FIC's current ownership of Encorp stands at 67.13%. This has provided Encorp valuable opportunities to deepen its strategic relationship with FELDA and has created new avenues to explore collaborative opportunities and areas of synergy.

Since its inception, the Encorp Group of Companies has worked to develop its presence as a leading property developer both in Malaysia and in Australia. The Group's property portfolio contains a wide range of properties, including a multi-award-winning commercial and residential development as well as luxury residences and commercial developments in strategic locations. As of the end of the financial year ended 31 December 2017 (FY2017), Encorp has two active projects in development – Encorp Marina Puteri Harbour and Encorp Cahaya Alam.

While the Group maintains diverse interests, including construction management, property investment and facilities management, property development remains its core business. As of FY2017, property development contributed approximately 67.00% of the Group's total revenue. Investment property contributed 1.78% and facilities management contributed 2.69%, with concession income contributing the balance of revenue at 28.53%. It should be noted that no revenue was recorded for construction management as construction projects were completed in financial year ended 31 December 2016 (FY2016).

Compared to the end of the FY2016, Encorp has recorded an overall decrease of 12.89% in revenue, resulting in loss before tax of RM31.75 million in FY2017 compared to profit before tax of RM41.81 million in FY2016. The Group will continue to pursue new opportunities for growth in order to deliver earnings and value to shareholders on a consistent and sustainable basis.

In FY2017, Encorp had a total workforce of 145 employees within the Group, with a diversity ratio of 45% men and 55% women. Compared to FY2016, Encorp's workforce ratio was of 53% men and 47% women.



^{*}Taken into consideration of adjusted equity attributable to the owners of the parent, after adding the Sukuk Murabahah and removing the concession income receivables along with the investment security relating to Concessionaire entity.

REVIEW OF FINANCIAL RESULTS AND CONDITIONS

a) Performance

The Group recorded RM312.94 million in revenue for FY2017 which, as mentioned in the Performance Indicators 2017 earlier, was 12.89% lower than the revenue for the preceding period. This is mainly attributable to the decrease in the progress of project development during the year. In addition, the decrease of revenue is further contributed to by lower sales of property inventories as well as more concession granted to the tenants of Strand Mall.

All divisions recorded lower revenue for FY2017 with the exception of the Facilities Management division with RM8.43 million over RM8.17 million in FY2016. The increased revenue is attributed to a new facilities management contract secured by the division. However, profit before tax was lower in FY2017 at RM0.22 million compared to RM0.45 million in FY2016, due to increased in administrative costs.

The revenue for the Property Development division in FY2017 decreased by RM32.22 million or 13.32% and profit before tax for the division decreased by RM60.52 million or by 97.69%. The decrease in profit before tax is not in tandem with the decrease in revenue mainly because of the provision of the liquidated ascertained damages (LAD) of RM45.76 million and the impairment of land held for development of RM6.59 million. This has caused the profit before tax in FY2017 to drastically decrease as compared to FY2016. However, the bulk of the cause of the decrease which is the LAD can be considered as a "one-off event" and not indicative of future trends as the project in question has been completed at the date of this report.

Similarly, the revenue for the Investment Property division decreased by RM1.72 million or 19.86% and profit before tax decreased by RM14.24 million or 184.46% which again is not in tandem. This is due to the loss in fair value in investment property asset of RM12.00 million which was taken into the books in FY2017.

Division	Revenue FY2017 (RM million)	Profit / (Loss) Before Tax FY2017 (RM million)	Revenue FY2016 (RM million)	Profit / (Loss) Before Tax FY2016 (RM million)
Property Development	209.68	1.43	241.90	61.95
Investment Property	6.94	(21.96)	8.66	(7.72)
Concessionaire	89.28	3.42	93.76	3.31
Facilities Management	8.43	0.22	8.17	0.45
Construction Project Management	-	(2.90)	8.19	1.13

b) Gearing

With reference to Capital Management in the notes to the financial statements, the gearing method computed there is based on net debt divided by total capital plus net debt.

Net debt is the combination of loans and borrowings and trade and other payables, netting of the Sukuk Murabahah, cash and bank balances, fixed deposits and investment securities. Total Capital however is the equity attributable to the owners of the parent. The table below illustrates the gearing computed via this method.

MANAGEMENT PERSPECTIVE

Extract of the Note 37 to the Financial Statements – Capital Management:

	2017 RM'000	2016 RM'000
Loans and borrowings	1,018,924	1,158,664
Trade and other payables	533,692	543,711
Less: Sukuk Murabahah	(895,984)	(944,841)
Less: Cash and bank balances	(22,689)	(62,843)
Less: Fixed deposits	(4,741)	(4,857)
Less: Investment securities	(118,331)	(113,267)
Net debt	510,871	576,567
Equity attributable to the owners of the parent	402,291	422,002
Capital and net debt	913,162	998,569
Gearing ratio (%)	56%	58%

Trade and other payables is added into the net debt computation because it is considered as a form of borrowing. However, the management would like to note that within the trade and other payables is the amount due for the Bukit Katil land and this represents a significant amount of the trade and other payables in the books. In FY2017 the amount due from this transaction is 73.38% and for FY2016 the amount due for this transaction is 69.96% of the trade and other payables.

Additionally, the net debt in the computation excludes the Sukuk Murabahah. This is because the Sukuk Murabahah is secured by the assignment of the contract Concession Payments and the Project Escrows Account. It does not have any financial recourse to the Group.

Hence, the gearing for the Group computed via this method for FY2017 is 56% and for FY2016 is 58%. Despite the decrease in gearing of 2%, the net debt over total capital plus net debt is more than half of the total capital plus net debt which may indicate that the Group's relative position is significantly leveraged.

Notwithstanding the explanation on the gearing method employed in the notes to the financial statements, a more simplistic approach would be to compute gearing by using the loan and borrowings net of the Sukuk Murabahah. With this gearing approach, it would reflect the gearing purely from banking facilities which are available for the Group's use. The gearing for the group would then be at 28% for FY2017 and 39% for FY2016. This is shown in the table below.

	2017 RM'000	2016 RM'000
Loans and borrowings (without Sukuk Murabahah)	122,940	213,823
Equity*	315,830	339,547
Total Debt and Equity	438,770	553,370
Adjusted Gearing (%)	28%	39%

^{*}The adjusted equity is equity attributable to the owners of the parent, after adding the Sukuk Murabahah and removing the concession income receivables along with the investment security relating to Concessionaire entity.

REVIEW OF OPERATING ACTIVITIES

In FY2017, Encorp continued to focus its main operating activities on flagship property development and property investment located in Shah Alam, Kota Damansara and Iskandar Puteri.

a) Development Updates

Encorp Cahaya Alam, Shah Alam

Encorp Cahaya Alam consists of 209 acres of prime land in Shah Alam with a Gross Development Value of RM1.13 billion. Situated close to shopping and service facilities, the development features strong contemporary design coupled with integrated amenities and proper town planning that showcases a beautiful 800-metre linear park which forms the development's focal centre.

In FY2017, Encorp completed the first phase of the Akasia residential development (Akasia 1), which consists of 122 units of two-storey superlink homes sited on 19 acres within Encorp Cahaya Alam development. Akasia 1 received a Certificate of Completion and Compliance (CCC) on 22 June 2017, and at the time of this report, the Product Handing Over team is in the process of handing over the properties to purchasers. Only 2% of units remain unsold.

In early November FY2017, Encorp launched two phases of the Dahlia residential development (Phase 1 and Phase 2) consisting of 116 units from the total of 171 units of two-storey link homes located close to the linear park. As at the end of FY2017, 18% of units have been sold.





Encorp Marina Puteri Harbour, Iskandar Puteri

Encorp Marina Puteri Harbour is a premier development located strategically on 3.3 acres in Iskandar Puteri within the Iskandar Malaysia development region. With a Gross Development Value of RM631.57 million, Encorp Marina Puteri Harbour is a mixed development comprising 571 luxury condominium units and 25 retail units.

Designed by the renowned architects CPG of Singapore, the development features a range of luxury facilities including four themed swimming pool decks, tennis courts, a children's playground, a chipping golf green and a multi-level security system for residents.

Encorp Marina Puteri Harbour received its CCC in January 2018 and as at the end of December 2017, 89% of condominium units and 36% of retail units have been sold.





MANAGEMENT PERSPECTIVE

The Strand Kota Damansara

The Strand Kota Damansara is a multi-award-winning development situated on more than 45 acres in Petaling Jaya's most prestigious and fastest-growing district. With a Gross Development Value of RM1.23 billion, The Strand Kota Damansara consists of 265 business suites, 150 retail outlets, 14 blocks of self-contained garden offices and 278 luxurious service residences. The development was shortlisted as a Finalist in the Best Mixed Development category at the iProperty.com People's Choice Awards in 2016, and has also won 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.



Encorp Strand Residences, Kota Damansara

The Encorp Strand Residences feature integrated smart homes in a serviced residence environment. Residents enjoy a three-tier security system, integrated home control from mobile devices as well as a range of attractive amenities such as a sunken tennis court, a children's playground, integrated fitness facilities, a putting green and par course, and more.

In FY2017, Encorp Strand Residences received a Quality Assessment System in Construction (Qlassic) rating of 72% issued by the Construction Industry Development Board. As at the end of FY2017, the value of units at Encorp Strand Residences have risen by 11% from its launch price. With only 13% units of total 278 units still available for sale, Encorp Strand Residences remain a sound investment.



Strand Mall, Kota Damansara

The Strand Mall is the centre of Encorp Strand Kota Damansara. The Mall offers outstanding retail spaces with a lettable area of 242,970 sq ft divided over four levels, supported by 2,133 covered carpark bays as well as additional outdoor parking. The heart of the mall is the street-level Red Carpet Avenue (RCA), which is a dining and entertainment platform with a total area of 177,318 sq ft.

As at 31 December 2017, tenants occupied 89 units within the Mall and 80 units along the RCA (i.e. 62% of total overall net lettable area), with new tenants leasing 34,937 sq ft of retail space within the Strand Mall and RCA over the course of FY2017. These new tenants include The Kids Playground, Dhapour, Bayo Pay (M) Sdn. Bhd. and CFKL Management Services, which together account for 8.3% of net lettable area.

In the same year, RCA hosted several major flagship events including the Selangor Music Festival, Shape Fitness, Mega Amazing Thailand 2017 and Variation Zone. RCA is also the venue of choice for film shoots, with several notable film producers choosing the site as a location for feature films/dramas/TV commercials. Clients and productions for FY2017 included Pencuri Hati Mr Cinderella, LAZADA Hari Raya, Dia for TV3, KFC advertisements, Ahmad Idham Film Academy production shoots by students and the Siri PJ Kita video.

RCA offers a large and versatile covered outdoor space and remains an attractive venue which has drawn more than 60,000 visitors to its unique flagship events. At the same time, the Strand Mall has established itself as the go-to venue for popular fitness, music, food and family events. Also in FY2017, the Encorp team implemented improvements to the Strand Mall website in order to provide better support services to customers and visitors.









Tea Tree Close, Cockburn Central, Perth, Australia

The 2.7 acre land is situated within an area that has been earmarked for growth and development. At its doorstep is the Cockburn Aquatic and Recreational Centre, also known as the Cockburn ARC. Cockburn ARC, which officially opened in May 2017, houses a full-size Australian Football League oval and is an administration base for the Freemantle Dockers Football Club. Within the Cockburn ARC are indoor and outdoor pools with water slides and a water park. There are also spaces for function rooms, community meeting rooms and sporting retail outlets.

The strategically located Tea Tree Close land is within walking distance of the Cockburn Central Train Station and the Cockburn Central Town Centre which is a vibrant mix of residential, retail and commercial properties. The town centre supports surrounding suburbs with a possible population based of over 30,000 households. Cockburn is also only 10km away from the nearest beach.

A two-minute drive from the land will bring you to the Kwinana Freeway which leads to Perth's Central Business District and also located within a two-minute drive is the new Cockburn Central Shopping Centre, which is one of the largest shopping centre in Perth Metro area.

In November 2015, Encorp via its subsidiary in Australia had entered into a Development and Management Agreement with TEW Investment Pty Ltd (TEW) to develop the land in Cockburn Central, Perth, Australia. The concept for the development would be a mixed development complex, with the retail component fronting the main road and the residential component situated towards the back of the complex. This strategic alliance with TEW as joint-venture partners is to leverage on TEW's then current development on the neighbouring lot which would create a more prominent development.

b) Strategies and Initiatives

In FY2017, the Group continued to build on its strategy of innovation and delivered on commitments made in the previous financial year while enhancing prospects for the future. The Project Handing Over team established in FY2016 worked hard to ensure that Encorp's customers were satisfied with their products and that expectations were met, whether they were purchasing a new home or seeking a new location to grow their businesses.

In the same light, Facilities Management division enhanced its reputation for service in FY2017 by adding cost saving measures for its major client, FELDA. The savings were generated after implementing a strict regime of scheduled planned preventive maintenance programme for the central air-conditioning system at FELDA headquarters in Menara FELDA. The division also secured a one-year contract in FY2017 for maintenance services at Encorp Strand Residences.

For the financial year ending 31 December 2018 (FY2018), the Encorp Group of Companies will continue to build its core business of property development and will roll out the next phases of the Encorp Cahaya Alam.

At the same time, the Group will also embark on a two-pronged approach to boost public confidence in the Encorp brand. In FY2018 Encorp will continue to invest heavily in product development and innovation while also enhancing its strength in after-sales service. This combined approach will position Encorp in good stead while the property market (and the economy as a whole) improves in the coming months.

PROSPECTS AND RISKS FOR 2018

The Board of Directors is cautiously optimistic about the Group's commercial prospects in FY2018. This position is founded on positive economic forecasts for the Malaysian economy driven by firm domestic demand in terms of private consumption and private investment, with a corresponding rise in consumer sentiment. In its summary in January 2018, for example, The Malaysian Institute of Economic Research anticipated that consumer spending would remain positive in FY2018 due to a stable employment market, a stronger ringgit, effective measures to contain inflation, as well as Government initiatives to increase disposable income in the federal Budget for 2018. Likewise, both the World Bank and the International Monetary Fund have projected Gross Domestic Product to grow by 5.2% to 5.5% respectively in 2018 on the back of strong demand for Malaysian exports.

Against this, however, are mixed views on the current state of the Malaysian property market. While both the Real Estate and Housing Developers' Association (REHDA) and the Rating Agency Malaysia (RAM) Ratings, for example, are upbeat with respect to market activity in the property sector for FY2018, housing affordability remains a key concern in major urban centres while tight bank lending—intended to

curb excessive speculation in the same market—continues to have an adverse impact on sales, investment and the disposal of the persistent overhang in some sub-sectors of the market.

With these factors in view, the Board remains committed to the Group's strategy of innovation, development and investment. In FY2018, Encorp will continue to identify viable land banks for development and roll out new property launches. These include Clover at Encorp Cahaya Alam (143 units of two-storey link homes). Encorp is currently in the midst of constructing a show unit for Dahlia at Encorp Cahaya Alam.

For the Bukit Katil development, which is an integrated residential-commercial township located on 640 acres in the Melaka Tengah region, the Group is currently in the process of obtaining authority approval for the Masterplan conceptual layout while also working to secure more joint-venture partnerships. Meanwhile, in the area of construction management, Encorp will continue to secure tenders for major infrastructure and building construction projects, and in this respect Encorp's close partnership and synergies with FELDA will place it in a strong position vis-à-vis Government projects.

Facilities Management division will continue to develop its growing expertise with new human resource investments. An expanded team will position the division more competitively in the market as a provider of the specialised services that it has excelled at since its establishment in 2015.

Overall in FY2018, Encorp will remain committed to sustainable business growth through detailed and comprehensive project planning and execution while increasing operational efficiency in all aspects of the Group's operations. Innovation and design will remain as a priority in all our property activities, and Encorp will place an even greater emphasis on cost control while always enhancing the quality of our products and services.







LEADERSHIP

BOARD OF DIRECTORS

HUSSEIN BIN ISMAIL

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

Hussein Bin Ismail (Malaysian, aged 61, male) 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 a 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 Nomination 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.





YBHG DATUK MUZZAMMIL BIN MOHD NOR

Non-Independent Non-Executive Director Member of Executive Committee

Datuk Muzzammil (Malaysian, aged 47, male) was appointed to the Board of Encorp Berhad on 14 August 2017.

Datuk Muzzammil holds a Bachelor of Accounting (Hons) from University Malaya.

Datuk Muzzammil started his career as an Executive in PNB Equity Resource Corporation Sdn Bhd in 1996 and became Senior Executive in Permodalan Nasional Berhad from 1999 to 2001. He worked as the Senior Manager of Kim Fashion (M) Sdn Bhd from 2001 to 2006 and was the Manager of Sales & Business Development in Heveafil Sdn Bhd from 2007 to 2011. During 2011 to 2013, Datuk Muzzammil acted as the Deputy Chief Commercial Officer of FEC Cables Sdn

Datuk Muzzammil became the Head of Investment Unit of FELDA from 2013 to 2014. He then assumed the role of Financial Controller of FELDA from 2014 to 2015. Currently, he is the Deputy Director General (Management) of FELDA.

Datuk Muzzammil sits on the Board of Directors of Felda Investment Corporation Sdn Bhd and an alternate Director for Felda Global Ventures Holdings Berhad.

Datuk Muzzammil 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.

LEADERSHIP

YBHG DATUK SYED ZAID BIN SYED JAFFAR ALBAR

Non-Independent Non-Executive Director **Member of Nomination and Remuneration Committee Member of Executive Committee**

Datuk Syed Zaid (Malaysian, aged 64, male) was appointed to the Board of Encorp Berhad on 8 March 2018.

Datuk Syed Zaid graduated with a Bachelor of Arts (Honours) degree in Law in the United Kingdom and qualified as a Barrister-at-Law from Lincoln's Inn. He was admitted as an Advocate and Solicitor of the High Court of Malaya in 1980.

Datuk Syed Zaid has been in active legal practice for over 37 years. Presently, he is the Managing Partner of an established law firm in Kuala Lumpur and heads the firm's Islamic Finance practice and oversees the Banking & Finance and Corporate/ Commercial practice groups. He also contributes his legal experience as an appointed member of the Appeals Committee of Bursa Malaysia Berhad.

Datuk Syed Zaid sits on the Board of Directors of Yinson Holdings Berhad, Motorsports Association of Malaysia and Cycle & Carriage Bintang Berhad.

Datuk Syed Zaid 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 the Audit and Governance Committee

Datuk Haji Jaafar (Malaysian, aged 72, male) 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 - 2007. Currently, he is the Executive Chairman of Tajaria Sdn Bhd and also Chairman of Petaling Tin Berhad.

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.

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LEADERSHIP

YBHG DATO' FEROZ BIN A S MOIDUNNY

Independent Non-Executive Director Member of the Audit and Governance Committee Chairman of the Nomination and Remuneration Committee

Dato' Feroz Moidunny (Malaysian, aged 51, male) was appointed to the Board of Encorp Berhad on 23 July 2013.

Dato' Feroz holds a Bachelors Degree in Law with Honours from Nottingham Trent University, United Kingdom. He completed his Bar examination at University Malaya in 1992. Dato' Feroz was admitted to the Malaysian Bar in 1993.

Dato' Feroz has over 25 years experience as a corporate lawyer and is currently the Managing Partner of Messrs Feroz & Co. Dato' Feroz is highly regarded for his specialized expertise in providing solutions in complicated corporate and commercial issues. Dato' Feroz has served as a director in companies both in Malaysia and various offshore jurisdictions, related to the various segments of the oil and gas sector; manufacturing of specialized vehicles; satellite services (VSAT services); television station; information technology provider; aviation; telecommunications and natural sweetener company which was listed in the London Stock Exchange.

Dato' Feroz holds firm to the view that sound and secure financial concepts and well-structured industrial base are the pre-requisites to attain long term strategies.

Dato' Feroz 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 the Audit and Governance Committee Member of the Nomination and Remuneration Committee

Abdul Rahim (Malaysian, aged 68, male) 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 also sits on the Board of Directors of AEON Co (M) Berhad, Malaysia Debt Ventures 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

The Management team of Encorp, committed and dedicated to delivering high-quality and innovative ideas, solutions and work processes, and focussed on helping to move Encorp in its journey of growth and expansion.

EXECUTIVE COMMITTEE (EXCO)



HUSSEIN BIN ISMAIL



DATUK MUZZAMMIL BIN MOHD NOR



DATUK SYED ZAID BIN SYED JAFFAR ALBAR

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), Datuk Muzzammil bin Mohd Nor and Datuk Syed Zaid bin Syed Jaffar Albar (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. Datuk Muzzammil bin Mohd Nor and Datuk Syed Zaid bin Syed Jaffar Albar were appointed as members of EXCO on 23 November 2017 and 8 March 2018 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 operation of Encorp Group are carried out effectively.

The profile of Hussein bin Ismail is set out on page 18.

The profile of Datuk Muzzammil bin Mohd Nor is set out on page 19.

The profile of Datuk Syed Zaid bin Syed Jaffar Albar is set out on page 20.



LEE LAY HONG

Head of Legal and Company Secretarial

Lee Lay Hong (Malaysian, aged 52, female) was appointed as the Head of Legal and Company Secretarial on 1 July

2008. She is the Group Company Secretary who acts as an adviser to the Board, advising the Board on the legal and regulatory requirements, Listing Requirements and the implementation of Malaysian Code on Corporate Governance. She is also the secretary for all Board Committees and Subsidiaries of Encorp Berhad.

Lee Lay Hong graduated with a Bachelor of Arts (Honours) degree in Law from University of Leicester, United Kingdom and was admitted as an Advocate and Solicitor of the High Court of Malaya in 1993. She is also a Licensed Company Secretary.

Lee Lay Hong commenced her legal practice in litigation and subsequently ventured into commercial sectors. She has 25 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.

Lee Lay Hong was awarded the 1st Asian Company Secretary of the Year Recognition Awards 2013 by Corporate Governance Asia, Hong Kong, in recognition of her excellent company secretarial practices in the aspect of regulatory compliance, legal supports and corporate governance.

Lee Lay Hong does not hold directorship in any other public companies and listed issuers. She does not have any family relationship with any director and/or major shareholder or any conflict of interest with the Company. She 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.



RICHARD LIM POE TEIK

Head of Construction Management and Special Assistant to Caretaker of the Property Department

Richard Lim Poe Teik (Malaysian, aged 55, male) joined Encorp on November 2005 as the Senior Project Manager

Senior Project Manager in property implementation and was appointed as the Head of Construction Management on March 2017. He was further appointed as Special Assistant to the Caretaker of Property Department on March 2018. He is the pioneer in Encorp property department and was responsible for implementing the development of Encorp Cahaya Alam and The Strand.

Richard has more than 37 years of experience in property development, construction and hospitality industry. He is an experienced project manager with a management style that motivates staff productivity. He has good track record in leading big construction and property development such as Aman Sari project development and managed the Nexus Karambunai Hotel project in Kota Kinabalu, Sabah. He has also experience in managing the operations of Bukit Unggul Golf & Country Resort. Richard has implemented and managed a wide range of development projects ranging from high rise residential building, hotel resort and high end lifestyle residential development.

Prior to joining Encorp, Richard has also held other senior positions in several established public listed companies such as Sunrise Berhad, Selangor Dredging Berhad and Karambunai Corp Berhad.

Richard 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.

LEADERSHIP



NUBLY ZAINUHAM BIN AMBOTANG

Head of Mall Management and Facilities Management

Zainuham Nubly (Malaysian, aged male) was appointed as the Head of Mall

Management on February 2017 and Head of Facilities Management on September 2017.

Nubly graduated with a Bachelor of Science in Accountancy from University of Hull, United Kingdom and obtained his post graduate qualification Master of Professional Accounting from the University of Queensland, Australia.

Nubly started his career with Price Waterhouse Coopers for 3 years. Subsequent to that, Nubly was attached with PJB Capital Sdn Bhd (a wholly owned subsidiary of Johor Corporation). In 1997, Nubly worked with Cement Industries of Malaysia Berhad for 8 years before climbing up the corporate ladder where he was appointed as the General Manager of Group Strategy & Business Development at UEM Group Berhad.

Prior joining to Encorp he was with Hektar Property Services Sdn Bhd as Chief Operating Officer where he headed the mall management team in managing Hektar REIT's portfolio of shopping malls such as Subang Parade, Makhota Parade, Wetex Parade Muar, Central Square and Landmark Central.

Nubly 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.



WILLIAM SEOW

Head of Finance

William Seow (Malaysian, aged 46, male) joined Encorp on February 2012 as the General Manager of

Finance Properties and appointed as the Head of Finance on August 2014.

William graduated with a Bachelor of Business in Accounting and Computing from University of Technology, Swinburne, Australia.

William started his career with Ernst & Young, Kuala Lumpur in 1995 for 6 years as a Consultant in Transaction Advisory Services and subsequently continued with the Assurance department. In 2001, William joined Petaling Tin Berhad as a Senior Executive in Corporate Finance, Merger & Acquisition. William continued his career for more than 16 years in the Finance Industry as an Accountant, Senior Finance Manager and Head of Finance in Property listed companies.

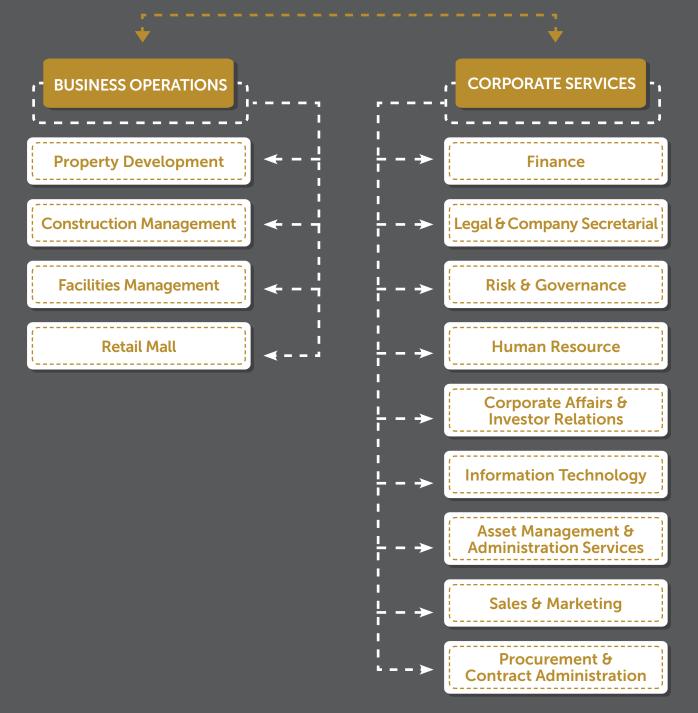
Prior to joining Encorp, William also held the position of a Senior Finance Manager in Sunway City Berhad and Sunway Berhad from 2007.

William is also a member of Malaysia Institute of Accountancy and CPA Australia.

William 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.

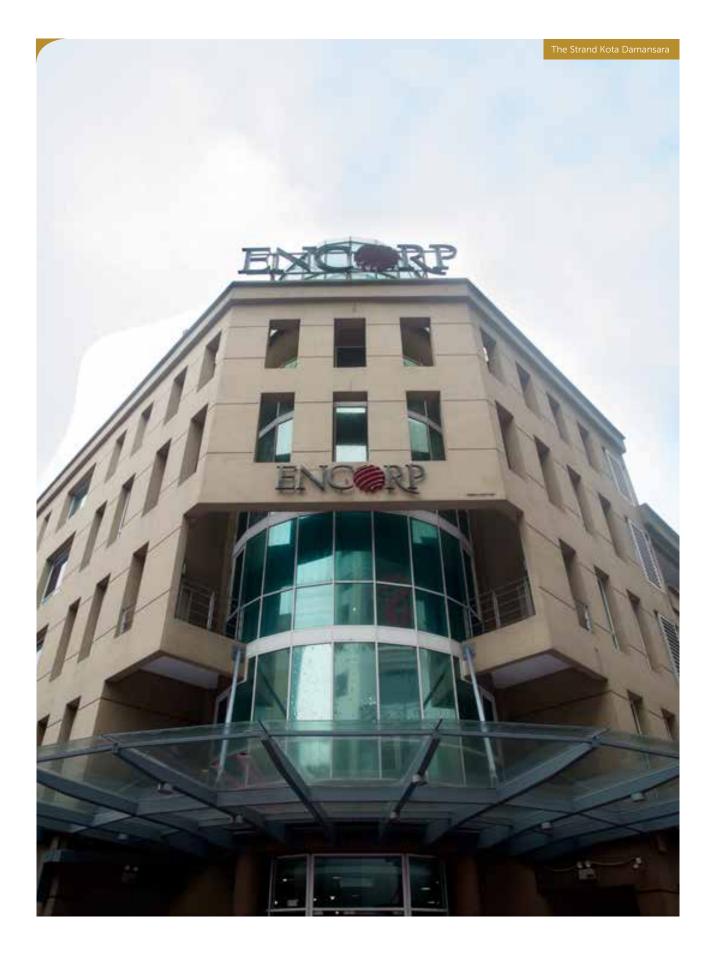
ORGANISATION STRUCTURE











CORPORATE **PROFILE**

Encorp's mission is to make a real difference in the lives of its customers, investors and employees by providing products and services which add value and enrich communities' lives. Encorp's transformation roadmap focuses on being one of the top companies in property development by providing the highest quality, standards, value and service through innovative products and services.

Encorp was founded in March 2000 and was listed on the Main Market of Bursa Malaysia Securities Berhad on 11 February 2003. Felda Investment Corporation Sdn. Bhd. currently owns a 67.13% stake in the company.

Through the years, Encorp and its subsidiaries have expanded their footprint in the property development industry both in Malaysia and Australia. The Group's property portfolio includes commercial and residential developments that have earned awards and accolades from local and international bodies. Encorp's signature properties include the Strand Mall and The Strand Kota Damansara, both of which have won tribute at the Asia Pacific Property Awards.

Encorp employs a high standard of corporate governance which has earned local and regional recognition, including the Corporate Governance Asia Recognition Award 2013 and the 1st Asian Company Secretary of the Year Award 2013. Encorp's human resource management policies and frameworks have brought the company to the attention of the Malaysia HR Awards for several years—in 2017, Encorp won the Employer of Choice (Silver) Award at the Malaysia HR Awards 2017—and the company was named Best Company to Work For at the HR Asia Best Companies to Work For in Asia 2017 Awards. In the same period, Encorp also won the Property Development Award at the Selangor Business Excellence Awards 2017, the Best Investor Relations Company Award at the Asian Excellence Recognition Awards 2017 and the Corporate Social Responsibility Award at the Malaysia Social Media Week 2017.

Encorp is committed to building properties for the future, with developments designed to be sustainable and environmentally friendly. Since 2011, the company has produced a biennial Sustainability Report to provide the marketplace with a clear and transparent account of its work in this area. Beginning

with this report, Encorp will also present a detailed Statement on Sustainability, which complies with Bursa Malaysia's Main Market Listing Requirements and covers sustainability in all areas of the company's operations—from governance and stakeholder engagement to social, environmental and economic initiatives—for the financial year.

Encorp's subsidiaries Encorp Must Sdn. Bhd. and Must Ehsan Development Sdn. Bhd. have ISO 9001:2008 certification, reflecting Encorp's commitment to providing the highest Quality, Standards, Value and Services in all its developments.

The Group's subsidiary Encorp Bukit Katil Sdn. Bhd. is the master developer for the Bukit Katil project in Melaka, an integrated township. Encorp Strand Mall Sdn. Bhd. manages the Strand Mall, a lifestyle neighbourhood mall at Kota Damansara. Encorp Facilities Management Sdn. Bhd. specialises in facility management, providing its services within the industry. Encorp Construction & Infrastructure Sdn. Bhd. provides industry-specific construction and infrastructure solutions, while Encorp Trading Services Sdn. Bhd. undertakes mechanical, electrical and water supply system works. Both Encorp Construction & Infrastructure Sdn. Bhd. and Encorp Trading Services Sdn. Bhd. were certified with G7 Grade by the Construction Industry Development Board (CIDB), and in 2017 Encorp Trading Services Sdn. Bhd. gained an additional electrical and mechanical specialisation CIDB certification.

Encorp's roadmap for the future lies in expanding its presence both locally and abroad by utilising innovative approaches when crafting holistic developments for communities. In keeping with our vision to cultivate aspirations mutually, Encorp will continue to seek opportunities to expand its business and deliver on the Encorp Experience of enriching lives through high quality and innovative products and services.

CORPORATE REPORT

CORPORATE INFORMATION

Board of Directors

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

Datuk Muzzammil bin Mohd Nor Non-Independent Non-Executive Director

Datuk Syed Zaid bin Syed Jaffar Albar Non-Independent Non-Executive Director Datuk Haji Jaafar bin Abu Bakar Independent Non-Executive Director

Dato' Feroz bin A S Moidunny Independent Non-Executive Director

Abdul Rahim bin Abdul Hamid Independent Non-Executive Director

Audit & Governance Committee

Abdul Rahim bin Abdul Hamid Chairman

Datuk Haji Jaafar bin Abu Bakar Member

Dato' Feroz bin A S Moidunny Member

Nomination & Remuneration Committee

Dato' Feroz bin A S Moidunny Chairman

Datuk Syed Zaid bin Syed Jaffar Albar Member

Abdul Rahim bin Abdul Hamid Member

Executive Committee

Hussein bin Ismail Chairman

Datuk Syed Zaid bin Syed Jaffar Albar Member

Datuk Muzzammil bin Mohd Nor Member

Company Secretary

Lee Lay Hong (LS 0008444)

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

Deloitte PLT (AF: 0080)

Solicitors

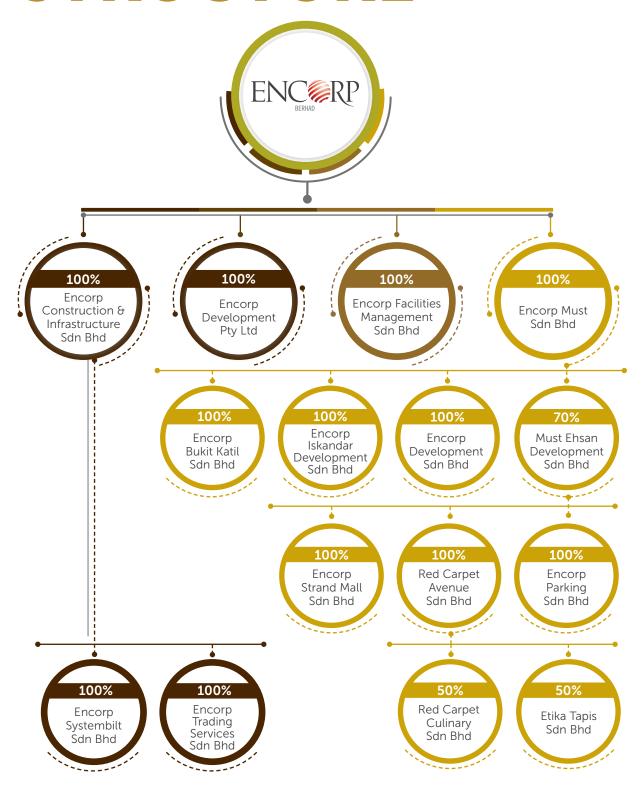
Zul Rafique & Partners P.Y. Hoh & Tai Che Mokhtar & Ling Azmi & Associates Hanif Idris & Associates

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
Etika Tapis Sdn Bhd	50	Food & Beverage	Malaysia
Red Carpet Culinary Sdn Bhd	50	Food & Beverage	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 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







2017 **HIGHLIGHTS**

18 JANUARY 2017 CORPORATE

Chinese New Year celebration with employees.





25 JANUARY 2017 CORPORATE SOCIAL RESPONSIBILITY

Sponsorship of wheelchairs for the Mawar Haemodialysis Centre, Seremban.

31 MARCH 2017 CORPORATE SOCIAL RESPONSIBILITY

Encorp Sentuhan Kasih: A programme with the homeless at Pusat Transit Gelandangan Kuala Lumpur.





29 APRIL 2017 CORPORATE SOCIAL RESPONSIBILITY

Sponsorship for a charity fun walk and mini-carnival of 10K Steps For Autism Kids.



26 MAY 2017 CORPORATE SOCIAL RESPONSIBILITY

Distribution of bubur lambuk at Masjid Kota Damansara.

8 JUNE 2017 CORPORATE

Joint Venture and Shareholders Agreement Signing Ceremony between Encorp Bukit Katil Sdn. Bhd. & Sinmah Development Sdn. Bhd.



9 JUNE 2017 CORPORATE

Winner of Best Investor Relations Company 2017 at the 7th Asian Excellence Awards 2017.



16 JUNE 2017 CORPORATE SOCIAL **RESPONSIBILITY**

Encorp Sentuhan Kasih Ramadhan: An event for the less fortunate children of Pusat Kanak-Kanak Insan Istimewa Cemerlang, Sungai Buaya, Rawang.



14 JUNE 2017 CORPORATE 17th Annual General Meeting.

22 JUNE 2017 CORPORATE

Vacant Possession for 122 units of Akasia 1 at Encorp Cahaya Alam.



24 JUNE 2017 CORPORATE SOCIAL RESPONSIBILITY

Sponsorship of 1 bed for a whole year at Pusat Transit Gelandangan Kuala Lumpur.



13 JULY 2017 CORPORATE

Jamuan Aidilfitri @ Encorp.





5 AUGUST 2017 CORPORATE



13 OCTOBER 2017 CORPORATE

Winner of HR Asia Best Companies to Work For at the HR Asia Awards 2017.



Ribbon Charity Run.





28 OCTOBER 2017 **CORPORATE SOCIAL RESPONSIBILITY**

Encorp Sentuhan Kasih: Gotong-royong and engagement session at Encorp Cahaya Alam with Encorp and the residents.



Launch of Dahlia (Phase 1 & Phase 2) at Encorp Cahaya Alam for 116 units from a total of 171 units.





8 NOVEMBER 2017 CORPORATE SOCIAL RESPONSIBILITY

Encorp Sentuhan Kasih: In collaboration with Gagasan Pendidikan Melayu Negeri Sembilan (GAGASAN), a dinner treat with orphanage children from Pertubuhan Rumah Anak-Anak Yatim Darul Aminan & Rumah Anak-Anak Yatim Al-Khair.



9 NOVEMBER 2017 CORPORATE

Winner of Property Development (Corporate Social Responsibility) at the Social Media Excellence Awards 2017.



9 NOVEMBER 2017 CORPORATE

Winner of Employer of Choice (Silver Award) at the Malaysia HR Awards 2017.

3 DECEMBER 2017 CORPORATE SOCIAL RESPONSIBILITY

Sponsorship to Pertubuhan Kebajikan Anak Yatim Mary, Setapak for an educational tour to Pulau Pangkor.



12 DECEMBER 2017 CORPORATE

Winner of Property Development at the Selangor Excellence Business Award 2017.

21 DECEMBER 2017 CORPORATE SOCIAL RESPONSIBILITY

Gotong-royong at Strand Mall, Kota Damansara to maintain its cleanliness and orderliness.



CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility (CSR) is a core value at Encorp Berhad (Encorp) that guides us in all our operations and activities. For us, CSR is the foundation of all ethical business practices. It drives us to be constantly engaged with all our stakeholders and to be fully sensitive and responsive to the needs of our employees, shareholders, the environment and the community of which we are a part. Throughout the financial year ended 2017 (FY2017), we planned and implemented CSR interventions in several areas:

GROWING WITH OUR ENVIRONMENT

Encorp is dedicated to environmentally sustainable and ecologically friendly project development and business practices in all parts of the organisation. A key part of our agenda to ensure sustainability involves providing green design features in our developments. These features, coupled with constant efforts to reduce our carbon footprint, contribute to our overall goal of conserving and safeguarding our environmental assets for the future.

Our green strategy encompasses eco-friendly elements in planning, design and construction in all our projects in Malaysia and abroad. These policies included:

- Building design and orientation to maximise natural cross ventilation;
- Emphasising the use of natural light;
- Minimising solar radiation through the use of tinted glass windows;
- Rainwater harvesting systems for watering plants and other landscaping needs, as well as to reduce tapped water consumption;
- Other water-saving measures in our developments as well as sustainable water use in our project management;
- Green lungs with vibrant plants and trees in our various developments;
- Eco-friendly low volatile organic compound paints;
- Regular inspections and tests to ensure building equipment meets requisite emission standards; and
- Monitoring decibel levels of sound emanating from our construction sites to minimise noise pollution.

GROWING WITH OUR MARKET PLACE

Throughout FY2017, Encorp worked to ensure that every aspect of our operations embodied the highest standards of corporate governance and accountability. Driven by our belief in cultivating aspirations mutually, we focused on forging stronger sustainable relationships with all our stakeholders. Our key initiatives for FY2017 included sustained engagement with market analysts as well as frequent meetings with government and regulatory authorities. This was supported by enhanced customer and community outreach, increased traditional and social media contact as well as the formulation of wide-ranging policies on sustainability at the Group level. More information on these activities may be found in the new Statement on Sustainability in this report.

In FY2018, Encorp will continue to build and strengthen its relationships through the continuous refinement of systems and processes designed to help the Group meet and exceed expectations for corporate governance within the market place.

GROWING WITH OUR COMMUNITY

In FY2017, Encorp continued its mission to improve lives within society by being a positive force for the underprivileged and less fortunate. While this has benefited our target communities, it has also been a richly rewarding experience for the Encorp family that helps us enhance our ties to society. This was the prime focus of our major CSR programme, Encorp Sentuhan Kasih, and our activities included the following:

- We hosted a programme in aid of the homeless at Pusat Transit Gelandangan Kuala Lumpur (the Kuala Lumpur Homeless Transit Centre).
- During the month of Ramadhan, members of the Encorp family journeyed to Pusat Kanak-Kanak Insan Istimewa Cemerlang, in Sungai Buaya, Rawang, Selangor, where we spent a very meaningful day bringing festive joy to less fortunate children.
- conducted а gotong-royong and engagement session at Encorp Cahaya Alam, which brought residents together in the spirit of neighbourhood unity and strengthened bonds of friendship between Encorp and the community.
- We collaborated with Gagasan Pendidikan Melayu Negeri Sembilan to host a dinner treat with orphans from Pertubuhan Rumah Anak-Anak Yatim Darul Aminan and Rumah Anak-Anak Yatim Al-Khair in Negeri Sembilan.

Besides these direct interventions under Encorp Sentuhan Kasih, we also undertook several sponsorship events over the course of FY2017, including:

- Purchasing new wheelchairs for the Mawar Haemodialysis Centre in Seremban, Negeri Sembilan.
- Sponsoring a charity fun walk and mini-carnival of 10K Steps For Autism Kids at Strand Mall in Kota Damansara.
- Sponsoring and distributing bubur lambuk at Masjid Kota Damansara during the month of Ramadhan.
- Sponsoring one bed for a whole year at Pusat Transit Gelandangan Kuala Lumpur.
- Sponsoring the UniKL Red Ribbon Charity Run.
- Sponsoring an educational tour to Pangkor Island for orphans from Pertubuhan Kebajikan Anak Yatim Mary, in Setapak, Kuala Lumpur.

In FY2017, we collectively donated about 1,058.5 hours of service from 141 employees, an average of 7.5 hours per employee, to local communities.

GROWING WITH THE WORKPLACE

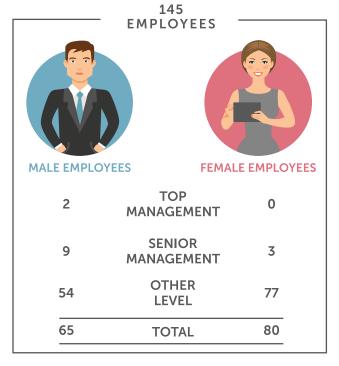
At Encorp, we believe in building a successful team by enhancing employee engagement, teamwork and innovation, all of which contribute to empowering employees and enabling them to achieve a high level of performance. With this in view, our Human Resource strategies and initiatives for FY2017

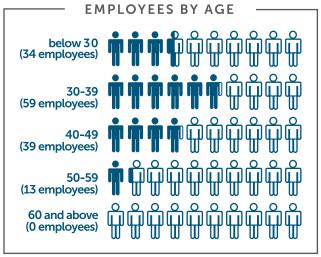
focused on recruitment, career progression, training and development, compensation and benefits, performance management, developing standard operating procedures throughout the Group and achieving a rewarding work-life balance for all members of the Encorp team.

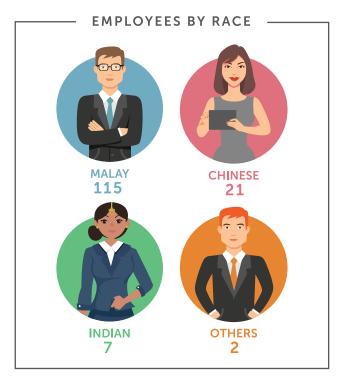
Our Employees

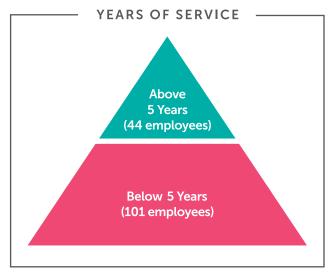
As an equal-opportunity employer, we believe that a diverse employee base generates greater benefits and rewards while providing team members a secure workplace that encourages positive and collaborative relationships.

In FY2017, Encorp's workforce totalled 145 employees within the following areas of diversity:









Recruitment

For FY2017, Encorp continued to invest in strong recruitment processes and programmes to attract fresh talent to the organisation. The improvement exercises throughout the year included:

Streamlining recruitment processes (for example, Standard Operating Procedures) and sourcing the right candidates by providing them written duties and responsibilities. This also ensures that successful candidates have a clear understanding of their duties.

- Increasing the effectiveness of the recruitment process by completing more than 80% of overall human resource requisition in FY2017. We expanded our recruitment channels to include new areas such as in-house searches, headhunting, job advertisements, social media and a staff-get-staff programme.
- Investing in all modules of a career microsite in collaboration with Jobstreet.com. This has allowed us to advertise vacancies directly on the Encorp website, and the platform is also used widely for resume searches.
- Building young minds by collaborating with universities for the Encorp Internship Programme. This is a part of our broader initiative to build capacities and new talent in line with industry standards.
- Maintaining gender equality at the workplace with both genders represented well in all parts of the Group, and this policy is reflected in new hiring into the Group. Encorp also continually strives to be an employer of choice by providing an equitable work-life balance as part of the company's fundamental culture.
- Focusing on young talent: in FY2017, 64% of total new recruitment consisted of those aged below 30 years. Encorp believes that the younger generation is crucial in bringing fresh ideas to the business.

Training and Development

Training and development is a vital part of Encorp's Human Resource development, and the overall goal of our training and development programmes is to retain the right people. To achieve this, we must ensure that the abilities of Encorp employees match their job functions and that all members of the team are able to increase productivity and quality in line with the Company's business direction.

In FY2017, we achieved a total of 7,603 training hours for both internal and external training courses, with an average of 634 hours per month. This exceeded our forecast of 5,800 training hours (i.e. an average of 483 hours per month).



Compensation and Benefits

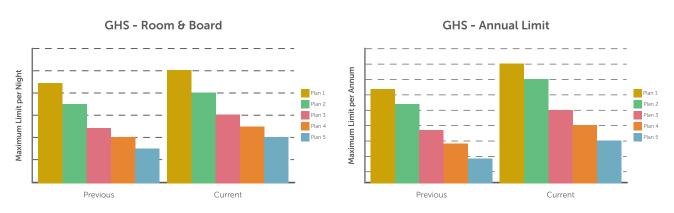
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Internal training

Compensation and benefits are an important factor in Encorp's human resource strategy as they help to ensure a properly motivated workforce. In FY2017 we significantly revamped compensation and benefits in many areas, including:

External training

• A new Group Hospitalisation and Surgical (GHS) insurance plan that provides employees and their dependents 24-hour worldwide insurance coverage for the cost of medical treatment and hospitalisation due to accidents and illness. The following chart illustrates the differences between previous and new GHS benefits:



- A new Group Term Life (GTL) insurance plan that provides employees 24-hour worldwide insurance coverage for death, total permanent disability and partial permanent disability (due to all causes), and critical illness.
- Enhanced insurance coverage in FY2017 that provides employee coverage from their joining dates without the need for contracts or permanent employment.
- A new Group Personal Accident (GPA) insurance plan to provide employees 24-hour worldwide insurance coverage for death and total permanent disability due to accidents. The additional benefits of this scheme include:
 - a. Accident ambulance fees;
 - b. Accident funeral expenses;
 - c. Repatriation expenses;
 - d. Wheelchair costs; and
 - e. Dengue recuperation.
- Overall annual premium reduction: Encorp recorded a 14% reduction in annual premiums for employee insurance coverage compared to the previous period (2016/2017) despite the enhancement of insurance benefits and coverage.
- Streamlining the compensation and benefits process under Standard Operating Procedures.
- Implementing performance management processes to enhance productivity. These included the introduction of Key Performance Indices (KPI), Work in Progress (WIP) provisions as well as improvements to performance appraisals.
- Extension of benefits to the children of three employees who excelled in major examinations in Malaysia and abroad.

Work-Life Balance and Employee Engagement

In FY2017, Encorp organised a variety of activities and celebrations to foster closer relationships among employees and to encourage a stronger and happier working environment, teamwork and friendship. The activities included:

- Monthly lunch talks covering a variety of topics. Each session lasted around one to two hours and focused on knowledge-sharing in non-work areas such as welfare, health awareness, personal financial management, safety, retirement schemes and personal grooming.
- Bonding Sessions with the Group Chief Executive Officer and the Chief Operating Officer. Each department had an informal high tea or lunch

- with the Group Chief Executive Officer and Chief Operating Officer. All staff had the opportunity to share their opinions and ideas directly with the top management on topics ranging from workplace issues, life-experiences, challenges and more.
- Townhall activities for all staff. Encorp townhall meetings create open sharing spaces that encourage every team or department to present updates on their projects and activities throughout the year.
- Religious activities such as Majlis Bacaan Yassin dan Doa Selamat to cater to the spiritual wellbeing of the Encorp team.
- A variety of in-house gym activities including weekly yoga, zumba and personal training sessions. These included the Encorp Biggest Loser Challenge campaign, which ran for two months.
- Monthly futsal practice sessions for employees.
- Friendly sports competitions including:
 - PPKM (Malaysia Shopping Malls Association) Pool Competition;
 - > PPKM (Malaysia Shopping Malls Association) Futsal Competition;
 - Encorp Snooker Challenge 2017; and
 - Encorp Bowling Challenge 2017.
- Meal treats for Chinese New Year, Deepavali as well as Berbuka Puasa during the month of Ramadhan.
- Monthly BOTV Karaoke 6:01 sessions for staff to have fun after office hours.
- An employee annual gathering (themed "Malacca Eras").

External Validations

In FY2017, Encorp received two external validations that recognised the value of our efforts to lead change within the workplace. These were the:

- HR Asia Award 2017: Best Companies to Work For, 2017; and
- Malaysian Institute of Human Resource Management (MIHRM): Employer of Choice, Private Sector.

Safety, Health and Environment

At Encorp, our policies for occupational safety, health and environment (OSHE) focus on promoting safe working conditions as well as a work culture that is secure and conducive. In FY2017, we took measures to enhance workplace safety and health that included the following:

- Forming an Emergency Response Team (ERT) chaired by the Group Chief Executive Officer. The ERT will serve to handle any emergency situation that may arise at Encorp's premises.
- First Aid Training (9 and 15 May) to ensure that employees are trained to provide immediate emergency treatment.
- Essential Fire Fighting Training for all ERT employees (28 September).
- Emergency Response Plan and Preparedness training (20 September).
- Formulating an ERT Chart to create a clear organisational structure for emergency response activities.
- Preparing an Emergency Flow Chart to provide a quick reference to all concerned.
- Preparing an Emergency Contact Number list for reference in emergency situations.
- Establishing an Emergency Evacuation Plan to provide safe and orderly evacuation of employees and visitors in emergency situations.
- ERT training (8 November), which served as a refresher course to explain the roles and responsibilities of ERT employees.
- ERT briefing (10 November).
- A combined fire drill (10 November) involving the entire Encorp office, Strand Mall management and tenants.
- Safety, health and environment inspections at all Encorp project sites to ensure that business operations complied with Encorp's OSHE policy and management services, as well as legal requirements.

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 Safety, Health and Environment 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; and 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 Berhad will continue striving towards achieving the highest standards in Occupational Safety, Health and Environment through training, commitment, support and supervision to ensure a safe and healthy working environment.

INVESTOR RELATIONS

Encorp's key goal is to continuously improve value for our shareholders and to become the investment of choice in the property development and construction industries.

In pursuit of this goal, we established a dedicated Investor Relations (IR) unit in FY2016 to initiate open, transparent and timely communication with our investors on topics relating to management strategies, direction and current developments. The unit is headed by Encorp's General Manager of Corporate Affairs & Investor Relations, while day-to-day activities are managed by two Corporate Affairs & Investor Relations officers.

Measures we undertook in FY2017 included:

- Providing investors, shareholders and other key parties regularly updated progress reports on the company's finances.
- Providing updates on the Group's financial growth and business activities (through both traditional and new media) to investors, shareholders and other key parties.
- Engaging traditional and new media to communicate information on Encorp's products and services.
- Providing regular publications pertaining to Encorp's corporate governance activities and corporate social responsibility programmes.
- Communicating regularly with financial and business analysts, business and consumer media, and potential investment partners through a strategic communications mix of interviews, press releases, website outreach, invitations to product launches of Dahlia at Encorp Cahaya Alam, as well as site visits to Encorp Marina Puteri Harbour in Johor and Bukit Katil in Melaka.

Encorp's corporate website, www.encorp.com.my, offers a platform for investors to obtain information periodically through the IR section. Any queries regarding Encorp, especially IR matters, can be directed to the team at encare@encorp.com.my.



BISNES

SUKAN

SEMASA

DUNIA



Encorp's profit soars as property business improves



RDALA LEARUR. <u>Encarp find,</u> a Fielda-owned property development and contraction fam, boosted its comings by almost four times to PMH6 desi in



PENSERUSI Felds Olybul Veritures Holdingo Blid (PCV), Tan Sri Mohd Isa Abdul Samad menyerahkan sumbangan keruai roda oleh Euccop Bhd keparta Pusat Hermodiaksis Atlancar di Seremban, havi asi, -

CORPORATE MALAYSIA

Melaysum Reserve

nmah to form JV to venture into property sector mman to form JV to venture time property sectors as we will be subjected as the property sectors of t



The SHAPE Fitness was a blast!





RECOGNITION OF A GROWING ENCORP







Winner of Best Investor Relations Company, 7th Asian Excellence

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





Employer of Choice Award (Silver)

Winner of Property Development (CSR), Malaysia Social Media





Week Awards 2017

Winner of Property Development, Selangor Business Excellence Awards 2017

2016



Jury Winner for 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 Day 2015

- 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

Winner of Malaysia HR Awards 2015

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



2014



Winner of Best Investor Relations Company, 4th Asian Excellence

Winner of 5 Star Best Retail Architecture (Malaysia) - Strand Mall, Asia Pacific Property Awards 2014-2015





Winner of Excellence Employee Development (Gold), Human Resources Excellence Awards Malaysia 2014





Winner of Employer of Choice Award (Silver), Malaysia HR Awards 2014

2013

- Winner of the Asia's Outstanding Company on Corporate Governance, 9th Corporate Governance Asia Recognition Awards 2013
- Winner of Overall Excellence Award SCCI, Annual Corporate Report Award 2013
- Winner of the Outstanding Entrepreneurship Award 2013, Asia Pacific Entrepreneurship Award 2013
- Winner of Malaysia HR Awards 2013
 - Employer of Choice Award (Bronze)
 - HR Leader of the Year Award (Bronze)
- Top 50 of Enterprise 50 (E50) Award 2013
- Winner of 1st Asian Company Secretary of the Year Recognition Awards 2013

2012

- Winner of Overall Excellence Award SCCI, Annual Corporate Report Award 2012
- Winner of the BrandLaureate's Most Eminent Brand Iconic Leadership Awards, BrandLaureate Leadership Awards 2012
- Winner of Malaysia HR Awards 2012
 - Employer of Choice Award (Bronze)
 - HR Leader of the Year Award (Silver)

2011

- Winner of the Highly Commended Award (Mixed-Used Development category for Malaysia), Asia Pacific Property Awards 2011
- Winner of Malaysia HR Awards 2011
 - Employer of Choice Award (Bronze)
 - HR Leader of the Year Award (Silver)

2010

- Winner of The Edge PEPS Value Creation Excellence Award 2010 for non-residential category
- Top 27 of StarBiz ICR Corporate Responsibility Awards 2010



GROUP FINANCIAL HIGHLIGHTS

OPERATING RESULT	2017 RM'000	2016 RM'000	2015 RM'000	2014 RM'000	2013 RM'000
Revenue	312,939	359,254	209,885 N1	330,385	536,435
Profit before tax	(31,745)	41,812	25,485 N1	25,299	115,930
Profit after tax	(35,004)	28,125	12,074 N1	13,940	95,821
Profit attributable to owners of the parent	(30,543)	28,405	7,784 N1	10,526	61,496

FINANCIAL RATIOS	2017	2016	2015	2014	2013
Profit before tax margin (%)	Note 2	11.64%	12.14% N1	7.66%	21.61%
Basic (loss)/earnings per share (sen)	(10.79)	10.19	2.79 N1	4.20	28.14
Closing share price as at end of period (RM)	0.66	0.62	0.80	1.05	0.99
Price-earning ratio (times)	(0.06)	0.06	0.29 N1	0.25	0.04
Return on capital employed (ROCE)	0.04	0.08	0.09 N1	0.09	0.14
Return on equity (ROE) N3	(0.08)	0.07	0.02 N1	0.03	0.19
Net gearing ratio (%) N4	56%	58%	39%	39%	41%
Net assets per share (sen) N3	1.37	1.51	1.42	1.38	1.46
Share Capital (unit)	293,952	278,648	278,645	278,645	224,856

- N1 The financial year results exclude the result from the discontinued operations.
- N2 There is no margin available due to current year is at loss position.
- N3 The results is attributable to owners of the parent.
- N4 The net gearing ratio is calculated based on loans and borrowing excluding the Sukuk Murabahah and trade and other payables, less cash and bank balances, fixed deposits and invesment securities in relation to the Teachers' Quarter Project, which has no resource to the Concessionaire entity.

KEY BALANCE SHEET DATA	2017 RM'000	2016 RM'000	2015 RM'000	2014 RM'000	2013 RM'000
Property, plant and equipment	6,258	6,878	7,536	22,846	29,787
Investment properties	314,740	325,130	324,860	343,749	280,396
Land held for property development and property development cost	542,551	529,724	166,375	123,407	204,688
Trade and other receivables	907,038	1,001,357	1,012,666	1,090,665	1,144,894
Inventories	101,687	100,132	69,737	79,788	1,525
Cash & bank balance and Investment Securities	145,761	180,967	127,651	156,347	195,613
Other assets	130,054	84,153	151,899	145,109	187,594
Assets of disposal group classified as held for sale	97	23,087	28,224	-	-
Total Assets	2,148,186	2,251,428	1,888,948	1,961,911	2,044,497
Loans and borrowings	122,940	213,823			747.500
	122,540	213,023	243,602	248,329	317,508
Sukuk Murabahah	895,984	944,841	243,602 987,275	1,028,660	317,508 1,078,946
Sukuk Murabahah Trade and other payables					
	895,984	944,841	987,275	1,028,660	1,078,946
Trade and other payables	895,984 533,692	944,841 543,711	987,275 153,327	1,028,660 176,633	1,078,946 211,850
Trade and other payables Other liabilities Liabilities of disposal group	895,984 533,692 105,933	944,841 543,711 35,255	987,275 153,327 17,995	1,028,660 176,633	1,078,946 211,850
Trade and other payables Other liabilities Liabilities of disposal group classified as held for sale	895,984 533,692 105,933 945	944,841 543,711 35,255 934	987,275 153,327 17,995 1,251	1,028,660 176,633 36,766	1,078,946 211,850 23,825
Trade and other payables Other liabilities Liabilities of disposal group classified as held for sale	895,984 533,692 105,933 945	944,841 543,711 35,255 934	987,275 153,327 17,995 1,251	1,028,660 176,633 36,766	1,078,946 211,850 23,825
Trade and other payables Other liabilities Liabilities of disposal group classified as held for sale Total Liabilities	895,984 533,692 105,933 945 1,659,494	944,841 543,711 35,255 934 1,738,564	987,275 153,327 17,995 1,251 1,403,450	1,028,660 176,633 36,766 - 1,490,388	1,078,946 211,850 23,825 - 1,632,129

SHARE PERFORMANCE

STOCK EXCHANGE

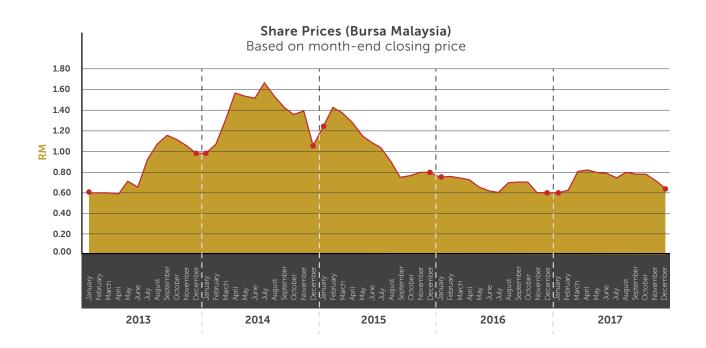
Bursa Malaysia Securities Berhad

COMPANY TRADING NAME

STOCK CODE

6076

During the year	2013	2014	2015	2016	2017
Highest (RM)	1.28	1.88	1.52	0.90	0.92
Lowest (RM)	0.54	0.92	0.72	0.57	0.57



CULTIVATING ASPIRATIONS MUTUALLY

At Encorp, we take pride in cultivating the dreams and aspirations of all members of our team. Each one of us has a goal in life, and we believe in realising these goals through mutual and combined effort. We each play our part in this journey: we turn our dreams into successful reality, but in doing so we are always grounded in the values of integrity, mutual respect, teamwork and ethics.

To cross the finishing line, we must embody and exceed the best practices of our industry. This includes creating a safe and nurturing environment to work in—one where improvements are driven by innovation and the evolution of our working culture informs and motivates every one of us.

From the top to the bottom, everyone at Encorp is a team player. We constantly work together to find a better approach to business in service of all our stakeholders. We build our individual strengths together to create value for all: our shareholders, our team and the community we live in.

At Encorp, our growth and our progress as a group is driven by our success not just as employees of a diverse corporation. We are a team—a family—that is built not just on a rich diversity of backgrounds, experiences and skills, but one that shares a common mission and a common dedication to Quality, Standards, Value and Service. This dedication is founded on strong principles, close relationships, originality in our ideas and vision, and a commitment to one another as well as to society at large.

At Encorp, this is how we cultivate dreams. This is how we grow together.







CORPORATE GOVERNANCE

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 2017, 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 2017, please refer to the Corporate Governance Report 2017 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 19 April 2017. 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 26 November 2015 adopted and implemented a Code of Ethics and Conduct to promote the corporate culture which engenders ethical conduct that permeates throughout the Group. The conduct of the Directors, management and employees of the Group are governed by the Code of Ethics and Conduct which provides clear direction on conduct of business and general workplace behavior. 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 Ethics and Conduct to all Directors, management and employees.

More information on the Board Charter and the Code of Ethics and Conduct 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 2017, the role of the Chairman and the Group Chief Executive Officer ("GCEO") 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. The GCEO has overall responsibility for the day-to-day management of the business and implementation of the Board's policies and decisions. The GCEO is also responsible to ensure due execution of strategic goals, effective operations within the Group, and to explain, clarify and inform the Board on key matters pertaining to the Group.

The GCEO resigned on 23 February 2018 and the Executive Committee ("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 who are also the Non-Independent Non-Executive Directors of the Company. 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 Securities to keep abreast with the relevant updates on statutory and regulatory requirements such as updates on the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("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 is 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, nine (9) Board meetings were held. The summary of attendance of the Board is as follows:

CORPORATE GOVERNANCE

Name of Director	No. of Meetings Attended
Hussein bin Ismail (appointed on 14.8.2017) (redesignated as Chairman on 26.1.2018)	5/5
Datuk Muzzammil bin Mohd Nor (appointed on 14.8.2017)	5/5
Datuk Syed Zaid bin Syed Jaffar Albar (appointed on 8.3.2018)	N/A
Datuk Haji Jaafar bin Abu Bakar	9/9
Dato' Feroz bin A S Moidunny	9/9
Abdul Rahim bin Abdul Hamid	7/9
Tan Sri Haji Mohd Isa bin Dato' Haji Abdul Samad (resigned on 14.8.2017)	3/3
Datuk Hanapi bin Suhada (resigned on 14.8.2017)	1/3
Datuk Noor Ehsanuddin bin Mohd Harun Narrashid (resigned on 14.8.2017)	3/3
Datuk Syed Mohamed bin Syed Ibrahim (appointed on 14.8.2017) (redesignated as Chairman on 25.8.2017) (resigned on 22.1.2018)	5/5
Dato' Haji Zakaria bin Nordin (resigned on 23.2.2018)	7/9

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.

As at 31 December 2017, there were seven (7) members of the Board, comprising one (1) Non-Independent Non-Executive Chairman, three (3) Independent Directors, two (2) Non-Independent Non-Executive Directors and one (1) Non-Independent Executive Director.

This composition 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.

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 2017, less than half of the Board was made up of Independent Directors. In February and March 2018, the Board approved the changes in board composition and the Board size is reduced to six (6) members as at the date of this Statement. comprising one (1) Non-Independent Non-Executive Chairman, three (3) Independent Directors, two (2) Non-Independent Non-Executive Directors, and hence is now in compliance with Practice 4.1.

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 Nomination 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 three (3) 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 Nomination 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 Nomination and Remuneration Committee considers, evaluates and proposes to the Board any new board appointments, whether of executive or non-executive position. The Nomination 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 Nomination 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 in listed issuers 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 Nomination 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 2017, the Directors have attended the following training programmes/ seminars/ workshops/ talks:

CORPORATE GOVERNANCE

Name of Director	Training and Seminars attended
Hussein bin Ismail	 Mandatory Accreditation Programme ("MAP") – by ICLIF Malaysian Code on Corporate Governance: A New Dimension – by Securities Industry Development Corporation ("SIDC") Tax Audits and Investigations – by Chartered Tax Institute of Malaysia ("CTIM") New Members' Voluntary Winding-Up and Strike-Off, Under Companies Act 2016 – by Institute of Approved Company Secretaries ("IACS") GST Impact on Accounting and Tax Issues for Property Developers, JMB/MC and Property Investors – by CTIM. Seminar On MFRS 9, MFRS 15, MFRS 16 and Companies Act 2016 On Share Capital and Distribution – by Mr Tan Liong Tong, Folk Management Services Sdn. Bhd. Roles and Responsibilities of Directors, Company Secretaries and Auditors, and Compliance Requirements Under The Companies Act 2016 – jointly organised IACS & Companies Commission of Malaysia Delivering Value In Auditing Through Smart Partnership Towards Fulfilling The National Audit Department's Mandate – by National Audit Department
Datuk Muzzammil bin Mohd Nor	 MAP – by ICLIF Malaysian Code on Corporate Governance : A New Dimension – by SIDC
Datuk Haji Jaafar bin Abu Bakar	 Malaysian Financial Reporting Standards (MFRS) for Board: Understanding the Reporting Requirements – by SIDC Malaysian Code on Corporate Governance: A New Dimension – by SIDC Key Amendments of the Listing Requirements 2016 and Key Disclosure Obligations of a Listed Company – by CKM Advisory Sdn. Bhd.
Dato' Feroz bin A S Moidunny	 Malaysian Financial Reporting Standards (MFRS) for Board: Understanding the Reporting Requirements – by SIDC Malaysian Code on Corporate Governance : A New Dimension – by SIDC
Abdul Rahim bin Abdul Hamid	 Malaysian Financial Reporting Standards (MFRS) for Board: Understanding the Reporting Requirements – by SIDC Malaysian Code on Corporate Governance: A New Dimension – by SIDC Value Investing – by Value Investment College Malaysia's Economic Challenges & Policy Implications (A Luncheon Talk) MIA's 50th Anniversary Commemorative Lecture – by Tan Sri Abdul Wahid Omar ACCA Malaysia Annual Conference 16th International Conference On Translation MIA's International Accountants' Conference
Datuk Syed Mohamed bin Syed Ibrahim (resigned on 22.1.2018)	 MAP - by ICLIF Malaysian Code on Corporate Governance : A New Dimension – by SIDC
Dato' Haji Zakaria bin Nordin (resigned on 23.2.2018)	 Malaysian Financial Reporting Standards (MFRS) for Board: Understanding the Reporting Requirements – by SIDC Malaysian Code on Corporate Governance : A New Dimension – by SIDC

III. Remuneration

Board Remuneration

The Nomination 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 Nomination and Remuneration Committee comprises majority Independent Non-Executive Directors as follows:

Name	Designation	Directorship
Dato' Feroz bin A S Moidunny	Chairman	Independent Non-Executive Director
Datuk Haji Jaafar bin Abu Bakar (retired on 27.3.2018)	Member	Independent Non-Executive Director
Abdul Rahim bin Abdul Hamid	Member	Independent Non-Executive Director
Datuk Syed Zaid bin Syed Jaffar Albar (appointed on 8.3.2018)	Member	Non-Independent Non-Executive Director

The Nomination 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, taking into consideration the candidates' skills, knowledge, expertise, experience, time commitment, character, professionalism and integrity;
- to recommend to the Board candidates to fill the seats on Board committee;
- to evaluate the balance of skills, knowledge, experience and diversity on the Board;
- 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; and
- to evaluate and recommend to the Board the appointment, promotion and termination of the executive director, chief executive officer and senior management.

(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;
- 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 corporate strategy; and

• to review and recommend to the Board the annual increments and bonuses of executive directors and senior management team.

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

The Nomination and Remuneration Committee deliberated on the following matters in 2017:

- 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
- Proposed appointment of new Directors.

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 2017 is as follows:

Group	Fees (RM'000)	Salaries / Allowance & Other Emoluments (RM'000)	Defined contribution plan (RM'000)
Hussein bin Ismail	14	5	-
Datuk Muzzammil bin Mohd Nor	32	9	-
Datuk Haji Jaafar bin Abu Bakar	218	29	-
Dato' Feroz bin A S Moidunny	121	25	-
Abdul Rahim bin Abdul Hamid	103	20	-
Tan Sri Haji Mohd Isa bin Dato' Haji Abdul Samad (resigned on 14.8.2017)	79	4	-
Datuk Hanapi bin Suhada (resigned on 14.8.2017)	44	3	-
Datuk Noor Ehsanuddin bin Mohd Harun Narrashid (resigned on 14.8.2017)	52	5	-
Datuk Syed Mohamed bin Syed Ibrahim (resigned on 22.1.2018)	45	5	-
Dato' Haji Zakaria bin Nordin (resigned on 23.2.2018)	-	782	94
Total	708	887	94

Company	Fees (RM'000)	Salaries / Allowance & Other Emoluments (RM'000)	Defined contribution plan (RM'000)
Hussein bin Ismail	14	5	-
Datuk Muzzammil bin Mohd Nor	32	9	-
Datuk Haji Jaafar bin Abu Bakar	143	27	-
Dato' Feroz bin A S Moidunny	121	25	-
Abdul Rahim bin Abdul Hamid	103	20	-
Tan Sri Haji Mohd Isa bin Dato' Haji Abdul Samad (resigned on 14.8.2017)	79	4	-
Datuk Hanapi bin Suhada (resigned on 14.8.2017)	44	3	-
Datuk Noor Ehsanuddin bin Mohd Harun Narrashid (resigned on 14.8.2017)	52	5	-
Datuk Syed Mohamed bin Syed Ibrahim (resigned on 22.1.2018)	45	5	-
Dato' Haji Zakaria bin Nordin (resigned on 23.2.2018)	-	780	94
Total	633	883	94

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 identified as Chief Operating Officer, Head of Property, Head of Construction Management, Head of Mall Management and Head of Finance for the financial year ended 31 December 2017, ranged as follows:

Remuneration ranges (RM)	No. of Senior Management
300,001 – 350,000	2
350,001 – 400,000	0
400,001 – 450,000	1
450,001 – 500,000	1
500,001 – 550,000	0
550,001 – 600,000	0
600,001 – 650,000	0
650,001 – 700,000	0
700,001 – 750,000	1

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit and Governance Committee

The Audit and Governance Committee is made up of three (3) members comprising entirely of Independent Directors 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 and Governance Committee are also provided in this Annual Report and website at www.encorp.com.my.

The Audit 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 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
Dato' Feroz bin A S Moidunny	Member	Independent Non-Executive Director

Relationship with External Auditors

Through the Audit 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 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 and Governance Committee has assessed the independence of Messrs Deloitte PLT and was satisfied with their competency and independence. The Audit and Governance Committee has therefore recommended the re-appointment of Messrs. Deloitte 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 and Governance Committee on a quarterly basis. The Audit 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 and Governance Committee. The Group's Statement on Risk Management & Internal Control is set out on page 80 to 83.

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.

If any employee believes reasonably and in good faith that malpractice exists in the work place, the employee should report this immediately to the line manager. However, if for any reason the employee is reluctant to do so then the employee should report the concerns to the following nominated persons:

- Audit and Governance Committee Chairman: or
- Company Secretary.

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 form of reprisal as a result of raising a concern even if the individual is mistaken. The Company, however, does not extend this assurance to someone who maliciously raises a matter which is untrue. If an investigation is necessary, depending on the nature of the misconduct, an investigation may include internal reviews, reviews by the external auditors or lawyers or some other external body.

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 Shareholders' Communication Policy was implemented to handle the process of handling queries from its shareholders.

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

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 Deloitte PLT and its affiliated companies in relation to the audit and non-audit services rendered to Encorp Berhad and its subsidaries are as follows:

	Group (RM)	Company (RM)
Statutory audit services provided by Messrs Deloitte PLT	230,000	80,000
Non-audit services provided by Messrs Deloitte PLT	30,000	8,000
Advisory services provided by affiliates of Messrs Deloitte PLT	Nil	Nil
Total	260,000	88,000

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 Seventeenth Annual General Meeting held on 14 June 2017.

Recurrent Transactions conducted during the financial year ended 31 December 2017 are set out below.

Type of Recurrent Transactions	Related Party	Relationship with Encorp Group	RM
Provision of comprehensive facilities management services to FELDA Group	FELDA	Major shareholder of Encorp Berhad	8,429,972
Provision of construction and property development works to FELDA Group	MSM Sugar Refinery (Johor) Sdn. Bhd. ("MSM Johor")	Person connected with a major shareholder of Encorp, namely FELDA, by virtue of FELDA's indirect equity interest of 17.2% in MSM Johor	578,177

Utilisation of Proceeds

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

(a) On 7 September 2017, the Company had issued 15,304,401 new ordinary shares at an issue price of RM0.65 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 8 September 2017.

The details of the utilisation of the proceeds from the Private Placement up to 31 December 2017 were as follows:

Details of utilisation	Proposed Utilisation (RM)	Actual Utilisation (RM)	Balance to be Utilised (RM)
Working capital for Bukit Katil Project (1)	9,547,860.65	1,109,136.00	8,438,724.65
Expenses in relation to the Private Placement	400,000.00	300,007.00	99,993.00
Total	9,947,860.65	1,409,143.00	8,538,717.65

Note:

⁽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").

AUDIT AND GOVERNANCE COMMITTEE REPORT

The Board of Directors is pleased to present the report on the Audit and Governance Committee for the financial year ended 31 December 2017.

MEMBERSHIP AND MEETINGS OF THE AUDIT AND GOVERNANCE COMMITTEE

During the financial year ended 31 December 2017, the Audit and Governance Committee convened seven (7) meetings which were attended by the members as tabulated below:-

Name of members	Directorship	No. of Meetings Attended
Abdul Rahim bin Abdul Hamid	Chairman, Independent Non-Executive Director	6/7
Datuk Haji Jaafar bin Abu Bakar	Independent Non-Executive Director	7/7
Dato' Feroz bin A S Moidunny	Independent Non-Executive Director	7/7

The group chief executive officer, chief operating officer, finance general manager, 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 and Governance Committee. The Company Secretary acts as the secretary of the Audit and Governance Committee.

The Audit and Governance Committee also met separately with the external auditors without the Executive Board members and management's presence on two (2) occasions during the year.

TERMS OF REFERENCE OF AUDIT AND GOVERNANCE COMMITTEE

Objective

The objective of the Audit 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 and Governance Committee members from amongst themselves, comprising no fewer than three (3) non-executive directors. The majority of the Audit 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 and Governance Committee shall be financially literate and at least one (1) member of the Audit 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 II 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 and Governance Committee.

The term of office and performance of the Audit and Governance Committee and each of its members shall be to determine whether such Audit and Governance Committee and members have carried out their duties in accordance with their terms of reference.

If a member of the Audit 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 and Governance Committee shall elect a Chairman from amongst their number who shall be 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 and Governance Committee and as a reporting procedure, the Minutes shall be circulated to all members of the Board.

Meetings

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

Upon the request of the external auditors, the Chairman of the Audit and Governance Committee shall convene a meeting of the Audit 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 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 and Governance Committee.

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

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

Resolution in Writing

A resolution in writing, signed by all the members of the Audit and Governance Committee for the time being entitled to receive notice of a meeting of the Audit and Governance Committee, shall be as valid and effectual as if it had been passed at a meeting of the Audit and Governance Committee duly convened and held. Any such resolution may consist of several documents in like form, each signed by one or more members.

Minutes

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

The minutes of the Audit 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 and Governance Committee meeting, the majority of members present must be independent directors.

Authority

The Audit 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 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 and Governance Committee shall promptly report such matter to Bursa Securities.

Duties

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

(a) oversee all matters relating to external audit

- 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;
- discuss problems and reservations arising from the interim and final audits and any matter the auditors may wish to discuss;
- review with the external auditors, their evaluation of the systems of internal control, their management letter and management's response;
- consider the appointment of external auditors as well as the appropriateness of their audit fees as recommended by the management;
- assess the suitability and independence of external auditors in respect of the provision of nonaudit services to the Group and the Company in accordance with the terms of all relevant professional and regulatory requirements;
- consider any letter of resignation of external auditors and any questions of resignation and dismissal; and
- review the level of assistance given by the employees of the Group to the external auditors.

(b) oversee all matters relating to internal audit

- to review the adequacy of the scope, functions, competency and resources of the internal audit function;
- to review and approve the internal audit plan;
- 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 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; and
- 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.

(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; and
- to carry out such other responsibilities, functions or assignments as may be defined jointly by the Audit and Governance Committee and the Board from time to time.

TRAINING

The Audit 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:

- Malaysian Financial Reporting Standards (MFRS) for Board: Understanding the Reporting Requirements by Securities Industry Development Corporation ("SIDC")
- Malaysian Code on Corporate Governance : A New Dimension by SIDC
- Value Investing by Value Investment College
- Malaysia's Economics Challenges & Policy Implications (A Luncheon Talk)
- MIA's 50th Anniversary Commemorative Lecture by Tan Sri Abdul Wahid Omar
- ACCA Malaysia Annual Conference
- 16th International Conference on Translation
- MIA's International Accountants' Conference
- Key Amendments of the Listing Requirements 2016 and Key Disclosure Obligations of a Listed Company by CKM Advisory Sdn. Bhd.

SUMMARY OF ACTIVITIES OF THE AUDIT AND GOVERNANCE COMMITTEE DURING 2017

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

- Reviewed the quarterly unaudited financial statements of the Group for the financial quarters ended 31 December 2016, 31 March 2017, 30 June 2017 and 30 September 2017 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 2017 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 two (2) 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 Statement, Audit and Governance Committee Report and Statement of Risk Management and Internal Control 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 2017.
- 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

Subsequent to the resignation of the outsourced independent professional firm, namely NGL Tricor Governance Sdn Bhd on 20 February 2017, the internal audit function of the Company was undertaken inhouse to assist the Audit and Governance Committee in discharging its duties and responsibilities. They act with due professional care and report directly to the Audit and Governance Committee.

The in-house 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 2017, the major activities carried out by the in-house internal audit were as follows:

- Performed risk-based internal audits on a quarterly basis on a variety of areas such as financial, operational and compliance audits as specified in the approved annual audit plan including, and as appropriate, any special tasks or projects requested by Management. The identified key audit areas in 2017, inter-alia, includes the following:
 - > Internal control review of Human Capital Management
 - > Internal control review of Procurement and Subcontract Management
 - > Internal control review of Facilities Management
 - > Internal Control review of General IT controls
- Issued quarterly internal audit reports to the Audit and Governance Committee detailing audit issues and recommendations for corrective actions to be implemented by Management, to overcome the deficiencies or to enhance internal controls.
- Conducted follow-up and special review on selected area upon Audit and Governance Committee and Management request.

The costs incurred for the internal audit function for the financial year ended 31 December 2017 amounted to RM218,281.69.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

Responsibility

The Board of Directors (the Board) acknowledges the importance of sound risk management and internal controls system towards achieving good corporate governance. The Board believes that an effective risk management is essential to Encorp in its quest to achieve its corporate objectives, especially in the continued profitability and enhancement of shareholder's value in today's rapidly changing market environment.

The Board affirms its overall responsibility in maintaining Encorp's systems of risk management and internal controls which include the establishment of an appropriate control environment and framework, processes and structures and continually reviewing the adequacy and integrity to safeguard shareholders' investment and Encorp's assets. The system is designed to manage the risks to which Encorp is exposed to in pursuing its business objectives, rather than eliminate the risk. In addition, it can only provide reasonable but not absolute assurance against material misstatement or losses, fraud or breaches of laws or regulations. The process is regularly reviewed by the Board and is guided by the Statement on Risk Management & Internal Control: Guidelines for Directors' of Listed Issuers.

The oversight role of the internal controls will be carried out by Audit and Governance Committee (AGC) on behalf of the Board. AGC will identify the critical risk areas and communicate to the Board.

Risk Management

The Board through AGC has established a risk management framework to evaluate and improve the adequacy and effectiveness of Encorp's risk management process. The key elements of the risk management framework are as follows:

- A documented risk management policy and procedure:
 - Identifying particular events or circumstances relevant to Encorp's objectives;
 - Assessing the risks in terms of likelihood and impact;
 - Evaluating the risks;
 - Determining the action plans to address the risk identified; and
 - Monitoring the progress of action plans and reviewing the business risks from time to time.
- b. Lines of responsibility and accountability.
- Defined parameters for risk rating. C.

Policy

The Board recognises that an effective risk management practice is a critical component of internal control. The Board has the ultimate responsibility for the system of internal controls and the risk management practices of Encorp.

The Board determines the level of risk acceptable to Encorp relating to its core operations by setting the appropriate limits for adherence by management after taking into account the risk parameters, nature, size, mix and complexity of business and operations. The task of identifying and evaluating the key business risks of Encorp is delegated to AGC, who will be responsible for the establishment and implementation of appropriate system of internal controls in managing these risks. The key principles of managing risks are as follows:

- Encorp is responsible for managing the risks associated with its objectives;
- Risk management approach must be tailored to the particular business circumstances and embedded within Encorp's strategic planning process, performance measurement system and day-to-day operations as relevant;
- All material risks are to be identified, analysed, responded, monitored and reported; and
- Management should regularly assess compliance with policies and practices, and the state of risk management and control.

The Board with the assistance of the AGC and the Risk Management Committee (RMC) continuously review the overall management of principal areas of risk. The AGC is briefed quarterly by the RMC. The RMC comprise Encorp's senior management and the head of departments.

The main duties of the RMC are to assist the AGC in carrying out its duties as follows:

- Reviewing and recommending risk management strategies, policies and risk tolerance for the Board's approval;
- Reviewing and assessing the adequacy of risk management policies and framework for identifying, measuring, monitoring and controlling risks as well as the extent to which these are operating effectively;
- Ensuring adequate infrastructure, resources and systems are in place for an effective risk management; and
- Reviewing the management's periodic reports on risk exposure, risk portfolio composition and risk management activities.

The Risk and Governance Department (RGD) is responsible for formulating the risk management policy, monitoring its implementation and providing necessary resources. RGD also ensures that principle risks are identified with appropriate controls put in place and periodical risk reports are submitted to AGC. RGD is also responsible for establishing and maintaining an effective ERM framework, coordinating and facilitating the risk management process, creating risk-aware culture, monitoring and reporting of risk in order to assist the Board and Management in managing risk in Encorp.

The RGD is supported by the Risk Management Officer (RMO) at the operational level. The members of RMO comprise representatives from departmental operations and support functions. Meetings and discussions were conducted by RGD with RMO members to deliberate, monitor and implement their respective risk areas by reviewing and updating the risk register. RMO is also assisted in confirming that necessary actions have been or are being taken to remedy any significant failings or weaknesses identified from that review. The risk profile of Encorp was compiled to help RMC and the Board to prioritise their focus on areas of high risks.

Internal Audit

The internal audit function was set-up internally in order to provide assurance on the effectiveness as well as the adequancy and intergrity of the Group's systems of internal control.

The internal audit reviews had been carried out based on a risk-based audit approach and its findings were presented to the AGC on a quarterly basis.

In the year under review, the following functions and processes of companies within the group were reviewed by the internal auditors:

- » Procurement and Sub-Contract Management;
- » Encorp Facilities Management Sdn. Bhd.; and
- » General IT Controls.

In addition to routine audits, special review and internal audit follow-ups were conducted to assess status of implementation of action plans.

The findings arising from the above reviews have been reported to the management for their responses and subsequently tabled to the AGC for deliberation. Where weaknesses were identified, recommendations for rectification or improvement of processes and/or procedures have been or are being put in place to strengthen the controls.

Other Key Elements of Internal Control

Apart from risk management and audit, the other key elements of the Group's system of internal controls are as follows:

- a) Group Vision and Organisation Structure
 - Clear Group's vision, mission and shared values which are continuously communicated to employees at all levels.
 - The Group has established an organisation structure with clearly defined lines of responsibility, accountability, authority and reporting. This includes establishing Board Committees with well-defined terms of reference.
- b) Policies, Procedures and Limits of Authority
 - Policies and procedures manuals of most operating units are in place to guide staff in their work.
 - Periodic internal and external Quality, Safety and Environmental audits are conducted to ensure compliance with the Quality Management System, the ISO 9001: 2008 and Occupational Health, Safety and Environmental Management System. Part of the initiative to improve the Quality Management system also included the implementation of Product Stage Inspection (PSI) on all Product Development and Construction to improve and maintain product quality standards.
 - Limits of Authority (LoA) clearly define the lines of authority in making operational and commercial business decisions. The LoA has been recently reviewed, revised and approved by senior management.
- c) Monitoring Process by Audit and Governance Committee
 - Review quarterly results before approval by the Board for public releases and annual report of the Group.
 - Review of internal and external audit plans.
 - Review internal audit reports that detail the audit findings, appropriate recommendations and action plans.
 - Review external auditors report on any issues identified in the course of their work including management letter points.
- d) Strategic Business Plan, Budget and Management Reporting
 - The business plan and annual budget are prepared and presented to the Board for approval.
 - Regular and comprehensive information is provided by the Management and on a quarterly basis to the Board covering financial results and key business performance.

- Consolidated monthly management accounts and quarterly forecast performance which allow Management to focus on areas of concern.
- Monthly results against budget are monitored with major variances being followed up and management action taken, where necessary.
- Regular meetings at departmental, divisional and subsidiary levels provide a sound platform for staff to communicate with, and provide feedback to and from management.

e) Performance Review

• Regular performance appraisal monitoring system based on achievement of agreed Key Performance Indicators (KPI) for all levels of staff is practised.

f) Training and Development Programmes

- Relevant trainings and development programmes are established to ensure that staffs are kept up to date with the necessary competencies to carry out their responsibilities towards achieving the Group's objectives.
- Performed training to create awareness on Corporate Integrity and to obtain commitment from staff towards creating a business environment that is fair, transparent and free from corruption.

g) Insurance and Physical Safeguard

• Adequate insurance and physical safeguards on major assets are in place to ensure assets of the Group are sufficiently covered against any mishap that will result in material losses to the Group.

h) Whistle Blowing Policy

• A whistle blowing policy is in place to encourage the reporting in good faith of any suspected improper conduct whilst protecting the informants from reprisal within the limits of the law.

Conclusion

In the year under review, there were no material losses, incurred as a result of weakness in the internal control that would require disclosure in this annual report. Management continues to take measures to strengthen the control environment and there will be continual focus on measures to protect and enhance shareholder value and business sustainability.

Based on inquiry, information and assurance provided by the Management, the Board is of the view that the Group's overall risk management and internal control system is operating adequately and effectively, in all material aspects. The Board confirms that the risk management and internal control process in identifying, evaluating and managing significant risks faced by the Group has been in place throughout 2017 up to the date of approval of this statement. This statement is made in accordance with the resolution of the Board of Directors on 12 April 2018.

Review of the Statement by External Auditors

As required by Paragraph 15.23 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, the external auditor has reviewed this Statement on Risk Management and Internal Control. Based on their review, the external auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is not prepared, in all material aspects, in accordance with the disclosures required by paragraph 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, nor is this statement factually inaccurate.

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 2017, the Directors have:

- adopted appropriate accounting policies and applied them consistently;
- used reasonable and prudent judgements 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.

STATEMENT ON SUSTAINABILITY

Sustainability has been a key factor contributing to the success of Encorp from the very beginning. The company mission, vision and core values enable a platform to cultivate sustainability, and operate alongside our philosophy, G2G (Good 2 Great) which encapsulates our goal to create outstanding properties that enrich lives and communities.

This statement focuses on the sustainability practices of the company, highlighting the Economic, Environmental and Social (EES) impacts of the company's business activities and initiatives. Through this statement, Encorp demonstrates its commitment to integrating sustainability practices across all aspects of its business. The statement was prepared pursuant to Practice Note 9 Part III of the Bursa Malaysia Securities Berhad (Bursa Securities) Main Market Listing Requirements (Main Market LR) and guided by the Sustainability Reporting Guide issued by Bursa Securities. The scope of this statement covers Encorp's operations in Malaysia for the financial year under review.

Sustainability Governance Structure

Enncorp's Sustainability is led by its Board of Directors who oversees the organisation and ensures that its objectives are met while remaining responsible to its obligations to sustainability. The company believes that commitment to good corporate governance is essential to the sustainability of the business and performance. The company upholds high standards of corporate governance to safeguard stakeholders' interests. Encorp's sustainability activities are guided according to the Sustainability Policy which was approved by senior management. The said policy is based on the following key principles:

- a) To integrate the principles of sustainability into the Group's strategies, policies and procedures;
- b) To promote sustainable practices and ensure that all employees are aware of it;
- c) To create a culture of sustainability within the Group, and the community, with an emphasis on integrating the environmental, social and governance considerations into decision making and the delivery of outcomes;
- d) To comply with and exceed, where practicable, all applicable legislation, regulations and codes of practice; and
- e) To ensure that the Board and senior management are involved in implementation of this policy and review the sustainability performance.

The sustainability activities of the Group's business and operations is conducted through the Management's leadership and support, collaborative efforts and participation of all Departments as co-ordinated by the Corporate Affairs and Investors Relations Department to ensure continued progress and improvement in the areas of EES activities.

Stakeholder Engagement

At Encorp, the Management engages various stakeholders groups, each of whom has different areas of interest through various platforms and channels to ensure that key issues impacting stakeholders are addressed in our business strategies and operations as follows:

No.	Stakeholder	Key Engagements in 2017
1	Customers	Customer Satisfaction SurveyCustomer Complaint SystemSocial Media Engagement and Outreach
2	Employees	Employee Satisfaction SurveyManagement Dialogues and Town Hall
3	Shareholders	Annual General MeetingQuarterly Financial Reports
4	Analysts	Analyst EngagementQuarterly Financial Reports
5	Government / Regulators	Regular Meetings and Communications
6	Local Communities	Periodic and Public Engagement SessionsCommunity Development Programmes
7	Suppliers/ Contractors / Consultants	Regular Meetings
8	Media	Press ReleasesRegular Updates and Engagements

The Sustainability Initiatives at Encorp is broadly categorised into these priority areas:

- a) Impact to the Environment;
- b) Responsible and Ethical Practices; and
- c) Community Reach.

Environment

The Group is committed to identify, manage and minimise the environmental impact of business operations through the following initiatives:

- Minimise the level of pollutants entering into the air, water and noise from daily business operations;
- Ensure water efficiency of our property developments and saving water at construction sites;
- Reduce consumption of non-renewable, non-recycled materials;
- Reduce the cost of operating and carbon footprint of our buildings;
- Promote and enhance the biodiversity in the area;
- Comply with environmental regulatory and legal requirements; and
- Create an ever-increasing awareness of this policy within the Group and stakeholders.

Encorp has taken various steps in order to manage the environmental impact in 2017. Among the significant efforts taken were as follows:

- a) Ensure compliance to all relevant rules and legislation;
- b) Safety compliances surveillances at all its project site, administrative offices and operations;
- c) Create awareness and improve knowledge on safety and emergency measures and responsible environmental protection practices among employees and stakeholders; and
- d) Implement energy saving efforts by reducing electricity consumptions at its administrative buildings.

Social

Encorp is committed to being an employer that employs good labour and human right for its employees of diverse background. Encorp offers competitive benefits and compensations to attract and retain talents for the sustainability of the company. In addition, engagement with employees, supporting personnel and professional developments to inoculate work-life balance and ensuring health and safety among employees.

Encorp's employees embrace Encorp's value and upholds high ethical standards and business conducts when performing their duties and dealing with stakeholders as guided by our Employee Handbook, Code of Conduct & Discipline and Corporate Integrity Pledge. Encorp also interacts and collaborate with its stakeholders in making a positive impact on communities. Among the key activities with employees and communities for the year are:

- a) Engaged community through functions with orphans, students, poor communities and health organisation; and
- b) Support work life balance through flexi working hours, promote health and wellness through activities and programmes such as wellness campaigns, health talks, sports and tournaments.

Economics

Encorp maintained its focus towards ensuring the highest standards to corporate governance and accountability in its business, operations and performances. Hence, it has focused on maintaining good investor relations to boost stakeholder's confidence which are as follows:

- a) Engagement and communication with media on the latest business developments and performance of Encorp Group within the market;
- b) Briefings with stakeholders and shareholders via meetings with Management; and
- c) Implementation of ethical procurement and vendor management and selection of contractors and consultants as governed by the formalised policies and procedures to ensure transparency in the selection, evaluation and decision making process for procurement and subcontractor management.





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Encorp Berhad (506836-X) (Incorporated in Malaysia)

DIRECTORS' REPORT & AUDITED FINANCIAL **STATEMENTS**

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Encorp Berhad (506836-X) (Incorporated in Malaysia)

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 2017.

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 17 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 Group and of the Company for the financial year are as follows:

	Group RM'000	Company RM'000
Loss, net of tax	(35,004)	(12,429)
Loss attributable to:		
Owners of the parent	(30,543)	(12,429)
Non-controlling interest	(4,461)	-
	(35,004)	(12,429)

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

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

Dividends

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

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Encorp Berhad (506836-X) (Incorporated in Malaysia)

Directors

The directors of the Company in office during the financial year and during the period from the end of the financial year to the date of this report are:

Datuk Haji Jaafar Bin Abu Bakar Dato' Feroz Bin A S Moidunny Abdul Rahim Bin Abdul Hamid

Hussein Bin Ismail (appointed on 14 August 2017)

Datuk Muzzammil Bin Mohd Nor (appointed on 14 August 2017)

Datuk Syed Zaid Bin Syed Jaffar Albar (appointed on 8 March 2018)

Tan Sri Haji Mohd Isa Bin Dato' Haji Abdul Samad (resigned on 14 August 2017)

Datuk Noor Ehsanuddin Bin Mohd Harun Narrashid (resigned on 14 August 2017)

Datuk Hanapi Bin Suhada (resigned on 14 August 2017)

Datuk Syed Mohamed Bin Syed Ibrahim (appointed on 14 August 2017 and

resigned on 22 January 2018)

Dato' Haji Zakaria Bin Nordin (resigned on 23 February 2018)

The directors who held office in the subsidiaries of the Company during the financial year and up to the date of this report are:

Datuk Haji Jaafar Bin Abu Bakar Hajah Nor Azlina Bt Haji Amran Angeline Eu Gaik Kim Caroline Eu Gaik Suan Elyna Effendi Binti Mohamed Effendi Casmad Sanuri

Tuan Haji Mohammad Sharif Bin Mok Sam (appointed on 15 February 2017)

Hussein Bin Ismail (appointed on 28 February 2018)

Datuk Muzzammil Bin Mohd Nor (appointed on 28 February 2018)

Abdul Rahim Bin Abdul Hamid (appointed on 28 February 2018)

Dato' Abdul Ghani Bin Hashim (resigned on 15 February 2017)

Dato' Khairul Yusni Bin Mohd Yusof (resigned on 13 August 2017)

Datuk Noor Ehsanuddin Bin Mohd Harun Narrashid (resigned on 12 September 2017)

Sazali Bin Salleh (resigned on 14 January 2018)

Dato' Haji Zakaria Bin Nordin (resigned on 28 February 2018)

Wan Azman Bin Wan Abbas (resigned on 28 February 2018)

Directors' benefits

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full time employee of the Company as shown in Note 10 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 34 to the financial statements.

Encorp Berhad (506836-X) (Incorporated in Malaysia)

Directors' interests

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in the ordinary shares in the Company and/or its related corporation during the financial year was as follows:

	Number of ordinary shares			
	As at 1.1.2017	Acquired	Sold	As at 31.12.2017
Direct interest in the Company Dato' Haji Zakaria Bin Nordin	38,000	-	-	38,000

None of the other directors in office at the end of the financial year had any interest in shares, in the Company or its related corporations during the financial year.

Issuance of shares

On 7 September 2017, pursuant to a private placement, the Company had increased its issued and paid-up ordinary shares capital from RM278,648,016 to RM288,595,877 by way of the issuance of 15,304,401 ordinary shares at an issue price of RM0.65 each.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

Other statutory information

- (a) Before the statements of profit or loss and other comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had satisfied themselves that all known bad debts had 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 they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
 - (i) the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

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Encorp Berhad (506836-X) (Incorporated in Malaysia)

Other statutory information (contd.)

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

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 for the directors of the Company. The amount of insurance premium paid during the year amounted to RM26,000.

Significant event

Details of the significant event during the financial year are disclosed in Note 39 to the financial statements.

Holding body

The directors regard Federal Land Development Authority ("FELDA"), a body set up under the Land Development Act, 1956, as the ultimate holding body.

Auditors

The auditors, Deloitte PLT, have expressed their willingness to continue in office.

Auditors' remuneration

The amount payables as remuneration of the auditors for the financial year ended 31 December 2017 is as disclosed in Note 8 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the directors dated 18 April 2018.

Encorp Berhad (506836-X) (Incorporated in Malaysia)

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 105 to 222 are drawn up in accordance with 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 2017 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 18 April 2018.

Hussein Bin Ismail

Abdul Rahim Bin Abdul Hamid

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 105 to 222 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 state of Selangor Darul Ehsan on 18 April 2018.

Seow Yoke Wei @ Seow Yoke Loong

Before me, Wong Kai Fen (B456) Commissioner for Oaths

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Encorp Berhad (506836-X) (Incorporated in Malaysia)

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 of the Group and of the Company as at 31 December 2017, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 105 to 222.

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 2017, and of their financial performance and their cash flows for the year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis of 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 Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

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 and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Encorp Berhad (506836-X) (Incorporated in Malaysia)

Revenue and Cost of Sales from Property Development Activities

A significant proportion of the Group's revenues and profits are derived from property development contracts which span more than one accounting period.

During the financial year, property development revenue of RM206.5 million and cost of sales of RM181.3 million accounted for approximately 66% and 90% of the Group's revenue and cost of sales, respectively. The Group uses the percentage-of-completion method in accounting for these property development contracts.

Significant management's judgement and estimates are involved in estimating the total property development costs which include the common infrastructure costs. The total property development costs is used to determine the percentage of completion and gross profit margin of the property development activities undertaken by the Group.

Refer Notes 2.17(ii), 3.2(b) and 16 to the financial statements for disclosures on property development activities.

Our audit procedures in assessing the revenue and cost of sales from property development activities, amongst others include:

- (a) We have obtained an understanding of the process and tested the controls relevant to the recognition of revenue and cost of sales from from property development activities in accordance with the relevant FRSs;
- (b) We have reviewed the updated management-prepared budgets for property development projects and ensured that budgets were appropriate and reflected current cost of operations and computation of profit recognition (e.g. determination of percentage of completion and allocation of common cost). We also evaluated the need for or adequacy of management's provision for foreseeable loss;
- (c) We have reviewed actual cost incurred to determine its appropriateness;
- (d) We have reviewed sale and purchase agreements entered into between the purchasers and the Group;
- (e) We have reviewed the accounting treatment for the borrowing costs incurred on property development projects to ensure compliance with FRS 123; and
- (f) We have performed site visit to observe the status and progress of the property development projects.

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Valuation of Investment Properties

The Group adopts fair value model for its investment properties. The Group engaged a firm of independent valuers to estimate the fair value of its investment properties.

When estimating the fair value of a property, the objective is to estimate the price that would be received from the sale of the investment property in an orderly transaction between market participants at the reporting date under current market conditions.

In addition, the fair value should reflect, among other things, rental income from current leases and other assumptions that market participants would use when pricing the investment property under current market conditions, which are highly judgemental.

Refer to Notes 2.9, 3.2(g) and 15 to the financial statements for disclosures on investment properties.

Our audit procedures in assessing the valuation of investment properties, amongst others include:

- (a) We have assessed the competency, objectivity and independence of the professional valuers;
- (b) We obtained an understanding of the methodology adopted by the independent valuers in estimating the fair value of the investment properties and assessed whether such methodology is consistent with those used in the industry;
- (c) We have evaluated the assumptions used by the professional valuers in the fair value calculation of investment properties;
- (d) We have assessed the appropriateness of the discount rate used to determine the present value of the cash flows;
- (e) We have discussed with the professional valuers to obtain an understanding of the property related data used as input to the valuations model: and
- (f) We have performed site visit to ensure the existence and conditions of the investment properties.

Encorp Berhad (506836-X) (Incorporated in Malaysia)

Impairment of Goodwill

As disclosed in Note 14 to the financial statements, the carrying amount of goodwill recognised by the Group as at 31 December 2017, amounted to RM18.5 million. This goodwill relates to a subsidiary principally engaged in property development activities.

The Group estimated the recoverable amount of the cash generating units ("CGUs") based on value-in-use ("VIU"). Estimating the VIU of CGUs or groups of CGUs involves estimating the future cash inflows and outflows that will be derived from the CGUs or groups of CGUs, and discounting them at an appropriate rate.

Due to the significance of the amount, the complexity and subjectivity involved in the annual impairment test, we consider this impairment test to be an area of audit focus. Specifically, we focus on the evaluation of the assumptions on estimated selling prices of future development projects, expected take up rate for each development phase and the estimated profits (and the resulting cash flows) to be derived from each development phase.

The key sources of estimation uncertainty relating to impairment of goodwill are disclosed in Notes 3.2(a) and 14 to the financial statements.

Our audit procedures in assessing the impairment of goodwill, amongst others include:

- (a) We have reviewed the process and controls related to the management's assessment of impairment of goodwill;
- (b) We have evaluated management's assumptions related to the determination of estimated selling prices of future development project and the expected take up rate for each development phase which have been applied in the VIU calculation for determining the recoverable amount of goodwill; and
- (c) We have involved our internal valuation specialist to review the appropriateness of the discount rate used in the VIU calculation.

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Cost of Investment in a Subsidiary

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 ECISB's shareholders fund is less than the cost of investment.

The Company estimated the recoverable amount of its investment in ECISB based on value-in-use ("VIU") which involves significant estimation in regards to the projection of future cash flows.

Estimating the VIU involves estimating the future cash inflows and outflows that will be derived from the projects and discounting them at an appropriate rate.

Refer to Notes 3.2(f) and 17 to the financial statements for diclosures for the cost of investment in subsidiaries.

Our audit procedures in assessing the recoverable amount of its investment in a subsidiary, amongst others include:

- (a) We have reviewed the process and controls related to the preparation of the cash flow projection that form the basis of determining the recoverable amount of the investment in the said subsidiary;
- (b) We have reviewed management assumptions related to the profitability in securing long-term construction contract and estimated profit and the resulting cash flows to be derived from those significant contracts; and
- (c) We have reviewed the appropriateness of the discount rate used in preparing the cash flows projections that form the basis of determining the recoverable amount.

Impairment of Amount Due From a Subsidiary

Included in the amounts due from subsidiaries of the Company as at 31 December 2017 is an amount due from Encorp Development Pty. Ltd. ("EDPL") of RM51.9 million. The deteriorating financial position of EDPL is reviewed as objective evidence that the amount due from EDPL may be impaired.

Accordingly, the Company performed an impairment review in respect of the amount due from EDPL by comparing the asset's carrying amount and the present value of estimated future cash flows receivable from EDPL. The estimated future cash flows that are included in the impairment review are the contractual cash from the project and discounted them at an appropriate rate.

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Refer to Notes 3.2(e) and 19 to the financial statements for disclosures of amount due from subsidaries.

Our audit procedures in assessing the recoverable of the amount due from a subsidiary, amongst others include:

- (a) We have reviewed the process and controls related to the impairment of amount due from a subsidary;
- (b) We have evaluated the reasonableness of assumptions used by management in calculation of recoverable amount of the amount due from a subsidiary; and
- (c) We have assessed whether any impairment loss needs to be recognised.

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 information included in the annual report but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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 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.

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Encorp Berhad (506836-X) (Incorporated in Malaysia)

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 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.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

• Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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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 also report that the subsidiary company of which we have not acted as auditors, are disclosed in Note 17 to the financial statements.

Other Matters

- 1) 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.
- 2) The financial statements of the Group and of the Company for the year ended 31 December 2016 were audited by another auditors, who expressed an unmodified opinion on those financial statements on 21 April 2017.

DELOITTE PLT (LLP0010145-LCA)
Chartered Accountants (AF 0080)

KAMARUL BAHARIN BIN TENGKU ZAINAL ABIDIN Partner - 02903/11/2019 J Chartered Accountant

18 April 2018

Statements of profit or loss and other comprehensive income For the year ended 31 December 2017

		Grou	ир	Compa	ny
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Revenue	4	312,939	359,254	4,380	3,780
Cost of sales	5	(200,896)	(182,208)	-	-
Gross profit	_	112,043	177,046	4,380	3,780
Other operating income	6	16,485	17,957	12,669	4,474
Selling and marketing expenses		(2,229)	(5,185)	-	-
Administrative expenses		(47,044)	(42,483)	(25,937)	(41,962)
Finance costs	7	(98,140)	(104,529)	(2,442)	(3,599)
Other operating expenses		(12,860)	(994)	(509)	(518)
(Loss)/Profit before tax	8	(31,745)	41,812	(11,839)	(37,825)
Income tax (expense)/benefit	11	(3,259)	(13,687)	(590)	833
(Loss)/Profit, net of tax	_	(35,004)	28,125	(12,429)	(36,992)
Other comprehensive (loss)/income					
Foreign currency translation	32(b)	884	(762)	-	-
Total comprehensive (loss)/income for the year	_	(34,120)	27,363	(12,429)	(36,992)
(Loss)/Profit attributable to:					
Owners of the parent		(30,543)	28,405	(12,429)	(36,992)
Non-controlling interests		(4,461)	(280)	-	-
	_	(35,004)	28,125	(12,429)	(36,992)
Total comprehensive (loss)/income attributable to:					
Owners of the parent		(29,659)	27,643	(12,429)	(36,992)
Non-controlling interests		(4,461)	(280)	-	-
	_	(34,120)	27,363	(12,429)	(36,992)
(Loss)/Earnings per share attributable to owners of the parent (sen per share) Basic	12	(10.79)	10.21		

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

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Encorp Berhad (506836-X) (Incorporated in Malaysia)

Consolidated statement of financial position As at 31 December 2017

		Grou	р
	Note	2017 RM'000	2016 RM'000
Assets			
Non-current assets			
Property, plant and equipment	13	6,258	6,878
Intangible assets	14	18,875	25,042
Investment properties	15	314,740	325,130
Investment in associate	18	30	-
Land held for property development	16(a)	385,469	293,836
Trade and other receivables	19	814,222	866,693
Other investments	24	4,741	4,857
Deferred tax assets	20 _	9,548	9,774
		1,553,883	1,532,210
Current assets			
Property development costs	16(b)	157,082	235,888
Inventories	21	101,687	100,132
Tax recoverable		10,067	5,185
Trade and other receivables	19	92,816	134,664
Other current assets	22	91,534	44,152
Other investments	24	118,331	113,267
Cash and bank balances	25	22,689	62,843
		594,206	696,131
Assets of disposal group classified			
as held for sale	26	97	23,087
	_	594,303	719,218
Total assets		2,148,186	2,251,428
	_		

Consolidated statement of financial position As at 31 December 2017 (contd.)

		Grou	р
	Note	2017 RM'000	2016 RM'000
Equity and liabilities			
Current liabilities			
Trade and other payables	27	233,082	209,277
Other current liabilities	28	102,924	30,326
Loans and borrowings	29	109,812	141,623
Income tax payable	_	99	1,391
		445,917	382,617
Liabilities directly associated with disposal group classified as held for sale	26	945	934
	_	446,862	383,551
Net current assets	_	147,441	335,667
Non-current liabilities			
Trade and other payables	27	300,610	334,434
Loans and borrowings	29	909,112	1,017,041
Deferred tax liabilities	20 _	2,910	3,538
	_	1,212,632	1,355,013
Total liabilities	_	1,659,494	1,738,564
Net assets		488,692	512,864
	-		,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
Equity attributable to owners of the parent			
Share capital	31	392,898	278,648
Share premium	31	-	104,302
Treasury shares	31	(327)	(327)
Other reserves	32	1,064	180
Retained earnings	_	8,656	39,199
	_	402,291	422,002
Non-controlling interest	_	86,401	90,862
Total equity		488,692	512,864
Total equity and liabilities	_	2,148,186	2,251,428

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

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FINANCIALS

Encorp Berhad (506836-X) (Incorporated in Malaysia)

Statement of financial position As at 31 December 2017

Note 2017 RM'000 2016 RM'000 Assets RM'000 RM'000 Non-current assets V V Property, plant and equipment 13 920 1,257 Intangible assets 14 279 395 Investment in subsidiaries 17 295,960 295,960 Other receivables 19 - - - Current assets 19 101,307 110,585 Other current assets 19 101,307 110,585 Other investments 22 160 662 Tax recoverable - - 1,232 Other investments 24 2,558 15 Cash and bank balances 25 1,254 292 Assets of disposal group classified as held for sale 26 - 16,115 Total assets 402,438 426,513			Compa	ny
Non-current assets Property, plant and equipment 13 920 1,257 Intangible assets 14 279 395 Investment in subsidiaries 17 295,960 295,960 Other receivables 19 - - Current assets 19 101,307 110,585 Other current assets 22 160 662 Tax recoverable - 1,232 Other investments 24 2,558 15 Cash and bank balances 25 1,254 292 Assets of disposal group classified as held for sale 26 - 16,115 Assets of disposal group classified as held for sale 26 - 16,115		Note		
Property, plant and equipment 13 920 1,257 Intangible assets 14 279 395 Investment in subsidiaries 17 295,960 295,960 Other receivables 19 - - Trade and other receivables 19 101,307 110,585 Other current assets 22 160 662 Tax recoverable - 1,232 Other investments 24 2,558 15 Cash and bank balances 25 1,254 292 Assets of disposal group classified as held for sale 26 - 16,115 Assets of disposal group classified as held for sale 26 - 16,115	Assets			
Intangible assets 14 279 395 Investment in subsidiaries 17 295,960 295,960 Other receivables 19 - - Current assets 297,159 297,612 Current assets Trade and other receivables 19 101,307 110,585 Other current assets 22 160 662 Tax recoverable - 1,232 Other investments 24 2,558 15 Cash and bank balances 25 1,254 292 Assets of disposal group classified as held for sale 26 - 16,115 105,279 128,901	Non-current assets			
Investment in subsidiaries 17 295,960 295,960 Other receivables 19 - - 297,159 297,612 Current assets 19 101,307 110,585 Other current assets 22 160 662 Tax recoverable - 1,232 Other investments 24 2,558 15 Cash and bank balances 25 1,254 292 Assets of disposal group classified as held for sale 26 - 16,115 105,279 128,901	Property, plant and equipment	13	920	1,257
Other receivables 19 -	Intangible assets	14	279	395
Current assets 19 101,307 110,585 Other current assets 22 160 662 Tax recoverable - 1,232 Other investments 24 2,558 15 Cash and bank balances 25 1,254 292 Assets of disposal group classified as held for sale 26 - 16,115 105,279 128,901	Investment in subsidiaries	17	295,960	295,960
Current assets Trade and other receivables 19 101,307 110,585 Other current assets 22 160 662 Tax recoverable - 1,232 Other investments 24 2,558 15 Cash and bank balances 25 1,254 292 Assets of disposal group classified as held for sale 26 - 16,115 105,279 128,901	Other receivables	19		_
Trade and other receivables 19 101,307 110,585 Other current assets 22 160 662 Tax recoverable - 1,232 Other investments 24 2,558 15 Cash and bank balances 25 1,254 292 Assets of disposal group classified as held for sale 26 - 16,115 105,279 128,901			297,159	297,612
Other current assets 22 160 662 Tax recoverable - 1,232 Other investments 24 2,558 15 Cash and bank balances 25 1,254 292 Assets of disposal group classified as held for sale 26 - 16,115 105,279 128,901	Current assets	_		
Tax recoverable - 1,232 Other investments 24 2,558 15 Cash and bank balances 25 1,254 292 Assets of disposal group classified as held for sale 26 - 16,115 105,279 128,901	Trade and other receivables	19	101,307	110,585
Other investments 24 2,558 15 Cash and bank balances 25 1,254 292 Assets of disposal group classified as held for sale 26 - 16,115 105,279 128,901	Other current assets	22	160	662
Cash and bank balances 25 1,254 292 105,279 112,786 Assets of disposal group classified as held for sale 26 - 16,115 105,279 128,901	Tax recoverable		-	1,232
Assets of disposal group classified as held for sale 26 105,279 112,786 105,279 128,901	Other investments	24	2,558	15
Assets of disposal group classified as held for sale 26 - 16,115 105,279 128,901	Cash and bank balances	25	1,254	292
105,279 128,901			105,279	112,786
	Assets of disposal group classified as held for sale	26	-	16,115
Total assets 402,438 426,513		_	105,279	128,901
Total assets 402,438 426,513		_		
	Total assets		402,438	426,513

Statement of financial position As at 31 December 2017 (contd.)

		Comp	any
N-	ote	2017	2016
		RM'000	RM'000
Equity and liabilities			
Current liabilities			
	27	34,880	41,440
	29	25,022	40,043
Income tax payable		9	-
meeme tax payable	-	59,911	81,483
	-		
Net current assets	_	45,368	47,418
Non-current liabilities	00		0.0
3	29	-	22
Deferred tax liability	20 _		
	-		
Total liabilities	_	59,911	81,505
Net assets		342,527	345,008
Equity attributable to owners of the parent			
•	31	392,898	278,648
1	31	-	104,302
•	31	(327)	(327)
	32	-	-
Accumulated loss		(50,044)	(37,615)
Total equity	_	342,527	345,008
	_		
Total equity and liabilities	-	402,438	426,513

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

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Consolidated statement of changes in equity For the year ended 31 December 2017

Encorp Berhad (506836-X) (Incorporated in Malaysia)

				Attributal	Attributable to owners of the parent	of the parent				
					Non-distributable-	table				
	Equity, total RM'000	Equity attributable to owners of the parent, total RM'000	Share capital (Note 31) RM'000	Share premium (Note 31) RM'000	Treasury shares (Note 31) RM'000	Other reserves, total RM′000	Warrant reserve (Note 32) RM′000	Foreign currency translation reserve (Note 32) RM'000	Distributable retained earnings RM'000	Non- controlling interest RM'000
At 1 January 2017	512,864	422,002	278,648	104,302	(327)	180	ı	180	39,199	90,862
Total comprehensive loss Other comprehensive income	(35,004)	(30,543)	1 1	1 1	1 1	- 884	1 1	- 88	(30,543)	(4,461)
Total recognised income and expenses for the year Transactions with owners	(34,120)	(29,659)	1	1	1	884	1	884	(30,543)	(4,461)
Private placement exercise	9,948	9,948	9,948	1	1	1	1	ı	1	-
Transfer arising from "no par value" regime	1	I	104,302	(104,302)	ı	ı	ı	1	1	ı
Total transactions with owners	9,948	9,948	114,250	(104,302)	ı	1	'	1	ı	'
At 31 December 2017	488,692	402,291	392,898	1	(327)	1,064	1	1,064	8,656	86,401
At 1 January 2016	485,498	394,356	278,645	104,302	(327)	4,582	3,640	945	7,154	91,142
Total comprehensive income Other comprehensive income	28,125 (762)	28,405 (762)	1 1	1 1	1 1	- (762)	1 1	- (762)	28,405	(280)
Total recognised income and expenses for the year Transactions with owners	27,363	27,643	ı	ı	I	(762)	1	(762)	28,405	(280)
Issuance of ordinary shares: - Conversion of RCSLS	M	W	M	ı	'	1	1	1	1	I
Expiration of warrant reserves transferred to retained earnings	ı	1	1	1	1	(3,640)	(3,640)	ı	3,640	ı
Total transactions with owners	3	3	3	1	-	(3,640)	(3,640)	-	3,640	1
At 31 December 2016	512,864	422,002	278,648	104,302	(327)	180	ı	180	39,199	90,862

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 2017

				Non-distributable			-Distributable-
	Equity, total RM'000	Share capital (Note 31) RM′000	Share premium (Noted 31) RM'000	Treasury shares (Note 31) RM'000	Other reserves, total RM'000	Warrant reserves (Note 32) RM'000	Accumulated losses RM'000
At 1 January 2017	345,008	278,648	104,302	(327)	1	1	(37,615)
Total comprehensive loss	(12,429)	ı	1	ı	ı	1	(12,429)
I	332,579	278,648	104,302	(327)	ı	ı	(50,044)
Transactions with owners							
Private placement exercise	9,948	9,948	1	I	ı	ı	1
Transfer arising from "no par value" regime	1	104,302	(104,302)	1	1	1	1
Total transactions with	9,948	114.250	(104.302)	1	ı	1	1
At 31 December 2017	342,527	392,898		(327)	-	1	(50,044)
At 1 January 2016	381,997	278,645	104,302	(327)	3,640	3,640	(4,263)
Total comprehensive loss	(36,992)	ı	ı	ı	1	ı	(36,992)
I	345,005	278,645	104,302	(327)	3,640	3,640	(41,255)
Transactions with owners							
Issuance of ordinary shares: - Conversion of RCSLS	M	M	ı	1	1	ı	1
Expiration of warrant reserves transferred to retained earnings	1	1	'	1	(3,640)	(3,640)	3,640
Total transactions with owners	M	N	ı	1	(3,640)	(3,640)	3,640
At 31 December 2016	345,008	278,648	104,302	(327)	1	1	(37,615)

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

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Encorp Berhad (506836-X) (Incorporated in Malaysia)

Statements of cash flows For the year ended 31 December 2017

	Gro	oup	Comp	any
	2017	2016 RM'000	2017	2016 RM'000
Operating activities	RM'000	KM 000	RM'000	KM 000
(Loss)/Profit before tax	(31,745)	41,812	(11,839)	(37,825)
Adjustments for:				
Depreciation of property, plant and equipment	676	683	393	399
Amortisation of intangible assets	184	192	116	119
Interest expense	97,850	104,216	2,442	3,599
Distribution income from money market investment securities	(4,112)	(4,036)	(73)	(25)
(Gain)/Loss on disposal of investment securities	(139)	(75)	18	-
Interest income	(1,954)	(1,032)	(2,497)	(1,843)
Deposit income forfeited	(47)	(7,302)	-	-
Provision for short-term accumulating compensated absences	2	82	2	16
Net changes in fair value of investment properties	10,390	(270)	-	-
Inventories written down	-	1,220	-	-
Write off of plant and equipment	-	712	-	-
Allowance for impairment on:				
- trade receivables	1,802	1,747	243	461
- other receivables	53	9,537	11,543	26,396
- assets held for sale	131	251	-	-
- intangible assets	6,000	3	-	-
Impairment on land held for development	6,592	-	-	-
Unrealised foreign exchange loss/(gain)	944	(1,354)	944	(1,354)
Reversal of impairment on:-				
- trade receivables	(138)	(342)	-	-
- other receivables	(2,321)	-	(1,228)	-
- Reversal of inventories written down	(229)	-	-	-
Unwinding of discount on other liabilities at amortised costs	290	313	-	-
Liquidated and ascertained damages	45,756	18,621	-	-
Gain on disposal of freehold land	(2,141)		(8,885)	
Operating cash flows before working capital changes carried forward	127,844	164,978	(8,821)	(10,057)

Statements of cash flows For the year ended 31 December 2017 (contd.)

	Grou	ıp	Comp	any
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Operating activities (contd.)				
Operating cash flows before working capital changes brought forward	127,844	164,978	(8,821)	(10,057)
Changes in working capital: Land held for development and development expenditure	(19,419)	(23,239)	-	-
Inventories	(1,326)	(31,587)	-	-
Trade and other receivables	94,026	9,023	(2,224)	4,090
Other current assets	(47,382)	69,193	502	(495)
Provision, trade and other payables	14,231	27,453	(6,562)	(6,263)
Other current liabilities	2,311	(3,692)		_
	170,285	212,129	(17,105)	(12,725)
Interest paid	(86)	(103,336)	(693)	(3,433)
Income taxes (paid)/refunded	(9,835)	(14,457)	651	(1,652)
Net cash flows generated from/ (used in) operating activities	160,364	94,336	(17,147)	(17,810)
Investing activities				
Purchase of property, plant and equipment (Note a)	(56)	(25)	(56)	(17)
Purchase of intangible assets (Note a)	(17)	-	-	-
Proceeds from disposal of freehold land	25,000	-	25,000	-
Proceeds from disposal of investment properties	-	27,000	-	27,000
Investment in associate	(30)	-	-	-
(Investment)/Withdrawal in other investments	(4,948)	(8,088)	(2,543)	53
Interest received	2,093	1,032	2,479	1,843
Distribution income	4,112	4,036	73	25
Net cash flows generated from investing activities	26,154	23,955	24,953	28,904

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Statements of cash flows For the year ended 31 December 2017 (contd.)

	Gro	ир	Comp	oany
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Financing activities				
Proceeds from issuance of ordinary shares	9,948	-	9,948	-
Placement of deposits	429	1,558	-	2,156
Drawdown of loans and borrowings	19,599	128,481	15,000	10,000
Repayment of loans and borrowings	(257,058)	(189,306)	(31,747)	(12,870)
Payment of Redeemable Convertible Secured Loan Stock coupon ("RCSLS")	-	(11,354)	-	(11,354)
Net repayment of finance lease payables	(45)	(47)	(45)	(51)
Net cash flow used in financing activities	(227,127)	(70,668)	(6,844)	(12,119)
Net (decrease)/increase in cash and cash equivalents	(40,609)	47,623	962	(1,025)
Effect of exchange rate changes on cash and cash equivalents	884	(762)	-	-
Cash and cash equivalents at beginning of year	58,967	12,106	292	1,317
Cash and cash equivalents at end of year (Note 25)	19,242	58,967	1,254	292

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

	Grou	р	Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash	73	25	56	17

Statements of cash flows For the year ended 31 December 2017 (contd.)

(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 follow:-

Group		Net changes from		
	As at 1.1.2017	financing cash flows	Non-cash changes	As at 31.12.2017
Loan and borrowings (Note 29)	1,158,599	(237,459)	97,762	1,018,902
Finance lease (Note 29)	65	(45)	2	22
Total liabilities from financing activities	1,158,664	(237,504)	97,764	1,018,924
Company				
Loan and borrowings (Note 29)	40,000	(16,747)	1,747	25,000
Finance lease (Note 29)	65	(45)	2	22
Total liabilities from financing activities	40,065	(16,792)	1,749	25,022

In accordance with the transitional provision of Disclosure Initiative (Amendment to MFRS 107) for the reconciliation of movement of liabilities to cash flows arising from financing activities, comparative information is not required for preceding periods.

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

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Encorp Berhad (506836-X) (Incorporated in Malaysia)

Notes to the financial statements 31 December 2017

1. Corporate information

Encorp Berhad ("the Company") is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the 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 17.

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 consolidated financial statements of Encorp Berhad and its subsidiaries (collectively, the Group) for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 18 April 2018.

2. Summary of significant accounting policies

2.1 **Basis of preparation**

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards ("FRS") and the requirements of the Companies Act, 2016 in Malaysia. At the beginning of the current financial year, the Group and the Company adopted new and revised FRSs which are mandatory for financial periods beginning on or after 1 January 2017 as described fully in Note 2.2.

The financial statements 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.

2. Summary of significant accounting policies (contd.)

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2017, the Group and the Company adopted the following applicable new and amended FRSs and IC interpretations mandatory for annual financial periods beginning on or after 1 January 2017:

Description	Effective for annual periods beginning on or after
FRS 107 Disclosures Initiatives (Amendments to FRS 107)	1 January 2017
FRS 112 Recognition of Deferred Tax for Unrealised losses (Amendments to FRS 112)	1 January 2017
Amendment to FRS 12: Disclosure of Interests in Other Entities (Annual Improvement to FRS Standards 2014-2016 Cycle)	1 January 2017

The adoption of the above new FRSs and amendments to FRSs did not result in material impact to the financial statements of the Group and of the Company.

2.3 Standards issued but not yet effective

Malaysian Financial Reporting Standards ("MFRS Framework")

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS Framework).

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture (MFRS 141) and IC Interpretation 15 Agreements for Construction of Real Estate (IC 15), including its parent, significant investor and venturer (herein called "Transitioning Entities").

On 2 September 2014, MASB announced that Transitioning Entities shall be required to apply the MFRS Framework for annual periods beginning on or after 1 January 2017. Subsequently on 28 October 2015, Transitioning Entities are allowed to defer adoption of MFRS Framework for an additional one year. Consequently, adoption of MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2018.

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2. Summary of significant accounting policies (contd.)

2.3 Standards issued but not yet effective (contd.)

Malaysian Financial Reporting Standards ("MFRS Framework") (contd.)

The Group and the Company fall within the scope definition of Transitioning Entities and accordingly, will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the financial year ending 31 December 2018. In presenting its first MFRS financial statements, the Group and the Company will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained earnings.

The adoption of the MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards has not material impact to the financial statements of the Group and of the Company.

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's and of the Company's financial statements are disclosed below:

	Effective for annual periods beginning
Description	on or after
MFRS 9 Financial Instruments (IFRS 9 as issued by IASB)	1 January 2018
MFRS 15 Revenue from Contracts with Customers (and the related Clarifications)	1 January 2018
Amendments to MFRS 2 Clarification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 4 Applying FRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018
Amendments to MFRS 140 Transfers of Investment Property	1 January 2018
Amendments to MFRSs Annual Improvements to MFRS 2014 - 2016	1 January 2018
MFRS 16 Leases	1 January 2019
Amendments to MFRS 9 Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 128 Long-term Interests in Associates and Joint-Ventures	1 January 2019
IC Interpretation 23 Uncertainty over Income Tax Payments	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced

2. Summary of significant accounting policies (contd.)

2.3 Standards issued but not yet effective (contd.)

The nature and impact of the adoption of the above standards are described below:

MFRS 9 Financial Instruments

MFRS 9 (IFRS 9 issued by IASB in November 2009) introduced new requirements for the classification and measurement of financial assets. MFRS 9 (IFRS 9 issued by IASB in October 2010) include requirements for the classification and measurement of financial liabilities and for derecognition, and in February 2014, the new requirements for general hedge accounting was issued by MASB.

Another revised version of MFRS 9 was issued by MASB - MFRS 9 (IFRS 9 issued by IASB in July 2014) mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of MFRS 9:

(a) All recognised financial assets that are within the scope of MFRS 139 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have 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, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under MFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

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2. Summary of significant accounting policies (contd.)

2.3 Standards issued but not yet effective (contd.)

MFRS 9 Financial Instruments (contd.)

Key requirements of MFRS 9: (contd.)

- (b) With regard to the measurement of financial liabilities designated as at fair value through profit or loss, MFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under MFRS 139, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- (c) In relation to the impairment of financial assets, MFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under MFRS 139. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- (d) The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in MFRS 139. Under MFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors anticipate that the application of MFRS 9 in the future will have no material impact on the amounts reported and disclosures made in these financial statements.

2. Summary of significant accounting policies (contd.)

2.3 Standards issued but not yet effective (contd.)

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- (a) Step 1: Identify the contract(s) with a customer.
- (b) Step 2: Identify the performance obligations in the contract.
- (c) Step 3: Determine the transaction price.
- (d) Step 4: Allocate the transaction price to the performance obligations in the contract.
- (e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in MFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by MFRS 15.

The directors anticipate that the application of MFRS 15 in the future will have no material impact on the amounts reported and disclosures made in these financial statements except for certain reclassification in the statement of profit or loss.

Amendments to MFRS 140 Transfers of Investment Property

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred. The amendments further clarify that the situations listed in IAS 40 are not exhaustive and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

The amendments do not have any material impact on the Group's and the Company's financial statements.

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2. Summary of significant accounting policies (contd.)

2.3 Standards issued but not yet effective (contd.)

Amendments to MFRSs Annual Improvements to MFRS 2014 - 2016

The Annual Improvements to MFRS 2014 - 2016 Cycle include a number of amendments to various MFRSs which are summarised below. These amendments do not have material impact to the Group's and the Company's financial statements.

MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards

The amendments delete certain short-term exemptions in MFRS 1 because the reporting period to which the exemptions applied have already passed. As such, these exemptions are no longer applicable.

MFRS 128 Investments in Associates and Joint Ventures

The amendments clarify that the option for a venture capital organisation and other similar entities to measure investments in associates and joint-ventures at FVTPL is available separately for each associate or joint-venture, and that election should be made at initial recognition of the associate or joint-venture.

In respect of the option for an entity that is not an investment entity to retain the fair value measurement applied by its associates and joint ventures that are investment entities when applying the equity method, the amendments make a similar clarification that this choice is available for each investment entity associate or investment entity joint venture.

MFRS 16 Leases

MFRS 16 replaces existing leases guidance, including 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 is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply MFRS 15 at or before the date of initial application of MFRS 16.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard - i.e. lessors continue to classify leases as finance or operating leases.

In addition, the nature of expenses related to those leases will now change as MFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-ofuse assets and interest expense on lease liabilities.

2. Summary of significant accounting policies (contd.)

2.3 Standards issued but not yet effective (contd.)

MFRS 16 Leases (contd.)

The directors anticipate that the application of MFRS 16 in the future will have no material impact on the amounts reported and disclosures made in these financial statements.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2017. 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.

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 size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns of previous shareholders' meetings.

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 statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (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 into 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.

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2. Summary of significant accounting policies (contd.)

2.4 Basis of consolidation (contd.)

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 assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interests;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Business combinations

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed and included in administrative expenses.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with FRS 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of FRS 139, it is measured in accordance with the appropriate FRS.

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.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through 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 over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss. The accounting policy for goodwill is set out in Note 2.11(a).

2. Summary of significant accounting policies (contd.)

2.5 **Subsidiaries**

A subsidiary is an entity over which the Group has all the following:

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

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

2.6 **Asociates**

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. An associate is equity accounted for from the date of the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

An investment in an associate company is accounted for using equity method from the date on which the investee becomes an associated company. On acquisition of the investment in an associate company, any excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodiwll, which is included within the carrying amount of investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of investment, after assessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

Under equity method, an investment in an associated company is initialy recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of profit or loss and other comprehensive income of the associated company. When the Group's share of loses of an associated company exceeds the Group's interest i that associated company, the Group discontinues recognising its share of further losses.

The requirements of FRS 139 Financial Instruments: Recognition and Measurement are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associated company. When necessary, the entire carrying amount of te investment (including goodwill) is tested for impairment in accordance with FRS 136 Imparment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to see) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with FRS 136 Impairment of Assets to the extent that the recoverable amounts of the investments subsequently increases.

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2. Summary of significant accounting policies (contd.)

2.7 Transactions with non-controlling interests

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in profit or loss of the Group and within equity in the consolidated statements of financial position, separately from parent shareholdings' equity. Transactions with non-controlling interest are accounted for using the entity concept method. Whereby, transactions with non-controlling interest are accounted for as transactions with owners. On acquisition of non-controlling interest, the difference between the consideration and book value of the share of the net assets acquired is recognised directly in equity. Gain or loss on disposal to non-controlling interests is recognised directly in equity.

2.8 Foreign currency

(a) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

(b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

2. Summary of significant accounting policies (contd.)

2.8 Foreign currency (contd.)

(c) Foreign operations

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

The principal exchange rates used for every unit of foreign currency ruling at the reporting date are as follows:

	2017	2016
Australian Dollar (AUD)	3.16	3.24

2.9 **Investment property**

Investment property comprises completed property and property under construction that is held to earn rentals or for capital appreciation or both. Property held under a lease is classified as investment property when it is held to earn rentals or for capital appreciation or both rather than for sale in the ordinary course of business or for use in production or administrative functions.

Investment property is measured initially at cost including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Subsequent to initial recognition, investment property is stated at fair value. Gains or losses arising from changes in the fair values are included in the profit or loss in the year in which they arise, including the corresponding tax effect. For the purposes of these financial statements, in order to avoid double accounting, the assessed carrying value is:

- Reduced by the carrying amount of any accrued income resulting from the spreading of lease incentives and/or minimum lease payments; and
- Increased by the carrying amount of any liability to the superior leaseholder or free holder that has been recognised in the statement of financial position as a finance lease obligation.

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2. Summary of significant accounting policies (contd.)

2.9 Investment property (contd.)

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 Company accounts for such property in accordance with the accounting policy for property, plant and equipment set out in Note 2.10 up to the date of change in use.

Investment property is derecognised when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset would result in either gains or losses at the retirement or disposal of investment property. Any gains or losses are recognised in the profit or loss in the year of retirement or disposal.

Investment property under construction is measured at cost based on the costs certified up to the end of the reporting period.

2.10 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 cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment and furniture and fixtures are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, 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.

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
Plant and machinery	5 - 10 years
Crockery, cutlery and glassware	10 years
Buildings	50 years

The carrying value 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 residual values, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

2. Summary of significant accounting policies (contd.)

2.11 Intangible assets

Goodwill (a)

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cashgenerating unit retained.

Goodwill and fair value adjustments arising on the acquisition of foreign operation on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 2.8.

Goodwill and fair value adjustments which arose on acquisitions of foreign operation before 1 January 2006 are deemed to be assets and liabilities of the Company and are recorded in RM at the rates prevailing at the date of acquisition.

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2. Summary of significant accounting policies (contd.)

2.11 Intangible assets (contd.)

(b) Other intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Computer software

The Group has 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 (contd.)

2.11 Intangible assets (contd.)

(b) Other intangible assets (contd.)

Computer software (contd.)

Computer softwares considered to have finite useful lives are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products for 5 years. Impairment is assessed whenever there is an indication of impairment and amortisation period and method are also reviewed at least at each reporting date.

2.12 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

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

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

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2. Summary of significant accounting policies (contd.)

2.12 Impairment of non-financial assets (contd.)

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

2.13 Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group determines the classification of its financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss and loans and receivables.

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

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that is held primarily for trading purposes are presented as current whereas financial assets that is not held primarily for trading purposes are presented as current or non-current based on the settlement date.

2. Summary of significant accounting policies (contd.)

2.13 Financial assets (contd.)

(b) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date such as the date that the Group commits to purchase or sell the asset.

2.14 Impairment of financial assets

The Group and the Company assess at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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Encorp Berhad (506836-X) (Incorporated in Malaysia)

2. Summary of significant accounting policies (contd.)

2.14 Impairment of financial assets (contd.)

Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, receivables that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

2.15 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and at banks, and short-term deposits with a maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

2. Summary of significant accounting policies (contd.)

2.16 **Construction contracts**

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

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

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

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

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

2.17 Land held for property development and property development costs

(i) Land held for property development

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

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

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2. Summary of significant accounting policies (contd.)

2.17 Land held for property development and property development costs (contd.)

(ii) **Property development costs**

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

When the financial outcome of a development activity can be reliably estimated, property development revenue and expenses are recognised in 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 reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable, and property development costs on properties sold are recognised as an expense in the period in which they are incurred.

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

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

The excess of revenue recognised in the profit or loss over billings to purchasers is classified as accrued billings within trade receivables and the excess of billings to purchasers over revenue recognised in profit or losses is classified as progress billings within trade payables.

2.18 **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.
- The cost of trading goods is determined using the purchase costs on a first-infirst-out basis.

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

2. Summary of significant accounting policies (contd.)

2.19 **Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle to obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

2.20 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of FRS 139, are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

The measurement of financial liabilities depends on their classification.

Other financial liabilities

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

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

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2. Summary of significant accounting policies (contd.)

2.20 Financial liabilities (contd.)

Other financial liabilities (contd.)

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. 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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.21 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that 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. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

2.22 Employee benefits

(i) Defined contribution plans

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

2. Summary of significant accounting policies (contd.)

2.22 Employee benefits (contd.)

(i) Defined contribution plans (contd.)

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Malaysian companies in the Group make contributions to the Employees Provident Fund 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.

(ii) Short term benefits

Wages, salaries, other monetary and non-monetary benefits are measured on an undiscounted basis and are accrued in the period in which the associated services are rendered by employees of the Group.

Short term accumulating compensated absences such as paid annual leave are recognised as an expense when employees render services that increase their entitlement to future compensated absences. Short term non accumulating compensated absences such as sick leave are recognised when 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.

Bonuses are recognised as an expense when there is a present, legal or constructive obligation to make such payments, as a result of past events and when a reliable estimate can be made of the amount of the obligation.

2.23 Leases

a) As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

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2. Summary of significant accounting policies (contd.)

2.23 Leases (contd.)

As lessee (contd.) a)

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

b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.24(i).

2.24 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

Sale of properties a)

Revenue from sale of properties is accounted for by the stage of completion method as described in Note 2.17(ii).

b) **Construction contracts**

Revenue from construction contracts is accounted for by the stage of completion method as described in Note 2.16.

c) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

2. Summary of significant accounting policies (contd.)

2.24 Revenue (contd.)

d) Concession income

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

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

e) Interest income

Interest income from the concession is recognised using the effective interest method.

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 right to receive payment is established.

h) Management fees

Management fees are recognised when services are rendered.

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.

j) Facility management service

Facility management income is recognised on a straight-line basis over the contract period.

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2. Summary of significant accounting policies (contd.)

2.25 Income taxes

a) Current tax

Current 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 by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

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.

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 ventures, where 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.

2. Summary of significant accounting policies (contd.)

2.25 Income taxes (contd.)

b) Deferred tax (contd.)

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, 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:

- where 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 ventures, 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 reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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2. Summary of significant accounting policies (contd.)

2.26 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 38, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.27 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group 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.

2.28 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.

2.29 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.

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

2. Summary of significant accounting policies (contd.)

2.30 Fair value measurements

The Group measures financial instruments, and certain non-financial assets such as investment property, at fair value at the end of each reporting period. Also, fair values of financial instruments measured at amortised cost are disclosed in the financial statements.

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.

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 uses 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

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2. Summary of significant accounting policies (contd.)

2.30 Fair value measurements (contd.)

For assets and liabilities that are recognised in the financial statements 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.

External valuers are involved for valuation of significant assets, such as properties and available-for-sale financial assets, and significant liabilities, such as contingent consideration. Involvement of external valuers is decided upon by the management as and when necessary. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

On an interim basis, the management present the valuation results to the audit committee and the Group's independent auditors. This includes a discussion of the major assumptions used in the valuations.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.31 Current versus non-current classification

The Group presents 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 (contd.)

2.31 Current versus non-current classification (contd.)

A liability is current when:

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

The Group classifies all other liabilities as non-current.

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

2.32 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the assets is available for immediate sale in its present condition subject only to terms that are usual and customary.

Immediately before classification as held for sale, the measurement of the non-current asset is brought up to date in accordance with applicable FRSs.

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.

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3. Significant accounting judgements and estimates (contd.)

3.1 Judgement made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

(a) Classification of property

The Group determines whether a property is classified as investment property. Investment property comprises land and buildings (principally offices, commercial warehouse and retail property) that are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation. These buildings are substantially rented to tenants and not intended to be sold in the ordinary course of business.

(b) Operating lease commitments

The Group has entered into commercial property leases. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the property, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

(c) Consolidation

The Group determined that it controls Etika Tapis Sdn. Bhd. and Red Carpet Culinary Sdn. Bhd. which are both 50% owned by Must Ehsan Development Sdn. Bhd. The Group has power over both the investee with the ability to direct their activities that significantly affect the investees' returns.

3.2 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) Impairment of goodwill

Goodwill are tested for impairment annually and at other times when such indicators exist. This requires an estimation of the value in use of the cash-generating units to which goodwill are allocated.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the carrying value, the key assumptions applied in the impairment assessment of goodwill are disclosed in Note 14.

3. Significant accounting judgements and estimates (contd.)

3.2 Key sources of estimation uncertainty (contd.)

(b) Property development

The Group recognises property development revenue and expenses in the statements of profit or loss by using the stage of completion method. The stage of completion is determined by the architects, quantity surveyors and engineers to measure the extent of work performed to date bear to the estimated total property development costs.

Significant estimation is required in determining the stage of completion, the extent of the property development costs incurred, the estimated total property development revenue and costs, as well as the recoverability of the property development cost. In making the estimation, the Group evaluates by relying on the work of engineers, quantity surveyors and architects.

The carrying amounts of assets and liabilities of the Group arising from property development activities are disclosed in Note 16.

(c) Construction contract

The Group recognises contract revenue and costs in the statements of profit or loss by using the stage of completion method. The stage of completion is determined by the proportion of contract costs incurred for work performed to date bear to the estimated total contract costs.

Significant judgement is required in determining the stage of completion, the extent of the contract costs incurred and the estimated total contract revenue and costs. In making the judgement, the Group evaluates based on past experience and by relying on the work of engineers, quantity surveyors and architects. Details are disclosed in Note 23.

(d) Income tax and deferred taxation

Significant estimation was involved in determining the provision for income taxes and deferred taxation. There were certain transactions and computations for which the ultimate tax determination was uncertain during the ordinary course of business.

The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Details are disclosed in Notes 11 and 20.

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3. Significant accounting judgements and estimates (contd.)

3.2 Key sources of estimation uncertainty (contd.)

(e) Impairment of loans and receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the reporting date is disclosed in Note 19.

(f) Impairment of investment in subsidiaries

The Company reviews its investments in subsidiaries when there are indicators of impairment. Impairment is measured by comparing the carrying amount of an investment with its recoverable amount. Significant judgement is required in determining the recoverable amount. Based on the assessment, no impairment was made as the computed recoverable amount is higher than the carrying value of the investment. In determining the recoverable amount, certain assumptions were used by the Company, for example, of securing significant future contracts from its related companies. Further details are disclosed in Note 17.

(g) Revaluation of investment properties

The Group carries its investment properties at fair value, with changes in fair values being recognised in profit or loss. Significant judgement is required in determining fair value which may be derived based on different valuation method. In making the judgement, the Group engaged independent valuation specialists to determine fair value as disclosed in Note 15.

(h) Provision for Liquidated and Ascertained Damages ("LAD")

Provision for LAD is required should a property development project experiences delay in obtaining vacant possession at the stipulated completion date. Significant judgement is required in determining the expected vacant possession date for the on-going property development project. In determining the expected vacant possession date, the Group evaluates based on past experience and by relying on the work of project manager, quantity surveyors and architects. Further details are disclosed in Note 28(a).

4. Revenue

	Gro	Group		pany
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Sale of development properties	206,460	240,030	-	-
Concession income	89,281	93,764	-	-
Sale of completed properties	3,220	1,869	-	-
Rental income	5,548	7,233	-	-
Construction revenue	-	8,186	-	-
Facility management fees	8,430	8,172	-	-
Management fees from subsidiaries			4,380	3,780
	312,939	359,254	4,380	3,780

5. Cost of sales

	Group		Comp	oany
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Property development costs (Note 16(b))	181,288	160,270	-	-
Costs of completed properties	2,592	-	-	-
Property expenses	6,413	5,756	-	-
Construction costs	-	5,520	-	-
Facility management cost	7,467	6,911	-	-
Consultancy service	3,136	3,751	-	-
	200,896	182,208	-	-

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6. Other operating income

Included in other operating income are as follows:

	Grou	р	Compa	ny
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Gain on disposal of investment securities	139	75	-	-
Rental income	455	381	-	-
Interest income	1,954	1,032	2,497	1,843
Distribution income from money market investment securities	4,112	4,036	73	25
Reversal of impairment on:				
- trade receivables (Note 19(a))	138	342	-	-
- other receivables (Note 19(d))	2,321	-	1,228	-
Deposit income forfeited	47	7,302	-	-
Fair value gain of investment properties (Note 15)	1,610	270	-	-
Reversal of inventories written down	229	-	-	-
Gain on disposal of freehold land	2,141	-	8,885	-
Unrealised gain on foreign exchange		1,354		1,354

7. Finance costs

	Group		Com	pany
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Interest expense on:				
- Sukuk Murabahah	89,126	93,546	-	-
- obligations under finance leases	2	4	2	4
 bank credit facilities, bank loans and bank overdrafts 	8,592	13,650	1,747	2,715
- RCSLS coupon	-	166	-	166
Interest on advances from immediate holding company	693	714	693	714
Unwinding of discount on other liabilities at amortised costs*	290	313		
	98,703	108,393	2,442	3,599
Less:				
 interest capitalised in property development cost (Note 16) 	(563)	(3,864)		
	98,140	104,529	2,442	3,599

^{*} Being the effect from the recognition of time value of money in the re-measurement of financial liabilities of the Group at amortised cost.

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8. (Loss)/Profit before tax

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

	Grou	ıp	Compa	any
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Employee benefits expense (Note 9)	14,332	12,960	7,691	7,303
Non-executive directors' remuneration (Note 10)	813	699	736	697
Auditors' remuneration:				
- current year	230	314	80	129
- under provision in prior year	50	53	-	39
- other service	30	24	8	8
Allowance for impairment:				
- trade receivables (Note 19(a))	1,802	1,747	243	461
- other receivables (Note 19(d))	53	9,537	11,543	26,396
- assets held for sale	131	251	-	-
- intangible assets (Note 14)	6,000	-	-	-
Reversal of impairment for:				
- trade receivables (Note 19(a))	(138)	(342)	-	-
- other receivables (Note 19(d))	(2,321)	-	(1,228)	-
Depreciation of property, plant and equipment (Note 13)	676	683	393	399
Amortisation of intangible assets (Note 14)	184	192	116	119
Loss on fair value of investment properties (Note 15)	12,000	-	-	-
Gain on fair value of investment properties (Note 15)	(1,610)	(270)	-	-
Inventories written down	-	1,220	-	-
Reversal of inventories written down	(229)	-	-	-
Written off of property, plant and equipment:				
- assets held for sale (Note 26)	-	712	-	-
Written off of intangible assets: - assets held for sale (Note 26)	-	3	-	-
(Gain)/Loss on disposal of investment securities	(139)	(75)	18	-

8. (Loss)/Profit before tax (contd.)

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

	Group		Group Comp		pany
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	
Operating lease - minimum lease					
payments on:					
- premises	2,110	560	2,640	1,059	
- equipment	241	240	121	141	
- others	15	50	10	30	
Unrealised loss/(gain) on foreign exchange	944	(1,354)	944	(1,354)	
Liquidated and ascertained damages	45,756	18,621	-	-	
Gain on disposal of freehold land	(2,141)	-	(8,885)	-	
Impairment on land held for development	6,592				

9. Employee benefits expense

Group		Company	
2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
10,057	8,973	4,764	4,588
80	81	37	39
1,059	1,185	506	662
2	82	2	16
3,134	2,639	2,382	1,998
14,332	12,960	7,691	7,303
	2017 RM'000 10,057 80 1,059 2 3,134	2017 RM'000 RM'000 10,057 8,973 80 81 1,059 1,185 2 82 3,134 2,639	2017 RM'000 2016 RM'000 2017 RM'000 10,057 8,973 4,764 80 81 37 1,059 1,185 506 2 82 2 3,134 2,639 2,382

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM876,000 (2016: RM753,000) and RM874,000 (2016: RM751,000) respectively as further disclosed in Note 10.

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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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Executive:				
Salaries and other emoluments	782	664	780	662
Fees	-	13	-	13
Defined contribution plan	94	76	94	76
Total executive directors' remuneration	876	753	874	751
Non-executive:				
Fees	708	621	633	621
Allowances and other emoluments	105	78	103	76
Total non-executive directors' remuneration	813	699	736	697
Total directors' remuneration	1,689	1,452	1,610	1,448

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

	Number of directors 2017		
Executive director:			
RM750,001 - RM800,000	-	1	
RM850,001 - RM900,000	1		
Non-executive directors:			
< RM50,000	3	-	
RM50,001 - RM100,000	3	2	
RM100,001 - RM150,000	2	3	
RM150,001 - RM250,000	1	1	

11. Income tax expense/(benefit)

Major components of income tax expense/(benefit):

The major components of income tax expense/(benefit) for the years ended 31 December 2017 and 2016 are:

	Group		Com	oany
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Statement of profit or loss:				
Current income tax:				
- Malaysian income tax	3,986	19,179	-	(855)
- (over)/underprovision in prior years	(770)	135	145	92
_	3,216	19,314	145	(763)
Real property gains tax	445	320	445	320
Deferred income tax (Note 20):				
- origination and reversal of temporary				
differences	(784)	(6,044)	-	(390)
- underprovision in prior years	382	97	_	
_	(402)	(5,947)		(390)
_				
Income tax expense/(benefit)	3,259	13,687	590	(833)

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11. Income tax expense/(benefit) (contd.)

Reconciliation between tax and accounting profit

The reconciliation of income tax expense/(benefit) and the product of accounting (loss)/profit multiplied by the applicable corporate tax rate for the years ended 31 December 2017 and 2016 is as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
(Loss)/Profit before tax	(31,745)	41,812	(11,839)	(37,825)
Tax at Malaysian statutory				
tax rate of 24%	(7,619)	10,035	(2,841)	(9,078)
Different tax rates in other countries	(430)	(73)	-	-
Adjustments: Non-deductible expenses	7,958	2,461	3,776	8,366
Income not subject to tax	(1,057)	(1,610)	(29)	(603)
Deferred tax assets not recognised	3,814	2,763	532	460
Utilisation of previously unrecognised deferred tax assets	(1,438)	-	(1,438)	-
Real property gains tax	445	320	445	320
(Over)/Underprovision of tax				
expense in prior years:				
- current taxation	(770)	135	145	92
- deferred tax	382	97	-	-
Deferred tax recognised at different tax rate	1,974	(441)		(390)
Income tax expense/(benefit) recognised in profit or loss	3,259	13,687	590	(833)

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/(benefit) (contd.)

The Finance (No.3) Act 2017 gazetted on 16 January 2017 enacts reduced the corporate income tax rate from 24% to rates below based on the percentage of increase in chargeable income as compared to the immediate preceding year of assessment:

Percentage of increase in chargeable income as compared to the immediate preceding year of assessment	Percentage point of reduction on income tax rate	Reduced income tax rate on increase in chargeable income %
Less than 5%	Nill	24
5% - 9.99%	1	23
10% - 14.99%	2	22
15% - 19.99%	3	21
20% and above	4	20

12. (Loss)/Earnings per share

Basic (loss)/earnings per share amounts are calculated by dividing (loss)/profit 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.

Diluted (loss)/earnings per share amounts are calculated by dividing (loss)/profit 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.

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

	Gro	up
	2017 RM'000	2016 RM'000
(Loss)/Profit net of tax attributable to owners of the parent used in the computation of basic (loss)/earnings per share	(30,543)	28,405
	Number o	f Shares
	′000	′000
Weighted average number of ordinary shares for basic		
(loss)/earnings per share computation*	283,042	278,262

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

	2017 sen	2016 sen
Basic (loss)/earnings per share	(10.79)	10.21

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Total RM'000			12,119	25		TC, T44	I	99	(2)	12,198
Buildings RM′000			5,070	ı	070	0/0/6	I	I	1	5,070
Office renovation RM′000			3,937	ı		2,95/	(24)	ı	1	3,913
Office equipment, furniture and fittings RM'000			2,392	25		Z,41/	24	26	(2)	2,495
Motor vehicles RM'000			720	ı	007	07/	ı	I	1	720
	Group	Cost:	At 1 January 2016	Additions	At 31 December 2016	and I January 2017	Reclassification	Additions	Written off	At 31 December 2017

13. Property, plant and equipment (contd.)

	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Office renovation RM'000	Buildings RM'000	Total RM'000
Group					
Accumulated depreciation:					
At 1 January 2016	577	1,601	2,127	278	4,583
Charge for the year recognised in profit or loss (Note 8)	58	134	390	101	683
At 31 December 2016 and 1 January 2017	635	1,735	2,517	379	5,266
Charge for the year recognised in profit or loss (Note 8)	28	127	390	101	929
Written off	ı	(2)	ı	ı	(2)
At 31 December 2017	693	1,860	2,907	480	5,940
Net carrying amount					
At 31 December 2016	85	682	1,420	4,691	6,878
At 31 December 2017	27	635	1,006	4,590	6,258

13. Property, plant and equipment (contd.)

13. Property, plant and equipment (contd.)

	Office renovation RM'000	Motor vehicles RM′000	Office equipment RM'000	Total RM′000	
Company					
Accumulated depreciation:					
At 1 January 2016	1,568	498	1,061	3,127	
Charge for the year (Note 8)	277	58	64	399	
At 31 December 2016					
and 1 January 2017	1,845	256	1,125	3,526	
Charge for the year (Note 8)	277	57	59	393	
At 31 December 2017	2,122	613	1,184	3,919	
Net carrying amount					
At 31 December 2016	921	86	250	1,257	
At 31 December 2017	644	29	247	920	

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13. Property, plant and equipment (contd.)

Asset held under finance leases

The carrying amount of motor vehicles of the Group and of the Company held under finance lease at the reporting date were RM29,000 (2016: RM86,000) and RM29,000 (2016: RM86,000) respectively.

Leased assets are pledged as security for the related finance lease liabilities (Note 29(i)).

Two units of terrace shop offices amounting to RM4,589,000 (2016: RM4,691,000) have been pledged to a fixed charge as security for term loans and revolving credit facilities (Note 29(c)).

14. Intangible assets

	Goodwill on consolidation RM'000	Computer software RM'000	Total RM'000
Group			
Cost:			
At 1 January 2016, 31 December 2016 and 1 January 2017	197,003	2,103	199,106
Additions		17	17
At 31 December 2017	197,003	2,120	199,123

14. Intangible assets (contd.)

	Goodwill on consolidation RM'000	Computer software RM'000	Total RM'000
Accumulated amortisation and impairment:			
At 1 January 2016	172,499	1,373	173,872
Amortisation (Note 8)	-	192	192
At 31 December 2016 and 1 January 2017	172,499	1,565	174,064
Amortisation (Note 8)	-	184	184
Impairment	6,000		6,000
At 31 December 2017	178,499	1,749	180,248
Net carrying amount:			
At 31 December 2016	24,504	538	25,042
At 31 December 2017	18,504	371	18,875
			Computer software
			RM'000
Company			
Company Cost:			
	2017 and 31 Decemb	er 2017	
Cost:	2017 and 31 Decemb	er 2017 _	RM'000
Cost: At 1 January 2016, 31 December 2016, 1 January Accumulated amortisation:	2017 and 31 Decemb	er 2017 _	RM'000
Cost: At 1 January 2016, 31 December 2016, 1 January	2017 and 31 Decemb	er 2017 _	RM'000 1,372
Cost: At 1 January 2016, 31 December 2016, 1 January Accumulated amortisation: At 1 January 2016	2017 and 31 Decemb	er 2017 –	1,372 858
Cost: At 1 January 2016, 31 December 2016, 1 January Accumulated amortisation: At 1 January 2016 Amortisation (Note 8)	2017 and 31 Decemb	er 2017 –	1,372 858 119
Cost: At 1 January 2016, 31 December 2016, 1 January Accumulated amortisation: At 1 January 2016 Amortisation (Note 8) At 31 December 2016 and 1 January 2017	2017 and 31 Decemb	er 2017	1,372 858 119 977
Cost: At 1 January 2016, 31 December 2016, 1 January Accumulated amortisation: At 1 January 2016 Amortisation (Note 8) At 31 December 2016 and 1 January 2017 Amortisation (Note 8)	2017 and 31 Decemb	er 2017 –	858 119 977 116
Cost: At 1 January 2016, 31 December 2016, 1 January Accumulated amortisation: At 1 January 2016 Amortisation (Note 8) At 31 December 2016 and 1 January 2017 Amortisation (Note 8) At 31 December 2017	2017 and 31 Decemb	er 2017	858 119 977 116

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14. Intangible assets (contd.)

Impairment testing for goodwill

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

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

	Group		
	2017 RM'000	2016 RM'000	
Property development	18,504	24,504	

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		
	2017	2016	
Budgeted gross margin	28%	34%	
Discount rate	13%	19%	

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

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

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

Sensitivity to changes in assumptions

With regard to the assessment of value-in-use of the business segment, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying values of the unit to materially exceed their recoverable amount.

15. Investment properties

	Shopping Mall RM'000	Terrace Shop office RM'000	Total RM'000
At 1 January 2016	206,000	145,860	351,860
Re-measurement recognised in profit or loss	-	270	270
Disposal		(27,000)	(27,000)
At 31 December 2016 and 1 January 2017	206,000	119,130	325,130
Re-measurement recognised in profit or loss	(12,000)	1,610	(10,390)
At 31 December 2017	194,000	120,740	314,740
Fair value for financial reporting purposes Market value as estimated by the external valuer	194,000	120,740	314,740

The Group's completed investment properties consists of a shopping mall and terrace shop offices. The shopping mall and terrace shop offices are classified as Level 3 in the fair value hierarchy. Further details as disclosed in Note 35.

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 (Note 29(c), 29(g) and 29(h));
- Shopping mall included in the investment properties has been pledged as security for bank loan (jj) (Note 29(c)).

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${\bf 16.}\ \ {\bf Land\ held\ for\ property\ development\ and\ property\ development\ costs}$

(a) Land held for property development

	Freehold land RM'000	Leasehold land RM'000	Development expenditure RM'000	Total RM'000
Group				
At 31 December 2017				
Cost				
At 1 January 2017	22,675	252,329	22,079	297,083
Addition	-	-	23,992	23,992
Transfer from/(to) property				
development cost (Note 16(b))	-	79,367	(4,941)	74,426
Exchange differences	(562)		-	(562)
At 31 December 2017	22,113	331,696	41,130	394,939
A community of increasing on the con-				
Accumulated impairment losses At 1 January 2017	(3,247)			(3,247)
Addition	(6,592)			(6,592)
Exchange difference	369	_	_	369
31 December 2017	(9,470)	_		(9,470)
-	(2,112,			(0) 11 0)
Carrying amount				
At 31 December 2017	12,643	331,696	41,130	385,469
At 31 December 2016				
Cost				
At 1 January 2016	34,919	27,730	33,522	96,171
Addition	-	380,405	3,606	384,011
Transfer to property development		(155,806)	(F 101)	(160,000)
cost (Note 16(b)) Reclassification	7 122	(133,600)	(5,184)	(160,990)
Attributable to disposal group	3,122	-	(3,122)	-
classified as asset held for sale				
(Note 26)	(16,116)	_	(6,743)	(22,859)
Exchange differences	750	_	-	750
At 31 December 2016	22,675	252,329	22,079	297,083
-				

16. Land held for property development and property development costs (contd.)

(a) Land held for property development (contd.)

At 31 December 2016

		Freehold land RM'000	Leasehold land RM'000	Development expenditure RM'000	Total RM'000
	Accumulated impairment losses				
	At 1 January 2016	(3,143)	_	_	(3,143)
	Exchange differences	(104)	-	_	(104)
	At 31 December 2016	(3,247)	-	-	(3,247)
	Carrying amount				
	At 31 December 2016	19,428	252,329	22,079	293,836
(b)	Property development costs				
		Freehold land RM'000	Leasehold land RM'000	Development expenditure RM'000	Total RM'000
	Group				
	At 31 December 2017				
	Cumulative property development costs				
	At 1 January 2017	26,962	160,138	313,284	500,384
	Costs incurred during the year	-	-	178,407	178,407
	Transferred (to)/from land held for property development (Note 16(a))	_	(79,367)	4,941	(74,426)
	Transferred to inventories	-	(209)	(1,290)	(1,499)
	At 31 December 2017	26,962	80,562	495,342	602,866
		· · · · · · · · · · · · · · · · · · ·	, -	•	

Encorp Berhad (506836-X) (Incorporated in Malaysia)

16. Land held for property development and property development costs (contd.)

(b) Property development costs (contd.)

At 31 December 2017

	Freehold land RM'000	Leasehold land RM'000	Development expenditure RM'000	Total RM'000
Cumulative costs recognised in statements of profit or loss				
At 1 January 2017				(264,496)
Recognised during the year (Note 5)			_	(181,288)
At 31 December 2017				(445,784)
Property development costs at 31 December 2017			-	157,082
At 31 December 2016				
Cumulative property development costs				
At 1 January 2016	30,422	23,246	415,814	469,482
Costs incurred during the year	-	-	192,801	192,801
Transferred from land held for property development (Note 16(a))	_	155,806	5,184	160,990
Transferred to inventories	-	(1,315)	(29,665)	(30,980)
Reversal of completed project	(3,460)	(17,599)	(270,850)	(291,909)
At 31 December 2016	26,962	160,138	313,284	500,384
Cumulative costs recognised in statements of profit or loss				
At 1 January 2016				(396,135)
Recognised during the year (Note 5)				(160,270)
Reversal of completed project			_	291,909
At 31 December 2016				(264,496)
Property development costs at				
31 December 2016			_	235,888

16. Land held for property development and property development costs (contd.)

Included in land held for property development and property development costs is interest expense incurred as follows:

	Gro	up
	2017 RM'000	2016 RM'000
Interest expense (Note 7)	563	3,864

The leasehold land held for development was purchased from Perbadanan Kemajuaan Negeri Selangor ("PKNS") in prior years as disclosed in Note 27(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.

The freehold land under development with carrying value of RM26,126,000 (2016: RM26,126,000) has been pledged as security for bank loan obtained (Note 29(e)).

The leasehold land held for development with carrying value of RM5,918,000 (2016: RM8,308,690) has been pledged as security for bank loan obtained (Note 29(f)).

17. Investment in subsidiaries

	Comp	oany
	2017 RM'000	2016 RM'000
Unquoted shares, at cost	295,960	295,960

17. Investment in subsidiaries (contd.)

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(a) Details of the subsidiaries are as follows:

Name of subsidiaries	Share capital RM'000	Country of incorporation	Principal activities	Proportion (%) of ownership interest	(%) of iterest	Proportion (%) of ownership interest held by non-controlling interests	ership rests
				2017	2016	2017	2016
Encorp Construction & Infrastructure Sdn. Bhd.	50,000	Malaysia	Investment holding and construction project management	100	100	1	1
Encorp Must Sdn. Bhd.	10,000	Malaysia	Investment holding and property project management	100	100		1
Encorp Development Pty. Ltd.^	+	Australia	Property development	100	100	ı	ı
Encorp Facilities Management Sdn. Bhd.	*	Malaysia	Facilities management services provider	100	100	1	ı

17. Investment in subsidiaries (contd.)

(a) Details of the subsidiaries are as follows (contd.):

Name of subsidiaries	Share capital	Country of incorporation	Principal activities	Proportion (%) of ownership interest	(%) of nterest	Proportion (%) of ownership interest held by	wnership by
				2017	2016	2017	2016
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	ı	ı
Encorp Trading Services Sdn. Bhd.	1,000	Malaysia	General trading	100	100		ı

17. Investment in subsidiaries (contd.)

(a) Details of the subsidiaries are as follows (contd.):

Name of subsidiaries	Share capital	Country of incorporation	Principal activities	Proportion (%) of ownership interest	s) of erest	Proportion (%) of ownership interest held by	nership y erests
				2017	2016	2017	2016
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	1	1
Encorp Iskandar Development Sdn. Bhd.	2,750	Malaysia	Property development	100	100	1	1
Encorp Bukit Katil Sdn. Bhd.	*	Malaysia	Property development	100	100	ı	1
Subsidiaries of Must Ehsan Development Sdn. Bhd.							
Red Carpet Avenue Sdn. Bhd.	*	Malaysia	Investment holding	100	100	1	1
Encorp Strand Mall Sdn. Bhd.	2,500	Malaysia	Property investment	100	100	1	ı
Encorp Parking Sdn. Bhd.	*	Malaysia	Property investment	100	100	1	1

17. Investment in subsidiaries (contd.)

(a) Details of the subsidiaries are as follows (contd.):

ests	2016		20	20
Proportion (%) of ownership interest held by non-controlling interests	2017		20	20
(%) of nterest	2016		20	20
Proportion (%) of ownership interest	2017		20	20
Principal activities			Food and beverage	Food and beverage
Country of incorporation			Malaysia	Malaysia
Share capital RM′000			#	250
Name of subsidiaries		Subsidiaries of Red Carpet Avenue Sdn. Bhd.	Etika Tapis Sdn. Bhd.	Red Carpet Culinary Sdn. Bhd.

Not audited

Represent paid-up capital of one hundred (100) ordinary shares of 1 Australian Dollar each Represent paid-up capital of two (2) ordinary shares < + *

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

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17. Investment in subsidiaries (contd.)

- (a) Details of the subsidiaries are as follows (contd.):
 - (i) In previous financial year, Encorp Must Sdn. Bhd. ("EMSB") had on 8 January 2016 acquired 2 fully paid up ordinary shares in the capital of Encorp Bukit Katil Sdn. Bhd. ("EBKSB") at a total purchase consideration of RM2 cash only.

The acquisition is intended for Encorp's future expansion in its core business of property development.

- (b) Summarised financial information of Must Ehsan Development Sdn. Bhd. ("MEDSB") and its subsidiaries ("MEDSB Group") which have 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. The non-controlling interests in respect of Red Carpet Avenue Sdn. Bhd. group of companies are not material to the Group.
 - (i) Summarised statements of financial position MEDSB group

	2017 RM'000	2016 RM'000
Non-current assets	391,558	392,482
Current assets	165,150	219,302
Total assets	556,708	611,784
Current liabilities	181,996	163,672
Non-current liabilities	66,883	125,880
Total liabilities	248,879	289,552
Net assets	307,829	322,232
Equity attributable to owners of the Group	310,481	324,809
Non-controlling interests	(2,652)	(2,577)

17. Investment in subsidiaries (contd.)

- (b) Summarised financial information (contd.)
 - (ii) Summarised statements of comprehensive income MEDSB group

	2017 RM'000	2016 RM'000
Revenue	36,742	99,904
(Loss)/Profit for the year	(14,403)	533
(Loss)/Profit, representing total comprehensive (loss)/		
income attributable to the owners of the Group	(14,329)	1,068
Loss, representing total comprehensive loss		
attributable to the non-controlling interests	(74)	(535)
(iii) Summarised cash flows - MEDSB group		
Net cash generated from/(used in) operating activities	49,663	(18,285)
Net cash generated from investing activities	580	500
Net cash (used in)/generated from financing activities	(66,056)	36,851
Net (decrease)/increase in cash and cash equivalents	(15,813)	19,066
Cash and cash equivalents at beginning of the year	26,191	7,125
Cash and cash equivalents at end of the year	10,378	26,191
-		

18. Investment in associate

	2017 RM'000	2016 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..

Details of the associate is as follows:-

Name of Company	Country of incorporation	Proportion (%) of ownership interest		Principal activities
		2017	2016	
Sinmah Development JV Sdn. Bhd. ^	Malaysia	30	-	Property investment and contractor

[^] Not audited by Deloitte PLT

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

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19. Trade and other receivables

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current				
Trade receivables (a)				
Amount due from:-				
- third parties	37,780	84,166	70	70
- subsidiaries (c)	-	-	7,175	6,604
Concession income receivables (b)	52,490	47,517		_
	90,270	131,683	7,245	6,674
Less: Allowance for impairment (a)	(5,113)	(4,271)	(905)	(662)
	85,157	127,412	6,340	6,012
Other receivables				
Amount due from:-				
- subsidiaries (c)	-	-	126,988	125,360
- holding company (c)	53	53	53	53
Deposits	5,071	5,493	682	313
Sundry receivables	2,794	1,986	247	307
	7,918	7,532	127,970	126,033
Less: Allowance for impairment (d)	(259)	(280)	(33,003)	(21,460)
Other receivable, net	7,659	7,252	94,967	104,573
Total current receivables	92,816	134,664	101,307	110,585
Non-current				
Trade receivables (a)				
Concession income receivables (b)	814,222	866,693		
Other receivables				
Long term receivables (e)	48,215	50,148	38,807	40,035
Less: Allowance for impairment (d)	(48,215)	(50,148)	(38,807)	(40,035)
Total non-current receivables	814,222	866,693		_

19. Trade and other receivables (contd.)

	Group		Com	pany
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Total trade and other receivables	907,038	1,001,357	101,307	110,585
Add: Fixed deposit (Note 24)	4,741	4,857	-	-
Add: Cash and bank balances (Note 25)	22,689	62,843	1,254	292
Add: Disposal group classified as held for sale (Note 26)				
- cash and bank balances	97	228	-	-
Total loans and receivables	934,565	1,069,285	102,561	110,877

(a) **Trade receivables**

Trade receivables are non-interest bearing and are generally on 14 to 60 days (2016: 14 to 60 day) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables are as follows:

	Group		
	2017 RM'000	2016 RM'000	
Neither past due nor impaired	872,317	933,822	
1 to 30 days past due not impaired	3,777	21,466	
31 to 60 days past due not impaired	1,410	1,724	
61 to 90 days past due not impaired	891	3,620	
91 to 120 days past due not impaired	1,293	3,390	
121 to 365 days past due not impaired	19,691	30,083	
	27,062	60,283	
	5,113	4,271	
Impaired	904,492	998,376	

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

None of the Group's and Company's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

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19. Trade and other receivables (contd.)

(a) Trade receivables (contd.)

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM27,062,000 (2016: RM60,283,000) that are past due at the reporting date but not impaired.

Receivables that are past due but not impaired relate to customers that the Group deems to be creditworthy. Based on past experience, the Board believes that no impairment of allowance is necessary in respect of those balances.

The receivables that are past due but not impaired are unsecured in nature.

As at reporting date, the Group has a significant concentration of credit risk of 96% (2016: 92%) relating to the concession income receivable. The entire concession income receivables are due from the Government of Malaysia.

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Group Individually impaired		Com _l Individually	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Trade receivables - nominal amounts	5,113	4,271	905	662
Less: Allowance for impairment	(5,113)	(4,271)	(905)	(662)
		-	_	_

Movement in allowance accounts for trade receivables:

	Group		Com	pany
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At 1 January	4,271	3,688	662	201
Charge for the year (Note 8)	1,802	1,747	243	461
Written off	(822)	(822)	-	-
Reversal of impairment losses (Note 6)	(138)	(342)	-	-
At 31 December	5,113	4,271	905	662

Trade receivables that are individually impaired determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

19. Trade and other receivables (contd.)

(b) Concession income receivables

	Group		
	2017 RM'000	2016 RM'000	
Concession income receivables:			
Within 1 year	136,779	136,753	
More than 1 year and less than 2 years	136,779	136,753	
More than 2 years and less than 5 years	410,338	410,260	
More than 5 years	695,310	832,187	
	1,379,206	1,515,953	
Unearned interest income	(512,494)	(601,743)	
	866,712	914,210	
Concession income receivables analysed as:			
Due within one year	52,490	47,517	
Due after one year	814,222	866,693	
	866,712	914,210	

The Group's normal trade credit term on concession income receivables is 21 (2016: 21 days). The entire concession income receivables are pledged to the holders of the Sukuk Murabahah as disclosed in Note 29(a).

(c) 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 RM42,671,000 (2016: RM37,423,000) which bears interest at rates ranging from 5.53% to 9% (2016: 5.53% to 9%).

(d) Other receivables

Movement in allowance accounts for other receivables:

	Group		Comp	oany
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At 1 January	50,742	41,205	61,495	35,099
Charge for the year (Note 8)	53	9,537	11,543*	26,396*
Reversal of impairment losses (Note 6)	(2,321)		(1,228)	_
At 31 December	48,474	50,742	71,810	61,495

Included in this amount is an allowance for impairment of RM10,500,000 (2016: RM12,540,000) for amount due from a subsidiary company, namely, Encorp Development Pty. Ltd..

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

20. Deferred tax

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Deferred tax		

	As at 1 January 2016 RM'000	Recognised in profit or loss (Note 11) RM′000	As at 31 December 2016 RM'000	Recognised in profit or loss (Note 11) RM′000	As at 31 December 2017 RM′000	
Group						
Deferred tax liabilities:						
Property, plant and equipment	33	(12)	21	(20)	1	
Progress billings	232,470	(13,058)	219,412	(11,399)	208,013	
Investment properties	498	(404)	94	(520)	(426)	
	233,001	(13,474)	219,527	(11,939)	207,588	
Deferred tax assets:						
Tax losses and capital allowances	(202,554)	14,634	(187,920)	15,601	(172, 319)	
Loan and borrowings	(27,890)	(4,877)	(32,767)	(3,822)	(36,589)	
Provisions	(2,846)	(2,230)	(5,076)	(242)	(5,318)	
	(233,290)	7,527	(225,763)	11,537	(214,226)	
	(289)	(5,947)	(6,236)	(402)	(6,638)	

20. Deferred tax (contd.)

Deferred tax as at 31 December relates to the following:

Asat	31 December 2017	RM'000
Recognised in profit or	loss (Note 11)	RM′000
As at	31 December 2016	RM'000
Recognised in profit or	loss (Note 11)	RM'000
As at 1	January 2016	RM'000

(390)

390

Investment properties Deferred tax liability:

Company

Encorp Berhad (506836-X) (Incorporated in Malaysia)

20. Deferred tax (contd.)

Presented after appropriate offsetting as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deferred tax assets	(9,548)	(9,774)	-	-
Deferred tax liabilities	2,910	3,538		
	(6,638)	(6,236)	_	

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Unutilised tax losses	41,239	34,143	398	5,866
Unabsorbed capital allowances	2,617	3,140	2,180	2,704
Other deductible temporary difference	8,682	5,353	2,636	418
	52,538	42,636	5,214	8,988

Deferred tax assets have not been recognised in respect of these items as they have arisen in companies that have a recent history of losses or in companies where future taxable profits may be insufficient to trigger the utilisation of these items.

Section44(5A) and Paragraph 75A of Schedule 3 of the Malaysian Income Tax Act, 1967 which became effective in Year of Assessment ("YA") 2006 restricts the utilisation of unabsorbed business losses and capital allowances where there is a substantial change in the ordinary shareholder of a company. The test for determining whether there is as substantial change in shareholders is carried out by comparing the shareholders on the last day of the basis period in which the unabsorbed losses or capital allowances were ascertained with those on the first day of the basis period in which the unabsorbed losses or capital allowances are to be utilised.

Pursuant to guidelines issued by the Malaysian tax authorities in 2008, the Ministry of Finance ("MOF") has exempted all companies from the provision of Section44(5A) and Paragraph 75A of Schedule 3 except dormant companies. Therefore, all active subsidiaries are allowed to carry forward their unabsorbed capital allowances and business losses.

21. Inventories

	Group		
	2017 RM'000	2016 RM'000	
Cost			
Properties held for sale	84,443	82,728	
Net realisable value	17,244	17,404	
Properties held for sale	101,687	100,132	

Properties held for sale with a carrying amount of RM17,244,000 (2016:RM17,404,000) is charged as security for term loan facilities (Note 29(l)).

22. Other current assets

	Gro	oup	Com	pany
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Prepayments	371	944	160	662
Accrued billings in respect of property development cost	90,915	41,838	-	-
Gross amount due from customers on contract (Note 23)	248	1,370		
	91,534	44,152	160	662

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23. Gross amount due from customers on contract

			Group	
			2017 RM'000	2016 RM'000
Construction costs incurred to date			5,155	5,530
Attributable profits			2,499	2,667
			7,654	8,197
Less: Progress billings			(7,406)	(6,827)
Amount due from customers on contr	ract	_	248	1,370
Presented as: Gross amount due from customers or	a contract (Note 22)		248	1,370
Gross amount due from customers of	r contract (Note 22)	_	246	1,370
Retention sum on construction contra	acts included in:		300	301
- trade payables		_	300	301
The costs incurred to date on construction financial year:	ction contracts include	e the followin	g charges made	e during the
			Grou	ID al
			2017	2016
			RM'000	RM'000
Employee benefits		_		573
Other investments				
	Grou	р	Comp	any
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Non-current				
Loan and receivables	4744	4.057		
Fixed deposit (a)	4,741	4,857		
Current Fair value through profit or loss				
Money market investment securities	118,331	113,267	2,558	15

⁽a) The maturity period of the fixed deposit is 36 months (2016:36 months) with an effective interest rate of 12% (2016: 12%) per annum.

24. Other investments (contd.)

(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.

An amount of RM115,733,000 (2016: RM113,086,000) is held in trust for the holders of the Sukuk Murabahah as disclosed in Note 29(a).

25. Cash and bank balances

	Group		Com	pany
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash on hand and at banks (a) Deposits with:	19,875	60,007	1,254	292
- licensed banks (c)	2,784	2,768	-	-
- a licensed corporation (b)	30	68		
Cash and bank balances	22,689	62,843	1,254	292

- (a) Included in cash at bank of the Group is an amount of RM9,803,000 (2016: RM54,458,000) held pursuant to Section 7A of the Housing and Development (Control & Licensing) Act, 1966 and restricted from use in other operations.
- (b) An amount of RM30,000 (2016: RM68,000) held by a licensed corporation in trust for the holders of the Sukuk Murabahah as disclosed in Note 29(a).
- (c) The deposits with licensed banks of the Group and of the Company which are pledged or on lien are:
 - (i) Deposits of RM1,950,000 (2016: RM1,941,000) pledged to a bank for credit facilities granted to a subsidiary;
 - (ii) Deposits of RM835,000 (2016: RM827,000) pledged to banks as securities for credit facilities granted to subsidiaries (Note 29(b) and (l)).

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25. Cash and bank balances (contd.)

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

	Group		Com	pany
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash and bank balances	22,689	62,843	1,254	292
Add: Disposal group held for sale (Note 26)	97	228	-	-
Less:				
Pledged/Designated	(2,814)	(2,768)	-	-
Bank overdrafts (Note 29)	(730)	(1,336)		
Cash and cash equivalents	19,242	58,967	1,254	292

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 12% (2016: 2.7% to 12%) and nil (2016: 2.7%) per annum respectively.

26. Disposal group classified as held for sale

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

- (a) In previous financial year, the Company had entered into a Sale and Purchase Agreement ("SPA") with Crescent Consortium Sdn. Bhd. to dispose a piece of freehold land for a total cash consideration of RM25,000,000. The disposal of the freehold land was completed during the current financial year.
 - In previous financial year, the freehold land has been pledged as security for bank loan obtained (Note 29(h)) but was fully discharged during the financial year.
- (b) 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 δ 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 Red Carpet Avenue Sdn. Bhd., which in turn is an indirect subsidiary of the Company, who is operating a food & beverage business.

As of the date of this report, the agreement is pending for execution.

26. Disposal group classified as held for sale (contd.)

The details of the assets and liabilities classified as held for sale as at 31 December 2017 are as follows:

	Group (b) RM'000
Current asset	
Cash and bank balances, representing the asset of disposal group classified as held for sale	97
Current liability	
Trade and other payables, representing the liability of disposal group classified as held for sale	945
	Company (a) RM'000
Non-current assets	
Freehold land, representing non current assets held for sale	

The details of the assets and liabilities classified as held for sale as at 31 December 2016 are as follows:

		Group	
	(a) RM'000	(b) RM'000	Total RM'000
Assets			
Non-current assets			
Plant and equipment	-	_*	-
Intangible asset	-	_*	-
Land held for development	22,859	_	22,859
Current assets			
Cash and bank balances		228	228
Assets of disposal group classified as held for sale			23,087

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26. Disposal group classified as held for sale (contd.)

The details of the assets and liabilities classified as held for sale as at 31 December 2016 are as follows:(contd.)

		Group	
	(a) RM'000	(b) RM'000	Total RM'000
Current liabilities			
Trade and other payables	-	934	934
Liabilities of disposal group classified as held for sale			934
			Company
			(a) RM'000
Non-current assets			
Freehold land, representing non current assets held for sale			16,115
		_	
* Plant and equipment and intangible assets breakdov	vn:		
		Plant and	Intangible
		equipment	assets
		RM'000	RM'000
Net carrying amount at 1 January 2016		712	3
Less: Written off (note 8)		(712)	(3)
	-	-	-
	-		

27. Trade and other payables

	Group		Comp	oany
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current				
Trade payables				
Amount due to:				
- third parties (a)	17,857	36,555	-	-
 corporate shareholder of a subsidiary (b) 	5,412	29,455	_	_
- ultimate holding body (f)	110,500	70,000	_	_
	133,769	136,010		

27. Trade and other payables (contd.)

	Group		Comp	any
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current				
Other payables				
Amount due to:				
- subsidiaries (c)	-	-	17,030	12,012
- immediate holding company (e)	8,822	14,129	8,822	14,129
Sundry payables	26,309	24,506	994	10,204
Provision for short-term accumulating compensated				
absences (d)	258	266	103	101
Other accruals	63,924	34,366	7,931	4,994
	99,313	73,267	34,880	41,440
	233,082	209,277	34,880	41,440
Non-current Trade payables				
Retention sum on construction contracts Amount due to ultimate holding	19,488	24,044	-	-
body (f)	281,122	310,390	-	_
-	300,610	334,434	_	_
Total trade and other payables	533,692	543,711	34,880	41,440
Add: Loans and borrowings (Note 29)	1,018,924	1,158,664	25,022	40,065
Add: Disposal group held for resale (Note 26)	945	934	-	-
Less: Provision for short-term accumulating compensated absences (d)	(258)	(266)	(103)	(101)
Total financial liabilities carried at amortised cost	1,553,303	1,703,043	59,799	81,404

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27. Trade and other payables (contd.)

- (a) The trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 14 to 60 days (2016: 14 to 60 days).
- (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 acre plot of land at U12 Shah Alam, Selangor Darul Ehsan; and
 - (ii) approximately 45 acre 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 amounts due to subsidiaries are unsecured, non-interest bearing and are repayable on demand.
- (d) The movement of provision for short term accumulating compensated absences is as follows:

	Group		Com	pany
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At beginning of financial year	266	237	101	99
Recognised in statement of comprehensive income (Note 9)	2	82	2	16
Utilised during the year	(10)	(53)		(14)
At end of financial year	258	266	103	101

- (e) Amount due to immediate holding company is unsecured, repayable on demand and bears interest rate range from 4.35% to 5.03% (2016: 4.35% to 5.03%) except for an amount of RM5,700,000 which bears interest rate of 6% (2016:6%).
- (f) Amount due to ultimate holding body in relation to the purchase of leasehold land measuring approximately 640.98 acres via wholly-owned subsidiary which is repayable over a period of thirteen (13) years commencing from year 2016 up untill 2029.

28. Other current liabilities

	Group	
	2017 RM'000	2016 RM'000
Current		
Provision for liability - Liquidated and Ascertained Damages (a)	64,776	30,326
Provision for affordable housing obligations (b)	35,837	-
Progress billing in respect of property development cost	2,311	_
	102,924	30,326

(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 statements of profit or loss is as disclosed in Note 8 and is recognised based on stage of completion method.

	Group RM'000
Current	
At 1 January 2017	30,326
Additions	41,298
Repayment	(6,848)
At 31 December 2017	64,776
At 1 January 2016	10,243
Additions	23,193
Repayment	(3,110)
At 31 December 2016	30,326

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28. Provision and other current liabilities (contd.)

(b) Provision for affordable housing obligations

The Malaysian Institute of Accountants (MIA) issued Financial Reporting Standards Implementation Committee ("FRSIC") Consensus 17 on Development of Affordable Housing on 24 November 2011. It recommends that the estimated amount of shortfall relating to affordable housing obligation be recognised as a provision. The recognition of such provision would result in the recognition of a corresponding asset in the form of common costs in the development of premium housing as included in Note 16 on the Land Held for Property Development and Property Development Costs.

Group RM'000

Current

Provision representing provision for affordable housing obligation as at 31 December 2017 (2016: RM nil)

35,837

29. Loans and borrowings

		Group		Compa	iny
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current					
Secured:					
Sukuk Murabahah	а	54,708	48,857	-	-
Bank overdraft	b	730	1,336	-	-
Term loan 1	С	13,502	13,502	-	-
Term loan 2	d	-	10,000	-	10,000
Bridging loan 1	е	-	9,635	-	-
Bridging loan 2	f	-	5,891	-	-
Bridging loan 3	f	-	6,509	-	-
Revolving credit 1	g	3,350	3,350	-	-
Revolving credit 2	С	12,500	12,500	-	-
Revolving credit 3	h	15,000	15,000	15,000	15,000
Obligations under finance leases (Note 30(a))	i	22	43	22	43
	_	99,812	126,623	15,022	25,043
Unsecured:	_				
Revolving credit 4	j	5,000	5,000	5,000	5,000
Revolving credit 5	k	5,000	10,000	5,000	10,000
		10,000	15,000	10,000	15,000
	_	109,812	141,623	25,022	40,043

29. Loans and borrowings (contd.)

		Group		Comp	oany
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Non-current					
Secured:					
Sukuk Murabahah	а	841,276	895,984	-	-
Term loan 1	С	58,581	73,787	-	-
Term loan 3	l	9,255	8,807	-	-
Bridging loan 2	f	-	19,400	-	-
Bridging loan 3	f	-	19,041	-	-
Obligations under finance leases (Note 30(a))	i _		22		22
	_	909,112	1,017,041		22
Total loans and borrowings	_	1,018,924	1,158,664	25,022	40,065

The remaining maturities of loans and borrowings as at 31 December 2017 are as follows:

	Group		Group Compar		oany
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	
On demand or within one year	109,812	141,623	25,022	40,043	
More than 1 year and less than 2 years	79,010	77,039	-	22	
More than 2 years and less than 5 years	255,718	288,143	-	-	
5 years or more	574,384	651,859			
	1,018,924	1,158,664	25,022	40,065	

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29. Loans and borrowings (contd.)

(a) Sukuk Murabahah

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

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

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

The Sukuk is secured over the following:

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

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

(i) to maintain a Finance Service Cover Ratio ("FSCR") of at least 1.20 times throughout the tenure of the Sukuk Murabahah to be duly confirmed by the external auditors based on the latest audited financial statements on an annual basis; and

29. Loans and borrowings (contd.)

- (a) Sukuk Murabahah (contd.)
 - (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) Bank overdraft

Bank overdraft is denominated in RM, bears interest at base lending rate ("BLR") + 1.25% per annum, and is secured by short-term deposit (Note 25(c)) and corporate guarantee provided by the Company.

(c) Term loan 1 and revolving credit 2

Term loan 1 consists of two term loans which are at bank's one-month effective cost of funds + 1.4% per annum and at bank's one-month effective cost of funds + 1.35% per annum. Revolving credit 2 of RM12.5 million is at effective cost of funds + 1.25% per annum.

These loans are secured by a fixed charge over the Group's four units of terrace shop offices (Note 13 and 15), leasehold land (Note 15), assignment over the project account and debenture over fixed and floating charge.

(d) Term loan 2

The term loan 2 is at 9% per annum. The loan has been fully settled during the year and ten units of terrace shop offices which were secured has been discharged.

(e) Bridging loan 1

The bridging loan 1's interest rate is at the bank's effective cost of funds + 1.75% per annum. The bridging loan are secured by a fixed charge over the Group's freehold land under development (Note 16), debenture over the Group's fixed and floating assets and corporate guarantee by the Company.

The loan has been fully settled during the year and is in the process of discharge.

(f) Bridging loan 2 and bridging loan 3

Bridging loan 2 is at profit rate: 12.00% per annum, effective cost of funds + 1.00% per annum. Bridging loan 3 is at profit rate: 12.00% per annum, effective cost of funds + 1.25% per annum.

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29. Loans and borrowings (contd.)

(f) Bridging loan 2 and bridging loan 3 (contd.)

Bridging loans are secured against first/third party first legal charge over part of the Group's leasehold land (Note 16), 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.

The loan has been fully settled during the year and the security is in the process of discharge.

(g) 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 (Note 16) together with the assignment of rental proceeds and corporate guarantee provided by the Company.

(h) Revolving credit 3

Revolving credit is at cost of funds + 2% per annum. In previous financial year, the loan was secured by a freehold land (Note 26) but was discharged during the year and being recharged with 5 units of terrace shop offices (Note 15).

(i) Obligations under finance leases

These obligation are secured by a charge over the leased assets (Note 13).

(j) Revolving credit 3

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

(k) Revolving credit 4

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

(l) Term loan 3

Term loan 3 is at 3.76% per annum. The loan is secured by a fixed deposit (Note 25), three penthouse unit located at Western Australia (Note 21), corporate guarantee provided by the Company and a deed of subordination.

30. Commitments

(a) Finance lease commitments

	Gro	ир	Com	pany
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Minimum lease payments:				
Not later than 1 year	23	45	23	45
Later than 1 year and not later than 2 years	-	22	-	22
Total minimum lease payment	23	67	23	67
Less: Amounts representing finance charges	(1)	(2)	(1)	(2)
Present value of finance lease liabilities	22	65	22	65
Present value of minimum payments:				
Not later than 1 year	22	43	22	43
Later than 1 year and not later than 2 years		22		22
	22	65	22	65
Less: Amount due within 12 months (Note 29)	(22)	(43)	(22)	(43)
Amount due after 12 months (Note 29)	_	22	-	22

The hire purchase and leasing payables of the Group and of the Company bear interests at the balance sheet date at flat rates of 2.5% (2016: 2.5%) and 2.5% (2016: 2.5%) per annum.

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30. Commitments (contd.)

(b) Operating lease commitments - as lessee

The Group and the Company have entered into operating leases on certain items of machinery and office premises, with lease terms between three and fifteen years.

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

	Gro	up	Com	pany
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Not later than 1 year Later than 1 year but not later	2,185	2,168	2,128	2,129
than 5 years	9,197	8,888	9,154	8,852
More than 5 years	23,694	26,080	23,694	26,080
	35,076	37,136	34,976	37,061

(c) Operating lease commitments - as lessor

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		
	2017 RM'000	2016 RM'000	
Not later than 1 year	2,413	4,410	
Later than 1 year but not later than 5 years	2,223	_	
	4,636	4,410	

31. Share capital, treasury shares and share premium

	lCompany		-Group and Co	mpany		}
	lNumber of ordinaryl \landsquare \range \landsquare \range \landsquare \range	rdinary		Amo	unt]
	Share capital (Issued and fully paid)	Treasury shares	Share capital (Issued and fully paid) RM'000	Share premium RM′000	Total share capital and share premium RM'000	Treasury shares RM'000
At 1 January 2016	278,644,716	(386,000)	278,645	104,302	382,947	(327)
Transactions with owners Issuance of ordinary shares: - Conversion of RCSLS	3,300	1	3	1	23	ı
At 31 December 2016 and 1 January 2017	278,648,016	(386,000)	278,648	104,302	382,950	(327)
Transactions with owners Private placement exercise	15,304,401	I	9,948	1	9,948	1
Transfer arising from "no par value" regime	ı	I	104,302	(104,302)	ı	ı
At 31 December 2017	293,952,417	(386,000)	392,898	1	392,898	(327)

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31. Share capital, treasury shares and share premium (contd.)

	Number of ord shares of RM1	-	Amoun	Amount	
	2017	2016	2017 RM'000	2016 RM'000	
Authorised:					
At 1 January/31 December	- 50	0,000,000	-	500,000	

(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.

The Company's issued and fully paid-up share capital comprises ordinary shares with a par value of RM1 each. The new Companies Act 2016 ("Act"), which came into operation 31 January 2017, introduces the "no par value" regime. Accordingly, the concepts of "authorised share capital" and "par value" have been abolished.

In accordance with the transitional provisions of the Act, the amount standing to the credit of the Company's share premium account has become part of the Company's share capital. This change do not have an impact on the the number of shares in issue or the relative entitlement of any of the shareholders.

However, the Company has a period of 24 months from the effective date of the Act to use the existing balances credited in the share premium account in a manner as specifed by the Act.

In the prior financial year, the Company increased its issued and paid-up ordinary share capital from RM278,644,716 to RM278,648,016 by way of the issuance of 3,300 ordinary shares of RM1 each arising from the conversion of 3,300 units of 5-year 6% Redeemable Convertible Secured Loan Stock ("RCSLS") of RM1 nominal value each.

During the financial year, the Company had undertaken a corporate proposal of private placement of up to 27,864,801 new ordinary shares representing up to ten percent (10%) of the total number of issued shares of the Company (excluding treasury shares).

On 7 September 2017, pursuant to a private placement, the Company had increased its issued and paid-up ordinary shares capital from RM278,648,016 to RM288,595,877 by way of the issuance of 15,304,401 ordinary shares of RM0.65 each.

31. Share capital, treasury shares and share premium (contd.)

(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 2017, the Company held as treasury shares a total of 386,000 of its 293,952,417 issued ordinary shares. Such treasury shares are held at a carrying amount of RM326,732.

32. Other reserves

	Warrant reserve (a) RM'000	Foreign currency translation reserve (b) RM'000	Total RM'000
Group			
At 1 January 2016	3,640	942	4,582
Other comprehensive income			
Foreign currency translation	-	(762)	(762)
Expiration of warrant reserves transferred to retained earnings	(3,640)	-	(3,640)
At 31 December 2016 and 1 January 2017	_	180	180
Foreign currency translation		884	884
At 31 December 2017	-	1,064	1,064
Company			
At 1 January 2016	3,640	-	3,640
Expiration of warrant reserves transferred to retained earnings	(3,640)	-	(3,640)
At 31 December 2016, 1 January 2017 and			
31 December 2017		-	-

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32. Other reserves (contd.)

(a) Warrant reserve

Warrant reserve relates to the fair value in relation to the issuance of RCSLS. In previous financial year, on 17 March 2016, the outstanding 32,852,830 units of right of warrants have matured and expired in pursuant to the terms and conditions stipulated in the Trust Deed and Deed Poll dated 28 January 2011.

(b) Foreign currency translation reserve

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.

33. Financial guarantees

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

- corporate guarantees of NIL (2016: RM200,000) given to suppliers in favour of credit terms granted to a former subsidiary;
- corporate guarantees given to banks of RM5,836,000 (2016: RM19,500,000) for credit facilities granted to subsidiaries; and
- corporate guarantees given to a financial institution of NIL (2016: RM1,800,000) for credit facilities granted to a former subsidiary.

34. Related party disclosures

(a) Sales and purchases of goods and services

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

	2017 RM'000	2016 RM'000
Group		
Construction projection management charged to MSM Sugar Refinery (Johor) Sdn. Bhd. (i)	-	(8,186)
Comprehensive facilities management fees to ultimate holding body	(8,430)	(8,172)
Advances from immediate holding company	-	(13,428)
Interest charged on advances from immediate holding company	693	714
Purchase of leasehold land from ultimate holding body (ii)	-	380,000
Sale of properties to directors	-	(2,199)
Legal service from a firm related to a director of the Company	125	24
Company		
Management fees charged to subsidiaries (iii):		
- Encorp Trading Services Sdn. Bhd.	(120)	(120)
- Encorp Must Sdn. Bhd.	(480)	(480)
- Encorp Systembilt Sdn. Bhd.	(600)	(600)
- Must Ehsan Development Sdn. Bhd.	(600)	(600)
- Encorp Development Sdn. Bhd.	(120)	(120)
- Encorp Iskandar Development Sdn. Bhd.	(600)	(600)
- Encorp Bukit Katil Sdn. Bhd.	(600)	-
- Encorp Strand Mall Sdn. Bhd.	(600)	(600)
- Encorp Construction & Infrastructure Sdn. Bhd.	(480)	(480)
- Encorp Facilities Management Sdn. Bhd.	(180)	(180)
Rental payable to subsidiary (iv):		
- Encorp Strand Mall Sdn. Bhd.	568	540
Interest charged to subsidiaries:		
- Must Ehsan Development Sdn. Bhd.	(261)	(673)
- Encorp Must Sdn. Bhd.	(223)	(172)
- Encorp Development Sdn. Bhd.	-	(20)
- Encorp Trading Services Sdn. Bhd.	(8)	(6)
- Encorp Construction & Infrastructure Sdn. Bhd.	(24)	(20)
Coupon payable on RCSLS charged to Must Ehsan Development Sdn. Bhd. (v)	(1,915)	(942)

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34. Related party disclosures (contd.)

- (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 Encorp Berhad by virtue of Felda's indirect equity interest of 17.2% in MSM Johor.
- (ii) Purchase of leasehold land measuring approximately 640.98 acres via wholly-owned subsidiary which is in the normal course of business and repayable over a period of thirteen (13) years commencing from year 2016 up untill 2029.
- (iii) The rendering of services to subsidiaries have been entered into in the normal course of business and are repayable on demand.
- (iv) The rental payable to the subsidiary has been entered into in the normal course of business and is repayable on demand.
- (v) 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 2017 and 31 December 2016 are disclosed in Notes 19 and 27.

(b) Compensation of key management personnel

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

	Gro	up	Com	pany
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Salaries and other emoluments Contributions to defined	1,395	1,254	1,393	1,252
contribution plans	167	146	167	146
Other staff related expenses	15	32	15	32
	1,577	1,432	1,575	1,430

34. Related party disclosures (contd.)

Included in the total remuneration of key management personnel is:

2017		Company	
	2016 20 '000 RM'00		
976	75.7	74 751	
		M'000 RM'000 RM'00	

35. Fair value measurements

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1

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

Level 2

Valuation techniques for which the lowers 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.

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

Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
-	-	194,000	194,000
-	-	120,740	120,740
_	118,331		118,331
-	118,331	314,740	433,071
		RM'000 RM'000	RM'000 RM'000 RM'000 194,000 - 120,740 - 118,331 -

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35. Fair value measurements (contd.)

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Group				
At 31 December 2016				
Investment properties (Note 15):				
- Shopping mall	-	-	206,000	206,000
- Terrace shop office	-	-	119,130	119,130
Financial assets:				
 Investment securities carried at fair value through profit or 				
loss (Note 24)	_	113,267	_	113,267
,	-	113,267	325,130	438,397
Company				
At 31 December 2017				
Financial assets:				
 Investment securities carried at fair value through profit or loss 				
(Note 24)	-	2,558	-	2,558
,	_	2,558	_	2,558
Company				
At 31 December 2016				
Financial assets:				
- Investment securities carried at fair value through profit or loss		1.5		1.5
(Note 24)		15 15	_	15 15
		15	_	15

35. Fair value measurements (contd.)

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	er 2017		
Shopping mall	Investment method	Allowance for void Term yield Reversionary yield rates	10% 6.5% 7%
Terrace Shop office	Market comparable approach	Different in location, time factor, size, land usage, tenure and main road	5% - 15%
At 31 December	er 2016		
Shopping mall	Investment method	Allowance for void Term yield Reversionary yield rates	15% 6.5% 7%
Terrace Shop office	Market comparable approach	Different in location, time factor, size, land usage, tenure and main road	2.5% - 7.5%

Shopping mall

A property's fair value is estimated using explicit assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. As an accepted method within the income approach to valuation, the investment method involves the projection of a series of cash flows on a real property interest which include estimating the current rental income that can accrue to the property if it is made available for letting based on the useful tenancy term in the open market. The future rental income takes into consideration the information and projections based on tenancy renewal terms as well as future market anticipation. To this projected cash flow series, an appropriate, market-derived discount rate is applied to establish the present value of the income stream associated with the real property.

The duration of the cash flow and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related lease up periods, re-letting, redevelopment, or refurbishment. The appropriate duration is typically driven by market behaviour that is a characteristic of the class of real property. In the case of investment properties, periodic cash flow is typically estimated as gross income less vacancy, non recoverable expenses, collection losses, lease incentives, maintenance cost, agent and commission costs and other operating and management expenses. The series of periodic net operating incomes, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

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35. Fair value measurements (contd.)

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, improvement made if any, surrounding development, facilities and amenities available.

Significant increases/(decreases) in estimated rental value and outgoings per annum in isolation would result in a significant higher/(lower) fair value of the properties. Significant increases/(decreases) in market yield and discount rate in isolation would result in a significantly lower/(higher) fair value.

Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and discount rate.

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	24
Cash and bank balances	25
Trade and other payables (non-current and current)	27
Loans and borrowings (non-current and current)	29

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 re-priced to market interest rates on or near the reporting date.

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

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

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

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35. Fair value measurements (contd.)

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

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.

36. Financial risk management objectives and policies

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

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

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

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36. Financial risk management objectives and policies (contd.)

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

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 bank balances 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.

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:

		Gro	ир		
	201	.7	201	16	
	RM'000	% of total	RM'000	% of total	
By industry sectors					
Concessionaire sector	866,712	96%	914,210	92%	
Property development sector	27,506	3%	76,559	8%	
Investment property	6,651	_*	5,548	_*	
Other sector	3,623	_*	2,059	_*	
	904,492	99%	998,376	100%	

^{*}Less than 1% of total receivables

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36. Financial risk management objectives and policies (contd.)

(a) Credit risk (contd.)

Financial assets that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is 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

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.

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.

	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
Group				
2017 Financial liabilities:				
Trade and other payables (excluding provision)	232,824	350,444	152,200	735,468
Loans and borrowings	216,785	771,087	615,160	1,603,032
Total undiscounted financial liabilities	449,609	1,121,531	767,360	2,338,500

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36. Financial risk management objectives and policies (contd.)

(b) Liquidity risk (contd.)

Analysis of financial instruments by remaining contractual maturities (contd.)

	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
2016				
Financial liabilities:				
Trade and other payables (excluding provision)	209,011	346,744	190,900	746,655
Loans and borrowings	235,873	691,680	885,160	1,812,713
Total undiscounted financial liabilities	444,884	1,038,424	1,076,060	2,559,368
Company 2017 Financial liabilities: Trade and other payables (excluding provision)	34,777	_	_	34,777
Loans and borrowings	26,485	_	_	26,485
Total undiscounted financial liabilities	61,262	-	-	61,262
2016 Financial liabilities:				
Trade and other payables (excluding provision)	41,339	-	-	41,339
Loans and borrowings	42,735	23	_	42,758
Total undiscounted financial liabilities	84,074	23	-	84,097

(c) Interest rate risk

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.

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36. Financial risk management objectives and policies (contd.)

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 profit net of tax would have been RM249,000 (2016: RM330,000) higher/lower, 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

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 RM4,741,000 (2016: RM5,635,000) 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 profit 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		
	2017 RM'000	2016 RM'000	
AUD/RM - strengthened 2% (2016: 3%)	(164)	(38)	
- weakened 2% (2016: 3%)	164	38	

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37. 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 dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2017 and 31 December 2016.

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 bank balances and investment securities. Capital refers to equity attributable to the owners of the parent.

	Gro	ир	Comp	oany
Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
29	1,018,924	1,158,664	25,022	40,065
27	533,692	543,711	34,880	41,440
29	(895,984)	(944,841)	-	-
25	(22,689)	(62,843)	(1,254)	(292)
24	(4,741)	(4,857)	-	-
24	(118,331)	(113,267)	(2,558)	(15)
	510,871	576,567	56,090	81,198
	402,291	422,002	342,527	345,008
	402,291	422,002	342,527	345,008
_	913,162	998,569	398,617	426,206
	56%	58%	14%	19%
	29 27 29 25 24	Note RM'000 29 1,018,924 27 533,692 29 (895,984) 25 (22,689) 24 (4,741) 24 (118,331) 510,871 402,291 402,291 913,162	Note RM'000 RM'000 29 1,018,924 1,158,664 27 533,692 543,711 29 (895,984) (944,841) 25 (22,689) (62,843) 24 (4,741) (4,857) 24 (118,331) (113,267) 510,871 576,567 402,291 422,002 402,291 422,002 913,162 998,569	Note 2017 RM'000 2016 RM'000 2017 RM'000 29 1,018,924 1,158,664 25,022 27 533,692 543,711 34,880 29 (895,984) (944,841) - 25 (22,689) (62,843) (1,254) 24 (4,741) (4,857) - 24 (118,331) (113,267) (2,558) 510,871 576,567 56,090 402,291 422,002 342,527 402,291 422,002 342,527 913,162 998,569 398,617

The Sukuk Murabahah has been excluded from the computation above as the Sukuk is secured by the assignment of the contract Concession Payments and the Project Escrow Account and the Sukuk do not have any financial recourse to the Group.

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38. Segment information

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

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

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

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

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

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38. Segment information (contd.)

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Per consolidated financial es statements RM'000	312,939	312,939		6,205	98,140	(860)	455	7,684	(10,390)	(35,004)		24,065	2,148,186	1,659,494
Notes	<	<						В				O		Ш
Adjustment and eliminations RM′000	- 70.00	(12,058)		(10,736)	(10,736)	(101)	I	(6,744)	(230)	(164)		ı	(782,007)	(474,933)
Others *	8,430	8,430		25	98	(5)	ı	134	1	(922)		17	4,414	31,200
Construction project management RM'000		1 1		1	23	1	ı	9	ı	(2,852)		ı	54,656	8,343
Investment property RM'000	5,548	6,943		4	8,243	(120)	I	404	(10,160)	(20,615)		ı	335,380	308,063
Property development RM′000	209,680	208,680		6/6/6	8,724	(77)	455	3,699	ı	(2,133)		23,992	1,111,331	813,536
Concessionaire RM'000	89,281	89,281		4,311	89,126	ı	ı	64	ı	3,416		ı	994,135	900,862
Investment and the provision of management services RM'000	- 530	10,663		2,622	2,665	(222)	ı	10,121	ı	(11,734)		56	430,277	72,423
	Revenue External customers	Total revenue	Results:	Interest income and distribution income	Interest expense	Depreciation and amortisation	Rental income	Other non-cash income	Fair value loss on investment property	Segment (loss)/profit	Assets:	Additions to non-current assets	Segment assets	Segment liabilities

^{*} Inclusive facilities management and other entities in property investment and food and beaverage.

Encorp Berhad (506836-X) (Incorporated in Malaysia)

38. Segment information (contd.)

Per consolidated financial statements RM'000			359,254	1	359,254		5,068	104,529	875	381	7,846	270	28,125		384,036	2,251,428	1,738,564
Notes				⋖								В			O		Ш
Adjustment and eliminations RM'000			I	(14,393)	(14,393)		(8,260)	(8,176)	101	I	I	(30)	33,665		I	(783,420)	(457,873)
Others* RM′000			8,172	I	8,172		12	278	2	1	06	1	(13,185)		86	5,937	6,628
Construction project management RM'000			8,186	1	8,186		I	20	ı	I	ı	I	775		ı	56,025	31,715
Investment property RM′000			7,233	1,424	8,657		ı	6,238	121	ı	356	300	(7,722)		1	345,618	297,172
Property development RM'000			241,899	1	241,899		7,158	8,836	78	381	7,390	1	49,775		383,912	1,132,686	816,022
Concessionaire RM'000			93,764	1	93,764		4,102	93,546	ı	ı	1	ı	3,396		1	1,038,977	949,098
Investment and the provision of management services RM'000			I	12,969	12,969		2,056	3,787	573	I	10	1	(38,579)		26	455,605	95,802
	2016	Revenue	External customers	Inter-segment	Total revenue	Results:	Interest income and distribution income	Interest expense	Depreciation and amortisation	Rental income	Other non-cash	Fair value gain on investment property	Segment (loss)/profit	Assets:	Additions to	Segment assets	Segment liabilities

^{*} Inclusive facilities management and other entities in property investment and food and beaverage.

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38. Segment information (contd.)

- 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	2017 RM'000	2016 RM'000
Other Income-Purchasers related income	6	47	7,302
Other income		3,037	544
Reversal of impairment on receivables		2,459	-
Gain on disposal of leasehold land		2,141	-
Gain on disposal of property, plant and equipment	_	-	56
		7,684	7,902
C Additions to non-current assets consist of:			
Property, plant and equipment	13	56	25
Intangible assets	14	17	-
Land held for property development	16	23,992	384,011
		24,065	384,036

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	2017 RM'000	2016 RM'000
Deferred tax assets	20	9,548	9,774
Tax recoverable		10,067	5,185
Inter-segment assets	_	(801,622)	(798,379)
		(782,007)	(783,420)

Encorp Berhad (506836-X) (Incorporated in Malaysia)

38. Segment information (contd.)

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	2017 RM'000	2016 RM'000
Current tax payable		99	1,391
Deferred tax liabilities	20	2,910	3,538
Inter-segment liabilities		(477,942)	(462,802)
		(474,933)	(457,873)

Geographical information

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

	Reve	nue	Non-curre	ent assets
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Malaysia	312,939	359,254	712,699	631,458
Australia			12,643	19,428
	312,939	359,254	725,342	650,886

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

RM'000 RM	1′000
Property, plant and equipment 13 6,258	6,878
Intangible assets 14 18,875 25	5,042
Investment properties 15 314,740 325	5,130
Land held for property development 16(a) 385,469 293	3,836
725,342 650	0,886

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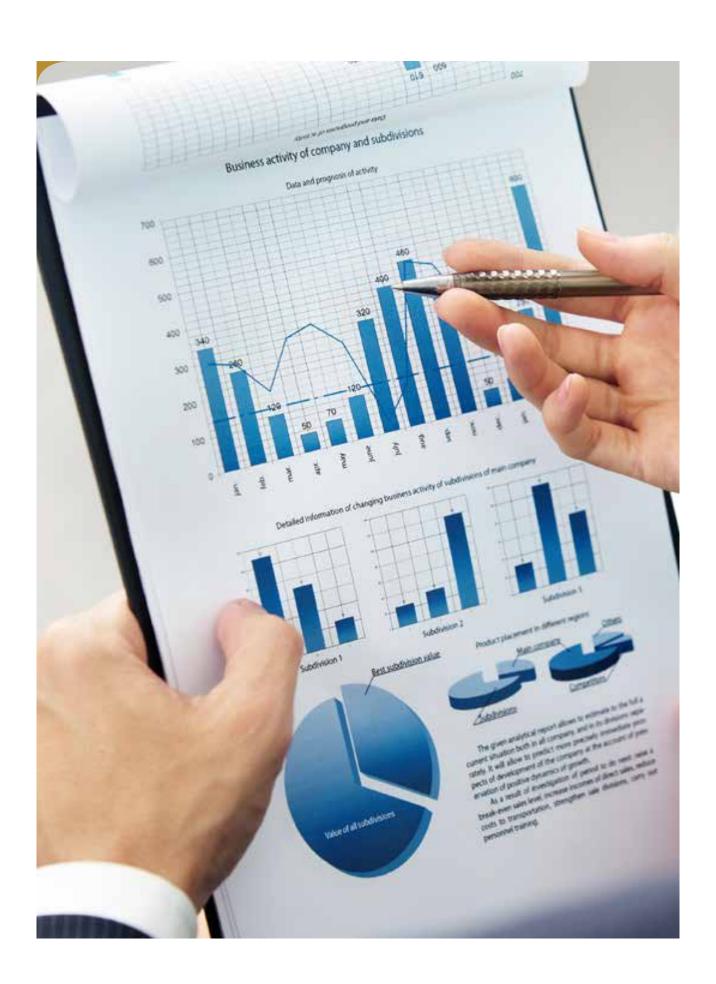
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39. Significant event

Encorp Bukit Katil Sdn Bhd ("EBKSB"), an indirect wholly-owned subsidiary of the Company had on 31 October 2016 entered into MOUs with Sinmah Development Sdn. Bhd., Tiong Nam Properties Sdn. Bhd. and Kean Leng Construction Sdn. Bhd. to jointly develop partial of land located within the Bukit Katil Land.

On 8 June 2017, EBKSB had entered into a joint venture and shareholders agreement in relation to the proposed joint venture between Sinmah Development Sdn. Bhd. and Sinmah Development JV Sdn. Bhd. ("SDJSB") and on the assignment of the developmental rights for 77.94 acres of land within a parcel of leasehold land measuring approximately 640.98 acres held under PN 43209, Lot No. 6934, Mukim Bukit Katil, District of Melaka Tengah in the State of Melaka by EBKSB to SDJSB for RM69,654,444 to be satisfied by cash and securities in SDJSB.

At of the date of this report, the transaction is pending completion as the conditions precedent have yet to be met.



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LIST OF PROPERTIES

LOCATION LAND	DESCRIPTION AND EXISTING USE	AREA (sq. m)	NET BOOK VALUE AS AT 31.12.17 (RM'000)	YEAR OF ACQUISITION
Completed Investment Proper	ty			
Red Carpet Avenue	29 units terrace shop offices	18,125	137,370	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	194,000	2013
Inventories				
PN 81890 Lot 4028 Bandar Shah Alam, Daerah Petaling, Selangor Darul Ehsan	am, Daerah Petaling, offices		1,171	2000
Garden Office, Kota Damansara, Selangor Darul Ehsan on PT 10563 HS(D) 251908, Mukim Sungai Buloh, Daerah Petaling, Selangor Darul Ehsan	45 units of office suites & 767 units of car park bay (99 years lease expiring on 14/11/2107)	19,087	51,788	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
PT 10562 HS(D) 251907, Mukim Sungai Buloh, Daerah Petaling, Selangor Darul Ehsan	36 units of residential apartment & 66 units of car park bay (99 years lease expiring on 14/11/2107)	5,545	30,013	2000
PN 82706 Lot 4775, PN 82726 Lot 4795, PN 82734 Lot 4803, PN 82739 Lot 4808, PN 82746 Lot 4815 & PN 82770 Lot 4839, Bandar Shah Alam, Daerah Petaling, Selangor Darul Ehsan	6 units of residential properties (99 years lease expiring on 31/03/2104)	1,068	3,467	2000

Oversea Inventories				
67 Canning Highway, Victoria Park, Australia being Lots 26, 27 & 28 on Strata Title Plan 633339	3 units of residential apartment (freehold)	1,187	17,244	2010
Properties Under Development	& Land Held for Develo	pment		
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	Residential Properties under construction (99 years lease expiring on 31/03/2104)	22,989	3,689	2000
PN 81966 - 81968 Lot 4102 - 4104, PN 81971 - 81973 Lot 4105 - 4107, PN 81975 - 81982 Lot 4108 - 4115, PN 81985 - 81992 Lot 4116 - 4123, PN 82093 - 82172 Lot 4211 - 4290, PN 82174 - 82178 Lot 4291 - 4295, PN 82186 - 82188 Lot 4296 - 4298, PN 82190 - 82193 Lot 4299 - 4302, PN 82251 - 82270 Lot 4362 - 4381, PN 82272 - 82280 Lot 4382 - 4390, PN 82282 - 82285 Lot 4391 - 4394, PN 82287 - 82294 Lot 4395 - 4402, PN 82296 - 82302 Lot 4403 - 4409, PN 82304 - 82309 Lot 4410 - 4415, PN 82315 Lot 4416 & PN 82317 - 82318 Lot 4417 - 4418, Bandar Shah Alam, Daerah Petaling, Selangor Darul Ehsan	Land held for property development (99 years lease expiring on 25/03/2104	29,599	4,727	2000

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PN 81947 - 81954 Lot 4084 - 4091, PN 81956 - 81965 Lot 4092 - 4101, PN 81994 - 82033 Lot 4127 - 4166, PN 82035 - 82041 Lot 4171 - 4177, PN 82042 - 82048 Lot 4179 - 4185, PN 82049 Lot 4187, PN 82051 - 82058 Lot 4189 - 4196, PN 82060 - 82063 Lot 4197 - 4200, PN 82083 - 82092 Lot 4201 - 4210, PN 82193 Lot 4302, PN 82196 - 82202 Lot 4307 - 4313 & PN 82204 - 822250 Lot 4314 - 4360, Bandar Shah Alam, Daerah Petaling, Selangor Darul Ehsan	Land held for property development (99 years lease expiring on 22/03/2104)	25,792	6,142	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, Lot 82653 - 82664 Lot 4718 - 4729, PN 82669 - 82670 Lot 4730 - 4731, PN 82671 - 82678 Lot 4744 - 4750, PN 82679 - 82689 Lot 4751 - 4761, PN 82707 - 82712 Lot 4776 - 4781, PN 82727 - 82732 Lot 4796 - 4801, PN 82747 - 82752 Lot 4816 - 4821 & 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 & 31/03/2104)	17,372	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
HS(D) 458136, PTD 166961, Mukim Pulai, Daerah Johor Bahru, Johor	Freehold land for property development	13,363	25,890	2012
Lot 6934, Title No PN43209, Mukim Bukit Katil, Daerah Melaka Tengah, Melaka	Leasehold land held for property development (99 years lease expiring on 27/01/2096)	2,594,000	380,000	2016
Overseas Properties Under Dev	elopment & Land Held f	or Developme	ent	
15 Tea Tree Close Cockburn Central, Perth, Australia	Freehold land held for property development	11,002	12,643	2012





SHAREHOLDINGS' INFORMATION

ANALYSIS OF SHAREHOLDINGS AS AT 21 MARCH 2018

Issued Share Capital : RM288,595,876.65 comprising 293,952,417 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	142	6.76	1,135	0.00
100 - 1,000	286	13.61	203,110	0.07
1,001 - 10,000	1,240	59.02	5,107,049	1.74
10,001 - 100,000	358	17.04	12,190,696	4.15
100,001 – less than 5% of issued shares	73	3.47	41,064,427	13.99
5% and above of issued shares	2	0.10	235,000,000	80.05
Total	2,101	100.00	293,566,417	100.00

INFORMATION OF SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholders	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
Felda Investment Corporation Sdn. Bhd.	197,069,226	67.13	-	-
Federal Land Development Authority	-	-	197,069,226 ^①	67.13
Anjakan Masyhur Sdn. Bhd.	40,000,000	13.63	-	-
Azhar Bin Mohd Awal	-	-	40,000,000 ^②	13.63
Azman Hanafi Bin Abdullah	-	-	40,000,000 ^②	13.63

- 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

	Shareholdings					
Directors	Direct No. of Shares	%	Indirect No. of Shares	%		
Hussein Bin Ismail	-	-	-	-		
Datuk Muzzammil Bin Mohd Nor	-	-	-	-		
Datuk Syed Zaid Bin Syed Jaffar Albar	-	-	-	-		
Datuk Haji Jaafar Bin Abu Bakar	-	-	-	-		
Dato' Feroz Bin A S Moidunny	-	-	-	-		
Abdul Rahim Bin Abdul Hamid	-	-	-	-		

LIST OF 30 LARGEST SHAREHOLDERS (as at 21 March 2018)

No.	Name	No. of Shares	%
1.	Amsec Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account — Ambank Islamic Berhad for Felda Investment Corporation Sdn. Bhd.	195,000,000	66.42
2.	Anjakan Masyhur Sdn. Bhd.	40,000,000	13.63
3.	Maybank Securities Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Fong Kiah Yeow (Margin)	4,671,400	1.59
4.	JF Apex Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Satvinder Singh (Margin)	3,862,700	1.32
5.	CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB Bank for Teh Swee Heng (MM1118)	2,331,600	0.79
6.	RHB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Mohd Isa Bin Ismail	2,170,000	0.74
7.	Felda Investment Corporation Sdn. Bhd.	2,069,226	0.71
8.	Datuk (Dr) Philip Ting Ding Ing	1,924,500	0.66
9.	Alliancegroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tan Kian Chuan (8059299)	1,834,100	0.62
10.	Maybank Securities Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Mahadi Bin Mahussein (Margin)	1,500,000	0.51
11.	Rosnah Binti Abd Majid	1,354,401	0.46
12.	Azman Bin Karim	1,081,000	0.37
13.	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Chew Pok Oi	1,060,400	0.36
14.	Abdul Aziz Bin Abdul Kadir	1,000,000	0.34
15.	Kenanga Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Vertical Sources Sdn. Bhd. (021)	930,000	0.32
16.	Yahya Talla	725,100	0.25

SHAREHOLDINGS' INFORMATION

No.	Name	No. of Shares	%
17.	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Stuart Saw Teik Siew	659,500	0.22
18.	Saw Wan Foon	600,000	0.20
19.	Mohd Isa Bin Ismail	511,700	0.17
20.	Amanahraya Trustees Berhad Amanah Saham Sarawak	500,000	0.17
21.	Tung Yoke Cheng	491,000	0.17
22.	Cimsec Nominees (Asing) Sdn. Bhd. CIMB Bank for Lim Geok Eng Mary (MY0955)	478,500	0.16
23.	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tan Kian Aik	471,500	0.16
24.	Tan Boak Wah	450,600	0.15
25.	Eng Chong Him	432,300	0.15
26.	Maybank Securities Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Zariner Binti Ismail (Margin)	425,600	0.14
27.	Alliancegroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Lim Geok Eng Mary	412,000	0.14
28.	Olive Lim Swee Lian	410,000	0.14
29.	Low Hock Boon	371,800	0.13
30.	Cimsec Nominees (Tempatan) Sdn. Bhd. CIMB Bank for Siow Wong Yen @ Siow Kwang Hwa (PBCL-0G0320)	342,000	0.12
	Total	268,070,927	91.31

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 12 April 2018, announced that it will be seeking shareholders' approval at the 18th 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 18th AGM of the Company to be held at Room Mutiara 3, Ground Floor, The Royale Chulan Damansara Hotel, No. 2, Jalan PJU 7/3, Mutiara Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan on Monday, 28 May 2018 at 3.00 p.m. The Notice of the 18th AGM of the Company and the Form of Proxy are enclosed in the Annual Report 2017 of the Company.

3. Details of the Proposed Renewal of Authority for Share Buy-Back

At the 17th AGM of the Company held on 14 June 2017, 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 18th 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 18th AGM and will expire at:

- (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 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.

SHAREHOLDINGS' INFORMATION

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 utilised 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 2017, the accumulated loss account of the Company stood at RM50.044 million.

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 21 March 2018 on the assumption that shares purchased from shareholders other than the Directors are set out below:

SHAREHOLDINGS' INFORMATION

		ed Renewal of hare Buy-Back	After Proposed Renewal of Authority for Share Buy-Back [®]		
	Direct	Indirect	Direct	Indirect	
Directors	No. of Shares	%	No. of Shares	%	
Hussein Bin Ismail	-	-	-	-	
Datuk Muzzammil Bin Mohd Nor	-	-	-	-	
Datuk Syed Zaid Bin Syed Jaffar Albar	-	-	-	-	
Datuk Haji Jaafar Bin Abu Bakar	-	-	-	-	
Dato' Feroz Bin A S Moidunny	-	-	-	-	
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 21 March 2018 on the assumption that shares are purchased from shareholders other than the substantial shareholders are set out below:

			enewal of Auth Buy-Back	nority	After Proposed Renewal of Author for Share Buy-Back #			ority
	Direct		Indirect	t	Direct		Indirect	
Substantial Shareholders	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Felda Investment Corporation Sdn. Bhd.	197,069,226	67.13	-	-	197,069,226	74.49	-	-
Federal Land Development Authority	-	-	197,069,226 ^①	67.13	-	-	197,069,226 ¹	74.49
Anjakan Masyhur Sdn. Bhd.	40,000,000	13.63	-	-	40,000,000	15.12	-	-
Azhar Bin Mohd Awal	-	-	40,000,000 [©]	13.63	-	-	40,000,000 ²	15.12
Azman Hanafi Bin Abdullah	-	-	40,000,000 [©]	13.63	-	-	40,000,000	15.12

- # 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 21 March 2018 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 21 March 2018	293,952,417
Treasury shares as at 21 March 2018 If maximum number of shares are purchased pursuant to the proposed share buy-back	(386,000) (29,009,241)
Issued and paid-up share capital as diminished, if the treasury shares are cancelled	264,557,176

SHAREHOLDINGS' INFORMATION

(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 2018 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 Rules on Take-Overs, Mergers and Compulsory Acquisitions, 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 Rules, 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 Rules 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 21 March 2018, 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 21 March 2018, the public shareholding spread of Encorp was 19.2%. 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 2017 to March 2018 are as follows:

YEAR/ MONTH	2017 APR	2017 MAY	2017 JUNE	2017 JUL	2017 AUG	2017 SEPT	2017 OCT	2017 NOV	2017 DEC	2018 JAN	2018 FEB	2018 MAR
(RM) HIGH	0.89	0.835	0.8	0.785	0.82	0.845	0.81	0.78	0.69	0.75	0.66	0.62
(RM) LOW	0.78	0.765	0.72	0.685	0.705	0.75	0.75	0.67	0.645	0.61	0.59	0.475

(Source: Bloomberg)

The last transacted price of Encorp shares on 21 March 2018, being the last practicable date prior to the printing of this statement was RM0.51.

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.

SHAREHOLDINGS' INFORMATION

15. Directors' Recommendation

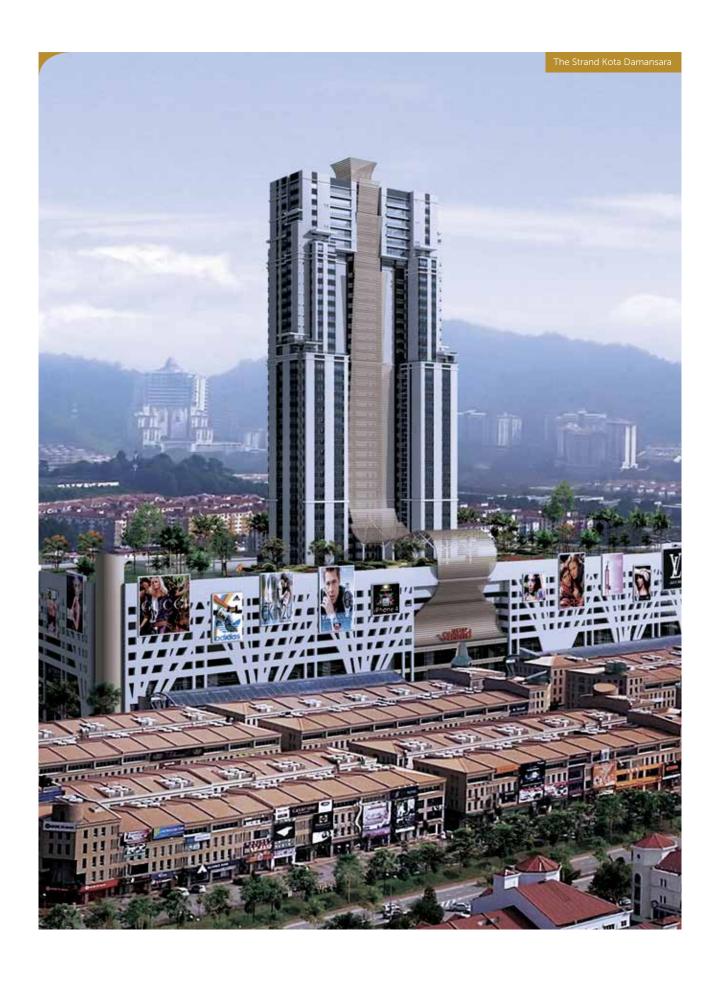
The Board of Directors recommends that you vote in favour of the Ordinary Resolution for the Proposed Renewal of Authority for Share Buy-Back to be tabled at the forthcoming AGM.

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 30 April 2018 up to and including the date of the AGM:

- (a) Constitution of Encorp; and
- (b) Audited financial statements for financial years ended 31 December 2016 and 31 December 2017.

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.







NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Eighteenth Annual General Meeting of ENCORP BERHAD will be held at Room Mutiara 3, Ground Floor, The Royale Chulan Damansara Hotel, No. 2, Jalan PJU 7/3, Mutiara Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan, on Monday, 28 May 2018 at 3.00 p.m., for the following purposes:

Agenda

As C	As Ordinary Business					
1.	To receive the Audited Financial Statements for the financial year ended 31 December 2017 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 RM800,000.00 for the financial year ending 31 December 2018, to be payable on a quarterly basis in arrears.	(Ordinary Resolution 1)				
3.	To approve the additional Directors' benefits of up to RM35,000.00 from 1 March 2018 until this Annual General Meeting of the Company.	(Ordinary Resolution 2)				
4.	To approve the Directors' benefits of up to RM170,000.00 from 29 May 2018 until the next Annual General Meeting of the Company.	(Ordinary Resolution 3)				
5.	To re-elect the following Directors who retire in accordance with Article 81 of the Constitution of the Company:					
	(a) YBhg Datuk Haji Jaafar Bin Abu Bakar (b) Abdul Rahim Bin Abdul Hamid	(Ordinary Resolution 4) (Ordinary Resolution 5)				
6.	To re-elect the following Directors who retire in accordance with Article 88 of the Constitution of the Company:					
	(a) Hussein Bin Ismail(b) YBhg Datuk Muzzammil Bin Mohd Nor(c) YBhg Datuk Syed Zaid Bin Syed Jaffar Albar	(Ordinary Resolution 6) (Ordinary Resolution 7) (Ordinary Resolution 8)				
7.	To re-appoint Messrs Deloitte PLT as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix the Auditors' remuneration.	(Ordinary Resolution 9)				

As Special Business

To consider and, if thought fit, to pass the following resolutions:

8. 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 Annual General Meeting of the Company."

(Ordinary Resolution 10)

9. 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 Annual General Meeting 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 Annual General Meeting 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 11)

10. 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 30 April 2018

"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 30 April 2018) 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 Annual General Meeting 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 Annual General Meeting 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,

given in accordance with the Companies Act, 2016.

By Order of the Board

Lee Lay Hong (LS 0008444)

Company Secretary

Selangor Darul Ehsan 30 April 2018 ANNUAL GENERAL MEETING

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 be put for voting.

2. Directors' Benefits

Additional Directors' benefits of up to RM35,000.00 from 1 March 2018 until this Annual General Meeting of the Company

The additional directors' benefits of up to RM35,000.00 is payable for meeting allowances from 1 March 2018 untill this Annual General Meeting. The Directors' benefits of RM130,000.00 approved by the shareholders at the Seventeenth Annual General Meeting ("17th AGM") of the Company held on 14 June 2017, was insufficient to pay for the meeting allowances held from 1 March 2018 untill this Annual General Meeting due to more meetings convened within that period of time.

<u>Directors' benefits of up to RM170,000.00 from 29 May 2018 until the next Annual General Meeting of the Company</u>

The total estimated amount of Directors' benefits payable to Non-Executive Chairman and Non-Executive Directors are calculated based on the number of scheduled Board's and Board Committees' meetings for the current financial year ending 31 December 2018 until the next Annual General Meeting and other benefits. This authority, unless revoked or varied by the Company in a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

3. Authority to Allot Shares Pursuant to Sections 75 and 76 of the Companies Act, 2016

The above Ordinary Resolution 10 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 10, if passed, will give authority to the Directors of the Company, from the date of the above Annual General Meeting, 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 Annual General Meeting of the Company.

The general mandate granted by the shareholders at the Seventeenth Annual General Meeting of the Company held on 14 June 2017 had been utilised for a private placement exercise which had been completed on 8 September 2017. The Company had issued 15,304,401 ordinary shares at RM0.65 each and raised proceeds of RM9,947,860.65 from the private placement exercise. The status of utilization of proceeds for the financial year ended 31 December 2017 is as follows:

	KM
Proceeds from Private Placement	9,947,860.65
Working Capital for Bukit Katil Project (1)	(1,109,136.00)
Expenses in relation to Private Placement	(300,007.00)
Balance c/f	8,538,717.65

DM

Note:

Proceeds from the private placement exercise were used to fund the initial works and 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").

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 11 is intended to renew the authority granted by the shareholders of the Company at the Annual General Meeting held on 14 June 2017. 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 12, 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, provision of comprehensive facilities management services, construction and property development works to related parties. The details of the proposal are set out in the Circular to Shareholders dated 30 April 2018 which is circulated together with the Annual Report 2017.

Notes:

- 1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 21 May 2018 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at this 18th AGM.
- 2. A proxy may but need not be a member of the Company.
- 3. 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.
- 4. 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.
- 5. 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.
- 6. 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.
- 7. The instrument appointing a proxy and the power of attorney or other authority, if any, must be deposited at the Registered Office of the Company at No. 45-1, Jalan PJU 5/21, Pusat Perdagangan Kota Damansara, Kota Damansara PJU 5, 47810 Petaling Jaya, Selangor Darul Ehsan not less than twenty-four (24) hours before the time set for holding the meeting or any adjournment thereof.

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 reelection) at the Eighteenth 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 248.

FORM OF PROXY

No. of Shares Held	
CDS Account No.	
Telephone No.	



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

100%

Teleph	one No.				(Incorpo	orated in Malaysia)		
* /We								
17 VVC _		(Full name as per NRIC/Certificate of	f Incorporation in CAPITA	AL letters)				
Compa	ny No./NRIC No. (new)	(old) _					
of		(Full Add	dress)					
		(Full Add						
being a r	nember of ENCOR	P BERHAD, hereby appoint						
	(5.1)		NRIC No	o. (new)				
		s per NRIC in CAPITAL letters)						
(old)		or failing *him/he	er(Full i	name as per NR	NRIC in CAPITAL letters)			
NRIC N	o. (new)	(old)						
Meeting 7/3, Muti *My/our (Please ir	("18th AGM") of the ara Damansara, 478 proxy is to vote as in adicate with an "X" in	man of the Meeting as *my/our proxy to v Company to be held at Room Mutiara 3, C 10 Petaling Jaya, Selangor Darul Ehsan on ndicated below: In the appropriate boxes how you wish you proxy shall vote as he/she thinks fit, or at hi	Ground Floor, The Roy Monday, 28 May 2018 Our vote to be cast. If yo	ale Chulan Dar 3 at 3.00 p.m. a u do not indica	mansara H and at any ate how y	Hotel, No. 2, Jalan PJU adjournment thereof.		
No.	Ordinary Reso	lutions			For	Against		
1.	Approval of Directors' Fees of up to RM800,000.00 for the financial year ending 31 December 2018, to be payable on a quarterly basis in arrears.							
2.	Approval of additional Directors' benefits of up to RM35,000.00 from 1 March 2018 until this Annual General Meeting of the Company.							
3.	Approval of Directors' benefits of up to RM170,000.00 from 29 May 2018 until the next Annual General Meeting of the Company.							
4.	Re-election of	YBhg Datuk Haji Jaafar Bin Abu Bak	ar as Director.					
5.	Re-election of	Abdul Rahim Bin Abdul Hamid as D	irector.					
6.	Re-election of	Hussein Bin Ismail as Director.						
7.	Re-election of	YBhg Datuk Muzzammil Bin Mohd	Nor as Director.					
8.	Re-election of	YBhg Datuk Syed Zaid Bin Syed Jaf	far Albar as Directo	r.				
9.	Re-appointment of Messrs Deloitte PLT as Auditors and authority to the Directors to fix the Auditors' remuneration.							
10.	Authority for Directors to Issue Shares pursuant to Sections 75 and 76 of the Companies Act, 2016.							
11.	Proposed renewal of authority for share buy-back.							
12.	Approval of Proposed Shareholders' Mandate as specified in Section 2.3 of the Circular to Shareholders dated 30 April 2018.							
Dated t	his day of	2018	_					
	day 01 .		For appointment shareholdings to					
				No. of sh	nares	Percentage		
			Proxy 1					
 Signature(s)/Common Seal of Member(s)			Proxy 2					

Total

Notes:

- 1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 21 May 2018 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at this 18th AGM.
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- 3. 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.
- 4. 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.
- 5. 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.
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(Fold here)



The Company Secretary

Encorp Berhad (506836-X) No. 45-1, Jalan PJU 5/21, Pusat Perdagangan Kota Damansara, Kota Damansara PJU 5, 47810 Petaling Jaya, Selangor Darul Ehsan





45G, Jalan PJU 5/21, Pusat Perdagangan Kota Damansara, Kota Damansara PJU 5, 47810 Petaling Jaya, Selangor Darul Ehsan.

