

ENTHUSING GROWTH

ANNUAL REPORT 2016

ENCORP
Strand
MALL



COVER RATIONALE

Change is inevitable. It has always been part of every process and progress throughout any organisation's growth. The only change that ENCORP believes in is advancement and improvements. It is the idea of enthusing towards growth that has kept us consistent throughout the experience of being within the property development industry. Goals and achievements for the organisation is equally rewarding as the opportunities and the journey earning them. It is the passion of betterment and innovation that encourages us to heighten our aspiration as an organisation. For being enthusiastically determined, we maintain to pursue for our customers' interests into ideal quality of our innovative products and services that enhances the lives around us.

VISION

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.

MISSION

EB Good 2 Great From Now!

CORE VALUES

Ethical

We will always do the right thing.

Relationship

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

Success

We will work hard to ensure ENCORP BERHAD 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.

ENCORP VALUES



FINANCIAL CALENDAR

Announcement of Quarterly Results

29 April 2016

Announcement of the audited year end 2015 Profit Before Tax as RM25.5 million.

11 May 2016

Announcement of the first quarter of 2016 unaudited Profit Before Tax as RM0.9 million.

23 August 2016

Announcement of the second quarter of 2016 unaudited Profit Before Tax as RM15.1 million.

21 November 2016

Announcement of the third quarter of 2016 unaudited Profit Before Tax as RM6.3 million.

17th Annual General Meeting

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 Wednesday, 14 June 2017 at 3.00 p.m.

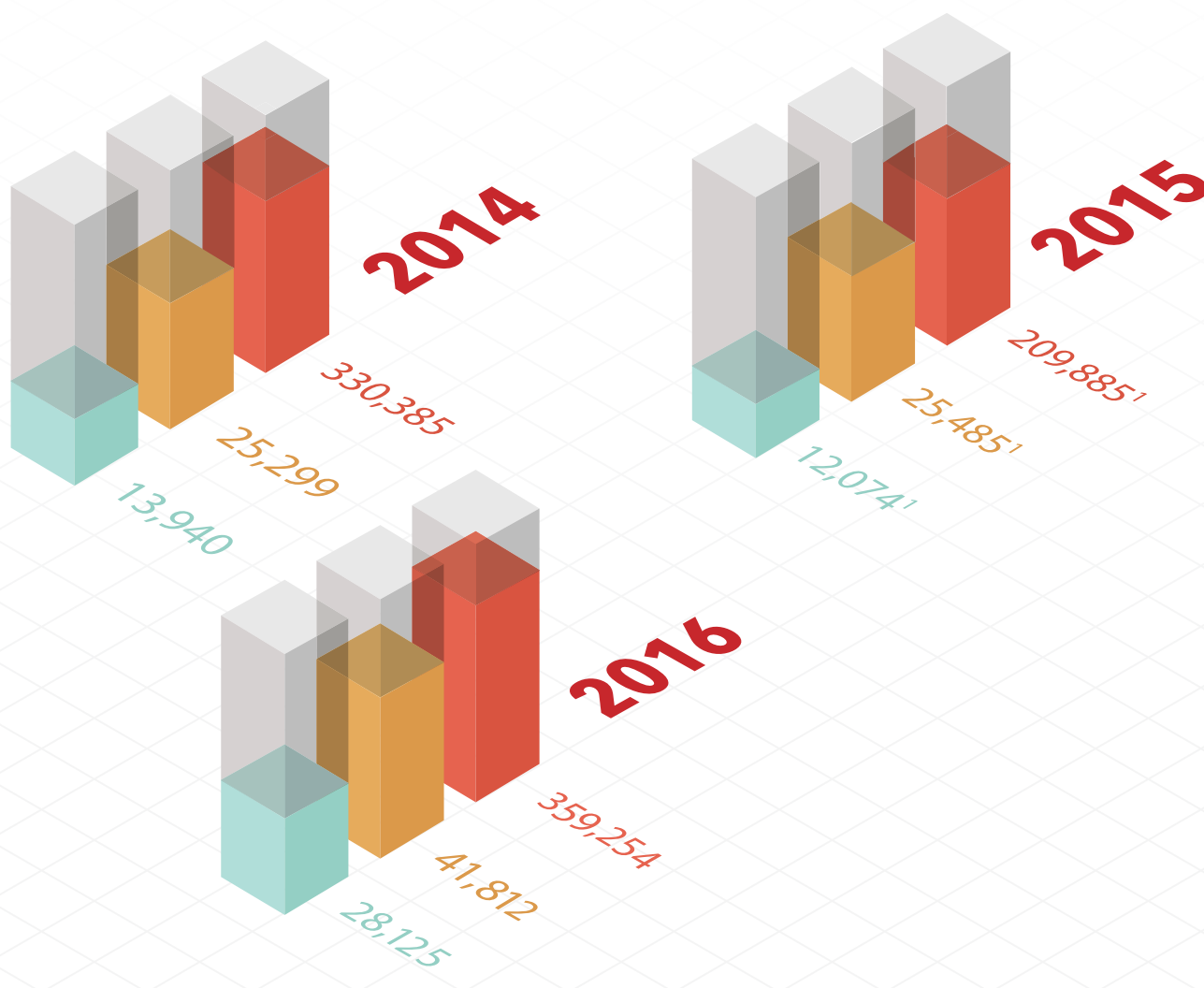
FINANCIAL HIGHLIGHTS

As at 31 December 2016

Revenue (RM'000)

Profit Before Tax (RM'000)

Profit After Tax (RM'000)



Shareholders' Funds
RM422.0 million

Earnings Per Share
10.19 sen

Net Assets Per Share
RM1.51

Notes:

¹ Excluding results from discontinued operation (as disclosed in Note 12 of the Audited Financial Statements).

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Encorp Strand Residences is built just above the Strand Mall. Characterised by French architectural style, the 38-storey residential tower will exude comfort, security and luxury with panoramic views. Redefines convenient living with shopping, dining entertaining and business features conveniently located in one complete lifestyle centre.



MANAGEMENT PERSPECTIVE



Chairman

YB Tan Sri Haji Mohd Isa
Dato' Haji Abdul Samad

MESSAGE FROM THE CHAIRMAN

Dear Valued Shareholder,

In 2016, Encorp Berhad continued its work towards progress and transformation as established in previous years. We pursued positive change and enthused growth in all our activities, meeting our promises and delivering value for our shareholders by remaining focused on our business priorities and core values.

OVERVIEW

For the Financial Year (FY) ended 31 December 2016, Encorp recorded revenue of RM359.3 million, which was an improvement over our FY2015 revenue of RM209.9 million and FY2014 revenue of RM330.4 million.

Our financial results provide positive signs that our strategies in 2014 and 2015 have begun to bear fruit and that our work towards generating sustainable returns for our shareholders remains on the right track. We are continuously and aggressively pursuing new land banks even as we gear up to deliver on the Bukit Katil development, and with revenue trends having returned towards growth I am confident that our efforts to consolidate and maximise our strengths will provide satisfactory results in FY2017.

A GROWING ENCORP

Encorp's mission and central philosophy is its commitment to delivering value-added innovative products and services that enrich the lives of all its stakeholders. For more than 16 years, Encorp has steadily built a reputation for excellence in the quality and value of our products and services as well as in our pursuit of innovation.

We remain guided by the principles of Quality, Standards, Value and Services (QSVS) and we will continue to focus on our core values which have served us so well: ethical business practices, enhancing our relationships with our customers, striving for success in all our undertakings, and continuously learning and improving ourselves.

In 2016, the business transformation journey that the Group embarked on in 2014 began to yield encouraging results. Our stated goal was to strengthen our organisational processes

and procedures to develop better capacity and capability for all members of the Encorp family. We renewed our emphasis on organisational accountability as an intrinsic part of the Encorp Group of Companies, whether in governance, policies, leadership or employee culture, and we put in place a strong management team that worked towards ensuring business sustainability in an increasingly competitive and globalised environment.

We continued with this transformation over the course of the year, embedding sustainability within the organisation through prudent risk management and regulatory compliance to reduce existing vulnerabilities as well as anticipate new business risks. We also continued to promote innovation and we worked to attract new customers by focusing on sustainability-driven innovation in our products and services, which has helped to create a niche market in which we have a competitive advantage. At the same time, we also strove to secure capital by attracting new investment while improving productivity as well as cost optimisation. The efficiencies arising from closer monitoring and effective cost controls have had positive impacts on our performance for the year.

Key factors of our 2016 performance were the higher progress of works achieved by the Encorp Marina Puteri Harbour development in Johor, a mixed luxury condominium with 87% units sold; the completion and handover of the Encorp Strand Residences in Kota Damansara, a serviced residence apartment with 86% units sold; the progress of works from Akasia 1, a two-storey superlink homes with 84% units sold; as well as positive contributions from our facilities management, investment property and construction management businesses.

MANAGEMENT PERSPECTIVE

Encorp's ongoing collaboration with the Federal Land Development Authority (FELDA) - especially in the area of developing future land banks - began to take root with the proposed development of an integrated township composed of residential and commercial projects in Bukit Katil, the Tengah District of Melaka. The Bukit Katil development involves 640.98 acres of leasehold land, and terms were finalised in an agreement between FELDA and Encorp on 20 January 2016.

In 2017, we look forward to the launch of the first phase of the Bukit Katil project as well as the launch of both Dahlia (composed of 171 units of two-storey link homes) and our Rumah Selangorku contribution at Encorp Cahaya Alam. Also in the pipeline are prospects for new private and public construction management tenders and facilities management contracts. We will of course maintain our efforts to enhance our commercial and industrial land banks by aggressively exploring new opportunities.

At the Group level, the management team remains committed to our strong corporate code of ethics for corporate governance, accountability and transparency. During FY2016 Encorp Berhad held six Board meetings and one Annual General Meeting. We have also engaged an investor relations consultant to enhance investor relations activities for 2017, identify strategies to improve value for our shareholders and promote Encorp as the investment vehicle of choice in Malaysian property development.

We are confident that the cumulative measures undertaken in FY2016 and previous years will continue to strengthen our prospects for sustainable growth and profitability in the future.

FINANCIAL PERFORMANCE

Delivering on promises from 2014 and achieving steady progress in 2015, Encorp continued to provide sound financial returns to its shareholders. Profit after tax (PAT) for 2016 was RM28.1 million, RM5.7 million in 2015 and RM13.9 million in 2014. Earnings per share was valued at 10.19 sen, net assets per share was RM1.51 and shareholders' funds stood at RM422.0 million.

DIVIDENDS

Delivering sustainable earnings and consistent value to our shareholders remains our priority at Encorp. We plan to declare dividends for our shareholders within the near future, on a basis commensurate with the profitable and sustainable growth of our Group of companies.

ENCORP'S PROGRESS

Encorp remains committed to transforming from a medium-sized company into a key player in property development. In this light, property development will remain Encorp's primary activity but we also believe there is great potential in construction management and facilities management. A key focus for the Group's property division in 2017 will be the Bukit Katil development.

In this regard, we signed a Memorandum of Understanding in late 2016 with several potential joint-venture partners and prepared submissions for approval while finalising concepts and branding as well as concluding comprehensive studies on the development. In 2017 we expect to formalise joint-venture agreements with our partners, reveal the development masterplan and branding, and launch the first phase of the development. Separately, we are also planning to launch new projects at Encorp Cahaya Alam, namely including Dahlia (composed of 171 units of two-storey link homes) as well as homes under the state government's Rumah Selangorku initiative.

In 2017 overall, our team will continue to innovate and enhance our range of property development products and services. We will continue to strive towards becoming the developer of choice with a reputation for high-quality products and services that enrich the lives of our customers.



AWARDS AND ACCOLADES

In 2016 Encorp continued to build on its reputation for quality, which we have been nurturing since our establishment in 2000. Over the course of the years, we have been recognised repeatedly for our consistently high standards both in our products as well as in developing the skills and capabilities of our employees. In 2016 Strand Mall won the Jury Category of the Universal Design Award 2016, which is part of an initiative by Majlis Bandaraya Petaling Jaya to ensure that all buildings in the city are accessible and disabled-friendly. Encorp Strand also won as the finalist for the iProperty.com People's Choice Awards 2016 in the Best Mixed Development Category.

Other achievements in 2016 also help testify that Encorp remains on the right track in its property development and construction management: the mock unit for Akasia 1 (composed of two-storey superlink homes), Encorp Cahaya Alam, received an 81 per cent score in the Construction Industry Development Board's (CIDB) High Quality Assessment System in Construction (Qlassic) category. Also, Encorp Construction & Infrastructure Sdn Bhd successfully renewed its CIDB Certification at the G7 Grade for two years, allowing it to undertake civil engineering and building construction works with no tender limit. Encorp Trading Services Sdn Bhd achieved the G7 grade in the CIDB M15 category, which allows the company to undertake mechanical and electrical works, also with no tender limit and successfully attained G7 grade in the CIDB CE20 category as well as Type CI grade by the National Water Service Commission, which allows the company to undertake construction, installation or renovation (including hot tapping) to the water supply system works.



MANAGEMENT PERSPECTIVE**OUTLOOK AND PROSPECTS**

We believe that global economic conditions in 2017 will remain mostly unchanged from 2016: crude oil prices will remain low while trade sentiment is likely to stay moderate due to policy uncertainty in the United States. Within Malaysia, Bank Negara Malaysia expects a slight improvement in gross domestic product (GDP) growth to 4.3 - 4.8 per cent for 2017 (over 4.2 per cent in 2016), and there are early signs of growth in some areas of the property industry. However, we expect overall conditions to be challenging, with bank lending rules remaining tight and oversupply persisting in some sub-sectors.

In this light, Encorp will continue pursuing its strategy of innovation to deliver new products and concepts that will enhance customers' lives and experiences. The Group will also examine opportunities to acquire new land banks and properties, and will look to enter joint ventures in property development and related areas, particularly construction management as well as retail mall and facilities management. With these strategies in place, we are optimistic that we will continue to deliver positive returns to our shareholders in the coming year.

APPRECIATION

In closing I would like to thank my colleagues on the Board of Directors for their continued support, advice and assistance which have enabled me to discharge my responsibilities in bringing the Group forward. I also wish to thank the management team for its shared passion and unwavering dedication in delivering their best efforts for our growth and expansion.

It gives me great pleasure to present Encorp's Annual Report for 2016. Thank you to all of you.

Chairman

YB Tan Sri Haji Mohd Isa Dato' Haji Abdul Samad

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Encorp was founded in March 2000 and was listed on the Main Market of Bursa Malaysia Securities Berhad on 11 February 2003. In 2014, the Federal Land Development Authority (FELDA) acquired 72.29% of Encorp shares through its investment arm, Felda Investment Corporation Sdn Bhd (FIC). FIC current ownership in Encorp stands at 70.82%.

Encorp has since been leveraging on this strategic relationship with FELDA for new collaborative opportunities and is constantly seeking for new areas of synergy. During the year, Encorp has secured approximately 640.98 acres of land bank with a total estimated Gross Development Value of RM3.2 billion.

Since its inception, the Encorp Group of Companies have expanded its footprint across Malaysia and in Australia for its property development sector. Encorp's property portfolio boasts an award-winning development which comprises of commercial and residential components. Encorp has two projects which are still on-going as of the date of this annual report.

With the Group's slightly diverse portfolio, property development still remains the Group's core business. Property development for the Financial-Year-Ended 2016 (FY2016) has contributed approximately 68% to the total revenue while Construction Management, Investment Property and Facilities Management have contributed approximately 2% of revenue respectively. The balance of revenue contribution of 26% is from Concession Income.

With comparison to the Financial-Year-Ended 2015 (FY2015), Encorp has remained profitable and saw a 71% rise in revenue, 64% rise in profit before tax and a 396% increase in profit after tax. The Group is aggressively pursuing new growth opportunities to deliver sustainable earnings and consistent value to the shareholders.

Encorp has a total workforce of 154 employees within the Group, with a diversity ratio of 53% men and 47% women.

REVIEW OF FINANCIAL RESULTS AND CONDITIONS

Revenue

Part of the increase in the Group's revenue for FY2016 is due to the newly establish facilities arm, Encorp Facilities Management Sdn Bhd (EFMSB). During the year, EFMSB has secured a three-year contract for facilities management services at Menara FELDA, Kuala Lumpur. The company has also managed to secure a one-year contract to manage the facilities at Encorp Strand Residences, which is a 38-storey serviced apartment development.

The Group's increase in revenue is also due to the increase in work progress from our Encorp Marina Puteri Harbour project. The increase of this work progress is contributed from the improvement in certain key areas such as revamping the construction sequence, constantly reviewing areas of priority, establishing a weekly site progress monitoring system and ensuring that competent contractors with proven track records were appointed to undertake the projects.

Gearing

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

Net debt is the combination of loans and borrowings (which excludes Redeemable Convertible Secured Loan Stocks (RCSLS) and Sukuk Murabahah), trade and other payables, minus off cash and bank balances and investment securities. Capital however is the combination of RCSLS and equity attributable to the owners of the parent.

The gearing for the group computed via this method is 0.58 for FY2016 and 0.39 for FY2015. This represents an increase of 0.19.

The increase is because of the increase in trade payables. In FY2016 the Group's Trade and other payables is RM543.7 million however for FY2015 the Group's Trade and other payables is RM153.3 million. This is an increase of RM390.4 million or 255% and the bulk of this increase is attributable from the acquisition of the Bukit Katil land in Melaka Tengah.

MANAGEMENT PERSPECTIVE

The reason for using this gearing method is so that the Group is able to show its net debt position. The Group takes the assumption that trade and other payables are a form of borrowing hence it is taken into account when computing the net debt position. RCSLS however is deemed as an equity as it is convertible and thus it is taken into the equity portion of this gearing method.

If loan and borrowings (including RCSLS and Sukuk Murabahah) amount was used instead to compute gearing, the gearing would be much higher. This is because the Sukuk Murabahah represents approximately 82% (FY2016) and 80% (FY2015) of the Group's total loan and borrowings.

Gearing therefore computed with the Sukuk Murabahah amount would not be reflective of the Group's true gearing position as 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.

Notwithstanding the above, the following illustration shows the Group's adjusted gearing if the Sukuk Murabahah amount was taken out from the total loan and borrowings amount.

	2016 RM'000	2015 RM'000
Loan and Borrowings (without Sukuk Murabahah)	213,823	243,602
Equity*	339,547	314,445
Total Debt and Equity	553,370	559,088
Adjusted gearing	0.39	0.44

*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 Encorp Systembilt Sdn. Bhd.

REVIEW OF OPERATING ACTIVITIES

For FY2016, Encorp had focused its main operating activities on its flagship property development projects in Shah Alam, Kota Damansara and in Johor. These activities included both the sale and development of residential and commercial units as well as commercial tenancies.

Development updates

ENCORP CAHAYA ALAM is a low-density township situated on 209 acres of prime land in Shah Alam with a Gross Development Value of RM1.1 billion that features modern design, integrated amenities and conscientious town which includes a beautiful linear park that spans 800 metres forming a green spine for the development. The development is also enhanced by its close proximity to shopping and service facilities.

The first phase of the Akasia development in Encorp Cahaya Alam consists of 122 units of two-storey superlink homes developed on 19 acres and priced from RM882,000 onwards. Sales for this project have been positive as 84% of the homes were quickly snapped up since its launch in August 2015.



ENCORP MARINA PUTERI HARBOUR is located on 3.3 acres in Nusajaya within the coveted Iskandar Malaysia development region with a Gross Development Value of RM656 million. A mixed luxury condominium of 571 units and a retail of 25 units development designed by the renowned architects CPG of Singapore.

Encorp Marina Puteri Harbour features a variety of luxury facilities including four themed swimming pool decks, tennis courts and a children's playground, a chipping golf green and multi-level security for residents. Since its launch, 89% of the residential units and 36% of the retail units have been sold.



ENCORP STRAND KOTA DAMANSARA is located in Petaling Jaya's most prestigious and fastest-growing district. Situated on more than 45 acres of premium real estate, the Gross Development Value of RM1.3 billion consists of 265 business suites, 150 retail outlets, 14 blocks of self-contained garden offices and 278 stunningly-appointed serviced residences. The development was shortlisted as one of Finalist of Best Mixed Development at the iProperty.com People's Choice Awards in 2016, Highly Commended Award at the Asia Pacific Property Awards in 2011 as well as the inaugural The Edge-PEPS Value Creation Award in 2010.

The **ENCORP STRAND RESIDENCES** are integrated smart homes in a serviced residence environment that offer three-tier security systems, integrated home control from mobile devices as well as a host of amenities including a sunken tennis court, a children's covered playground, integrated fitness facilities, a putting green and par course, and more. Encorp Strand Residences gained its Certificate of Completion and Compliance in November 2016 with a balance of 14% available units for sale and remains a sound investment, registering a 17.7% rise in value over FY2015 - FY2016.







MANAGEMENT PERSPECTIVE

The **STRAND MALL**, located at the heart of Encorp Strand Kota Damansara, offers cutting-edge retail spaces with a net lettable area of 245,293 sq ft over four levels and 2,133 covered car park bays as well as ample outdoor parking. Its nucleus is the street-level Red Carpet Avenue (RCA) - a freestanding dining and entertainment platform that stands 90ft wide and 800ft long with a total area of 187,386 sq ft.

As at 31 December 2016, 57 units within the mall and 71 units along the RCA (i.e. 57.5% of total net lettable area) were tenanted. In 2016 Encorp has leased out 26,367 sq ft of retail space within Strand Mall and RCA to new tenants including New Market, Longwan Signature and Electronaid Computers. This represented 10% of the Nett Lettable Area (NLA).

During FY2016, RCA hosted several major flagship events - the RCA offers a large and versatile covered outdoor space and remains an attractive event venue which has drawn more than 58,028 visitors to its unique, flagship events. Strand Mall has established itself as the go to venue for popular fitness, music, food and family themed events.

FY2016 also marked the key handover of the Encorp Strand Residences and residents to move in as well as the launch of the MRT station located near the mall. Strand Mall's premium design and exclusive facilities featuring a striking surau, makeup room and restrooms on every floor.

Event	Brief description
	<p>Juggernaut</p> <p>Malaysia's premier CrossFit competition at international standards with participation from more than 20 countries. This was the third time the event was held at the Encorp Strand Mall and it is now one of the mall's signature annual events.</p>
	<p>Shape Fitness Festival</p> <p>This was Shape magazine's first fitness festival with a successful turnout of more than 800 participants and support from more than 20 well-known fitness brands. The mall obtained substantial media coverage and the event is now being established as an yearly fitness festival which will return on the 15th of July 2017.</p>
	<p>Islamic Tourism Fair, MATTASelangor</p> <p>The Islamic Tourism Fair organised by MATTASelangor was aimed at promoting halal and Muslim-friendly international and local travel packages and services.</p>
	<p>Vape Gasm 2.0 & Foodie Fest</p> <p>A regular feature at the Red Carpet Avenue Vape Gasm brings together thousands of vape fans and features hundreds of local and international brands along with live musical performances and contests. The event also coincides with the well-known Foodie Fest which highlights the best of trending Malaysian street food.</p>



Dapur Propa

A two-day food and entertainment bazaar supported by Digi, PKNS and highlights included food trucks as well as jam-packed entertainment by Cat Farish and popular buskers.



Selangor Music Festival

The Selangor State Government's first and biggest programme that brought together popular music acts, creating a platform for the youth to showcase their musical talent. The two-day programme featured the festive 3 kilometre Colour Melody Run.

Looking to the future, Encorp will seek to transform Strand Mall into a vibrant lifestyle neighbourhood mall. At present, the management team is in the midst of strengthening the mall's branding and value proposition with the goal of differentiating it from other shopping malls in the vicinity and attracting more tenants who will in turn contribute towards the overall value of the development.



Selangor Music Festival - Colour Melody Run



Shape Fitness Festival

MANAGEMENT PERSPECTIVE

Strategies and initiatives

FY2016 marked the first year of handover of properties to customers under the new management of Encorp. With consumers today facing an array of property choices vying for their attention, Encorp must develop a unique customer relationship standard to retain a healthy market share.

To welcome customers at handover events, Encorp has established Product Handing Over team to provide property care and support services to customers and to resolve issues on site. Our ultimate aim is to assure Encorp customers that they will have a fulfilling experience whether they are building a home or an office, or renting retail space.

We also paid particular attention in generating innovative products and concepts that would continue to contribute to our business success in the future. The underlying thrust of our innovations is to make the most of current opportunities as well as to discover new opportunities that are likely to emerge in the future.

In developing new product innovations, we strive not just to respond to current customer needs but also to anticipate future trends, generating the necessary ideas, products and services to help us stay ahead of market competition and improve our sales for FY2017 and beyond.

PROSPECTS AND RISKS FOR 2017

The Board of Directors is of the view that the outlook for the property industry in FY2017 will likely remain challenging due to a combination of global factors such as depressed oil prices, rising US interest rates and continuing policy uncertainty in Washington, tighter currency controls in China as well as generally weaker global trade sentiment. Within Malaysia, the pressure on the ringgit and our exposure to the oil and gas and commodities markets have resulted in a conservative attitude among local property investors that is likely to continue into FY2017.

Despite this, Encorp remains positive on its prospects for an exciting year ahead as we roll out new property development launches, particularly Dahlia (composed of 171 units of two-storey link homes) and the Rumah Selangorku initiative at Encorp Cahaya Alam. We have also signed a Memorandum of Understanding with Kean Leng Construction Sdn Bhd, Sinmah Development Sdn Bhd and Tiong Nam Properties Sdn Bhd and in the midst of finalising the joint-venture partnerships to begin the first phase of construction for the Bukit Katil development, which involves the development of an integrated residential-commercial township sited on just over 640.98 acres in Melaka Tengah.

We continue to identify new land banks for development while Encorp Facilities Management Sdn Bhd plans to expand its operations. Our new investor relations consultant will also implement strategies in FY2017 to grow our investor relations profile, identify new paths to improve shareholder value and promote Encorp Berhad as the investment of choice in Malaysian property development.



* Illustrations are merely artist's impressions only



Encorp Strand Garden Office is a leasehold luxury garden office in town, incorporating greenery into work life. These gorgeous offices are located in the prime area of Kota Damansara, were designed and built with a host of innovations to create value for purchasers and tenants. The unique sky bridges with individual glass lift adds a touch of class and give natural light to interior spaces. The perfect interpretations of modernist architecture that pay tribute to timeless design and complements the natural environment.



LEADERSHIP

LEADERSHIP



BOARD OF DIRECTORS

YB TAN SRI HAJI MOHD ISA BIN DATO' HAJI ABDUL SAMAD

Non-Executive Chairman
Non-Independent Non-Executive Director

Tan Sri Haji Mohd Isa (Malaysian, aged 67, male) was appointed as Non-Executive Chairman of Encorp Berhad on 30 June 2014.

Tan Sri Haji Mohd Isa graduated with a Bachelor of Arts from University of Malaya.

Tan Sri Haji Mohd Isa began his career in politics in 1974 as the Deputy Chief of the United Malays National Organisation ("UMNO") Youth of Teluk Kemang. He has held the positions of UMNO Youth Chief of Teluk Kemang, UMNO Chief of Teluk Kemang (a position held until now), State Assemblyman of the Linggi constituency and Negeri Sembilan State Executive Committee.

Tan Sri Haji Mohd Isa was previously the Chief Minister of Negeri Sembilan from 1982 to 2004, Member of Parliament for the Jempol constituency, Minister of Federal Territories and former Vice President of UMNO. He is presently the Chairman of Felda Global Ventures Holdings Berhad, MSM Malaysia Holdings Berhad, Felda Holdings Bhd and Pontian United Plantations Berhad. Currently, he holds positions on various boards of private limited companies within the FELDA group of companies.

Tan Sri Haji Mohd Isa 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 DATO' HAJI ZAKARIA BIN NORDIN

**Non-Independent Executive Director
Group Chief Executive Officer
Member of the Investment Committee**

Dato' Haji Zakaria (Malaysian, aged 59, male) was appointed to the Board of Encorp Berhad on 23 September 2014.

Dato' Haji Zakaria holds a MBA in Accounting & Finance from Charles Darwin University Australia (formerly known as Northern Territory University) and BSC in Surveying & Mapping from East London University. He also graduated with a Diploma in Land Surveying from UiTM, Shah Alam.

Dato' Haji Zakaria began his career with FELDA as Assistant Surveyor from 1980 to 1982. Before becoming an Assemblyman of Ampangan, Negeri Sembilan, he was in business of construction and development from 1985 to 1999. While in the state government, he was appointed as a member of the Ahli Majlis Mesyuarat Kerajaan Negeri, Negeri Sembilan (EXCO) from 1999 to 2008. He was appointed as Group Chief Executive Officer of the Company on 18 February 2016.

Dato' Haji Zakaria 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 HANAPI BIN SUHADA

Non-Independent Non-Executive Director
Member of the Investment Committee

Datuk Hanapi (Malaysian, aged 59, male) was appointed to the Board of Encorp Berhad on 26 June 2015.

Datuk Hanapi holds a Bachelor of Islamic Studies from University Kebangsaan Malaysia.

Datuk Hanapi is the Director-General of the FELDA effective 1 April 2015. Prior to his appointment, he served as FELDA's Acting Director-General since December 2014. He started his career as an Administrative Officer in FELDA in 1981.

Datuk Hanapi was appointed to the Board of Directors of Sinergi Perdana Sdn Bhd in April 2015. He is also a Director of several private limited companies within the FELDA group of companies. He is currently a director of MSM Malaysia Holdings Berhad.

Datuk Hanapi 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

**YB DATUK NOOR EHSANUDDIN BIN
MOHD HARUN NARRASHID**

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

Datuk Noor Ehsanuddin (Malaysian, aged 53, male) was appointed to the Board of Encorp Berhad on 30 June 2014.

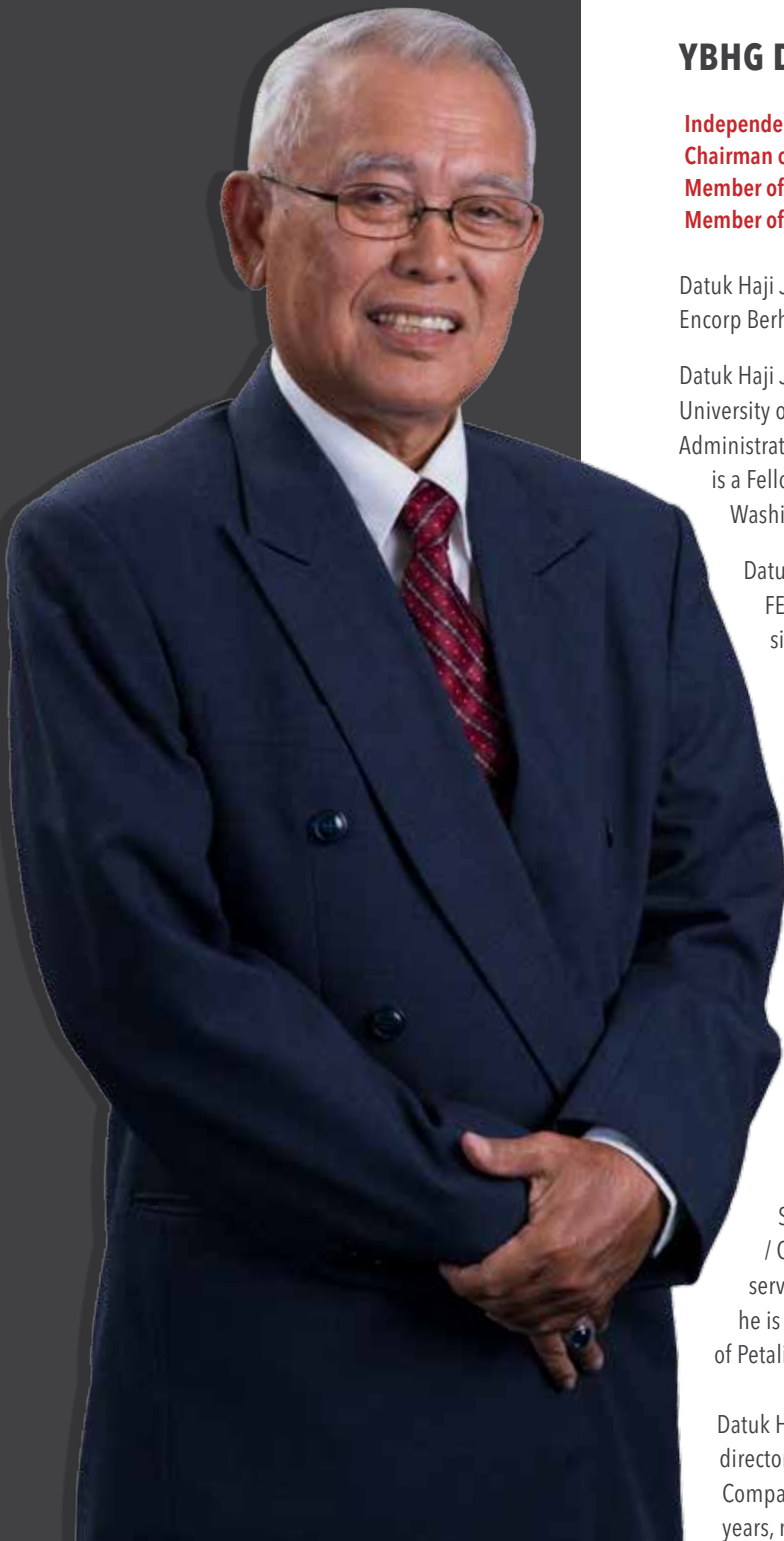
Datuk Noor Ehsanuddin holds a degree in Civil Engineering and Mechanics from Southern Illinois University, Carbondale, United States of America.

Datuk Noor Ehsanuddin began his career as an engineer, working for several private companies including Milford Haven Automation Sdn Bhd and Alfa Laval Sdn Bhd. He was then appointed as a Director at Daya Reka Nusantara Development Sdn Bhd in 2006.

In 2008, Datuk Noor Ehsanuddin was appointed as the Director of Seranta (FELDA) in the Prime Minister's Department and he is now a Member of Parliament for the Kota Tinggi constituency. He is currently a Director of FELDA, Felda Global Ventures Holdings Berhad, MSM Malaysia Holdings Berhad, Iris Corporation Berhad and Yayasan FELDA.

Datuk Noor Ehsanuddin 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
Chairman of the Audit and Governance Committee
Member of the Nomination and Remuneration Committee
Member of the Investment Committee

Datuk Haji Jaafar (Malaysian, aged 70, 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.

LEADERSHIP

YBHG DATO' FEROSZ 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 49, 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 24 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 sits as a director in companies related to the various segments of the oil and gas sector; manufacturing of specialized vehicles; satellite services (VSAT services); television station and information technology provider.

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
Member of the Audit and Governance Committee
Member of the Nomination and Remuneration Committee

Abdul Rahim (Malaysian, aged 66, 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 sits on the Board of Directors of AEON Co (M) Berhad, Asian Finance Bank Berhad, Malaysia Debt Ventures Berhad, Malaysia Venture Capital Management Berhad, MIDF Amanah Asset Management 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.

LEADERSHIP

THE WINNING TEAM

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



Wan Azman bin Wan Abbas

Chief Operating Officer

Wan Azman bin Wan Abbas (Malaysian, aged 53, male) was appointed as the Chief Operating Officer of Encorp Berhad on July 2014.

Wan Azman graduated with a Master in Business Administration from University of Miami, USA, and Bachelor of Science in Accounting from California State University Fresno, USA.

Wan Azman began his career for more than 30 years of experience in several sectors including oil & gas, aviation, property development, construction and a short stint in banking.

Prior joining to Encorp Berhad, Wan Azman also held other senior positions in several established multinational companies based in the United Kingdom, United States and Malaysia.

Wan Azman was also a part of the Malaysian government TalentCorp project where Malaysian experts working abroad are brought home for their special skills required locally.

Wan Azman 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.



Sazali bin Salleh

Head of Property

Sazali bin Salleh (Malaysian, aged 54, male) was appointed as the Head of Property Development of Encorp Berhad on January 2016.

Sazali graduated with a Bachelor Degree of Art, Architecture (Hons) at University Teknologi Mara (UiTM). He is also a Registered Graduate Architect.

Sazali began his career in 1996 as an Architect with AMDB Berhad. He has more than 30 years of working experience in the property industry including Southkey Properties. His most recent job oversees multiple high profile projects in Klang Valley with UEM Sunrise Berhad as a General Manager, including developing of new township such as Serene Heights, Bangi and Symphony Hills Cyberjaya.

He also has relevant experience and commendable track record, including his affiliation with Real Estate and Housing Developers' Association Malaysia (REDHA).

Sazali 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.



Richard Lim Poe Teik

Head of Construction Management

Richard Lim Poe Teik (Malaysian, aged 54, male) joined Encorp Berhad on November 2005 as the Senior Project Manager in property implementation and was appointed as the Head of Construction Management on March 2017.

Richard began his career for more than 36 years of experience in property development and construction industries.

Prior joining to Encorp Berhad, Richard also held other senior positions in several established public companies. Richard has implemented and managed a wide range of developments projects ranging from high-rise residential buildings, hotel resort, and high-end lifestyle residential development. Among the completed projects is Mont' Kiara International School, high end condominiums and Nexus Karambunai Hotel Resort in Sabah.

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.



Nubly bin Zainuham

Head of Mall Management

Nubly bin Zainuham (Malaysian, aged 48, male) was appointed as the Head of Mall Management on February 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 Berhad, 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.

LEADERSHIP

**William Seow****Head of Finance**

William Seow (Malaysian, aged 45, male) was appointed as the Head of Finance on February 2012.

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

William started his career in 1995 as a Senior Consultant in Transaction Advisory Services for Ernst & Young, Kuala Lumpur. Pursuant to that, William joined Petaling Tin Berhad in 2001 as a Senior Executive in Corporate Finance, Merger & Acquisition. William continued his career for more than 14 years in the Finance Industry as an Accountant and Finance Manager in Property listed companies.

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

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.





Located in the Golden Triangle of Petaling Jaya, Encorp Business Suites which features office space within a garden office building, luxury residences and a shopping mall fronted by a unique climate controlled covered al-fresco boulevard featuring food and beverage establishments.



CORPORATE REPORT

CORPORATE REPORT



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 70.82% 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 international bodies. Encorp's signature properties include Strand Mall and Encorp Strand Kota Damansara, of which have won tribute at the Asia Pacific Property Awards.

Encorp employs a high standard of corporate governance and has been recognised through the Corporate Governance Asia Recognition Award and the 1st Asian Company Secretary of the Year Awards as one of the outstanding Asian companies in this area. Its human resource management policies and frameworks have made it the employer of choice for several years running at the Malaysia HR Awards and the Human Resource Excellence Awards.

Encorp is committed to building properties for the future, with developments designed to be sustainable and environmentally friendly. Since 2011, Encorp has produced a biennial Sustainability Report to provide the marketplace with a clear and transparent account of its work in this area. In 2016, Strand Mall won the Jury Category for Universal Design Award (an initiative by Majlis Bandaraya Petaling Jaya to promote accessible and disabled-friendly building design) and Encorp Strand won as the finalist for Best Mixed Development Category at the iProperty.com People's Choice Awards.

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, an integrated township in Melaka. 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, and Encorp Trading Services Sdn Bhd undertakes mechanical, electrical and water supply system works (both companies are certified with G7 grade by the Construction Industry Development Board).

Encorp's roadmap for the future lies in expanding its presence both locally and abroad by utilising innovative approaches in providing holistic developments for communities. Encorp continues to look for opportunities to expand its business and to stamp its mark as a highly-respected company that delivers on the Encorp Experience of enriching lives through high-quality and innovative products and services.

CORPORATE INFORMATION

Board of Directors

YB Tan Sri Haji Mohd Isa bin Dato' Haji Abdul Samad

Non-Executive Chairman

Non-Independent Non-Executive Director

Dato' Haji Zakaria bin Nordin

Non-Independent Executive Director

Group Chief Executive Officer

Datuk Hanapi bin Suhada

Non-Independent Non-Executive Director

YB Datuk Noor Ehsanuddin bin Mohd

Harun Narrashid

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 and Governance Committee

Datuk Haji Jaafar bin Abu Bakar

Chairman

Abdul Rahim bin Abdul Hamid

Member

Dato' Feroz bin A S Moidunny

Member

Nomination and Remuneration Committee

Dato' Feroz bin A S Moidunny

Chairman

Datuk Haji Jaafar bin Abu Bakar

Member

Abdul Rahim bin Abdul Hamid

Member

Investment Committee

YB Datuk Noor Ehsanuddin bin Mohd Harun Narrashid

Chairman

Datuk Hanapi bin Suhada

Member

Datuk Haji Jaafar bin Abu Bakar

Member

Dato' Haji Zakaria bin Nordin

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

AmBank (M) Berhad

Auditors

| Ernst & Young (AF: 0039)

Solicitors

| Zul Rafique & Partners

P.Y. Hoh & Tai

Che Mokhtar & Ling

Azmi & Associates

Hanif Idris & Associates

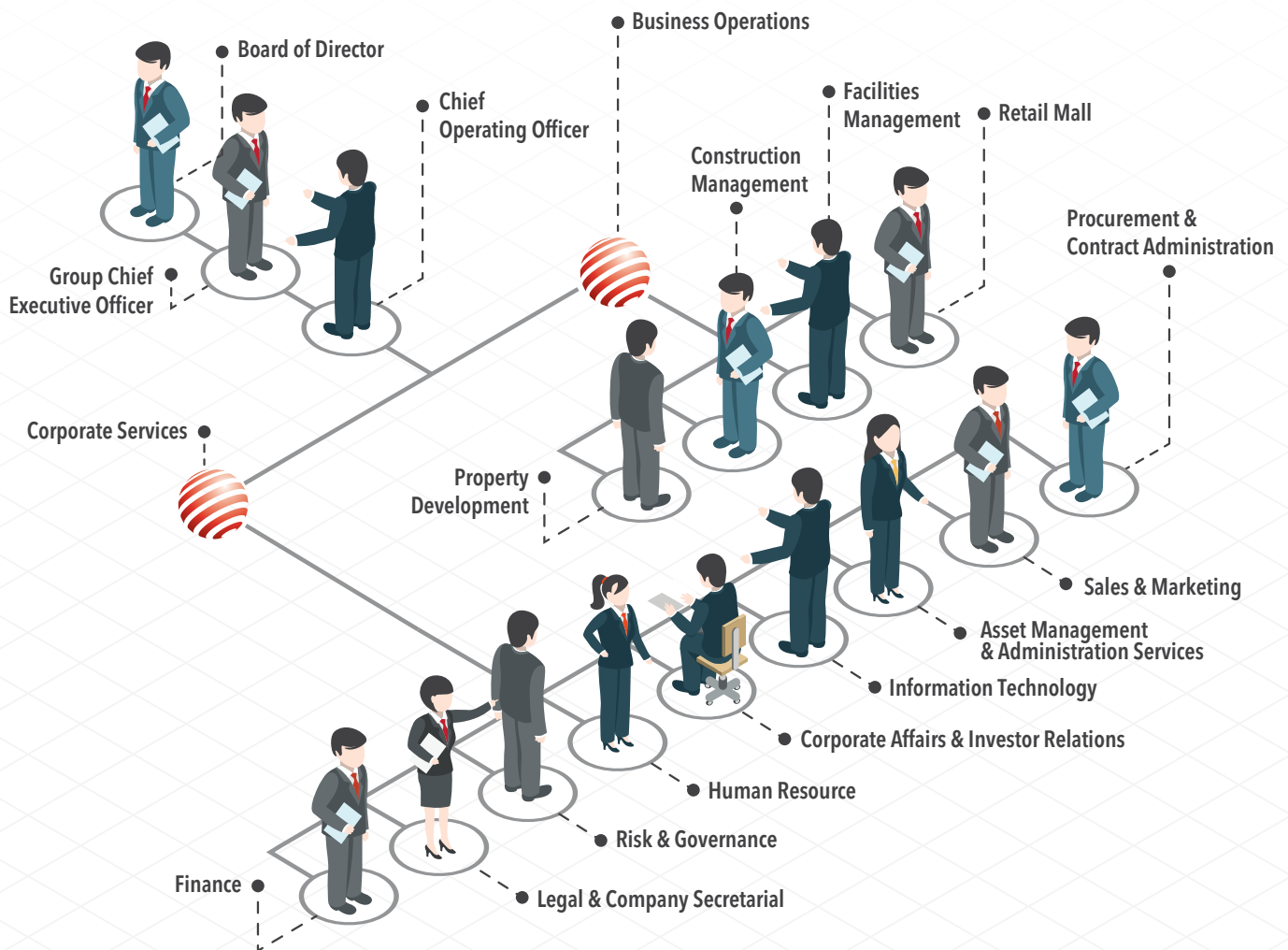
Stock Exchange Listing

| Main Market of Bursa Malaysia Securities Berhad

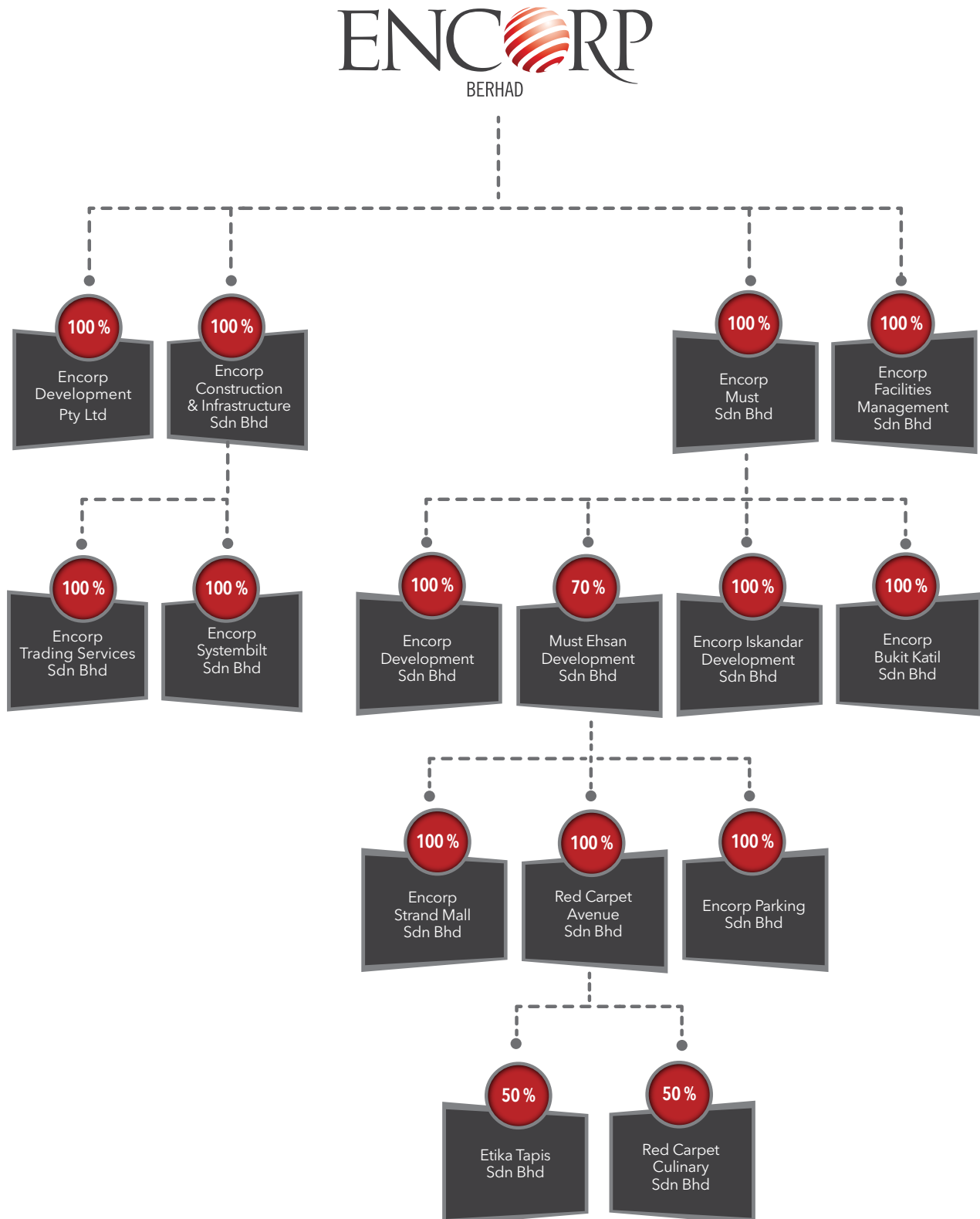
Stock Name : ENCORP

Stock Code : 6076

ORGANISATION STRUCTURE



CORPORATE STRUCTURE



CORPORATE REPORT

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

Encorp Strand Business Suites





A 90-ft-wide and 800-ft-long covered, climate-controlled al fresco boulevard inspired by the tree-lined boulevards of Champs Elysee in Paris. Promising a great place to host events, Dapur Propa, Foodies Fest 2.0 and the Body Combat In The Rain are just a few of the events that Red Carpet Avenue has previously hosted. Designed as a convenient meeting place that will become the destination of choice for everyone to gather, socialise and to just watch people go by.



IN FOCUS

IN FOCUS



2016 HIGHLIGHTS

8-10 January 2016

CORPORATE
ENCORP Career Fair.



22 May 2016

CORPORATE
Chairman's Challenge Trophy 2016.



20 January 2016

CORPORATE
Master Development Agreement Signing Ceremony between FELDA and ENCORP.



15 June 2016

CORPORATE
ENCORP 16th Annual General Meeting.



22 January 2016

CORPORATE SOCIAL RESPONSIBILITY
ENCORP Contributes to Underprivileged Students of SK Seksyen 11 Kota Damansara.



15 June 2016

CORPORATE SOCIAL RESPONSIBILITY
Majlis Iftar with Rumah Amal Kasih Bestari.



IN FOCUS

3 August 2016

CORPORATE

Nostalgia Raya @ ENCORP.



28 August 2016

CORPORATE SOCIAL RESPONSIBILITY

Program Jelajah Merdeka.



23 September 2016

CORPORATE SOCIAL RESPONSIBILITY

A Night with Homeless at Anjung Singgah.



25 September 2016

CORPORATE SOCIAL RESPONSIBILITY

ENCORP Sponsored Jerseys for FELDA's Departmental Football Team.



11 November 2016

CORPORATE SOCIAL RESPONSIBILITY

ENCORP Sponsored the prizes for FELDA'S Golf Tournament.



12 November 2016

CORPORATE SOCIAL RESPONSIBILITY

Olimpiad Sains dan Matematik Negeri Sembilan 2016.



25 November 2016

CORPORATE

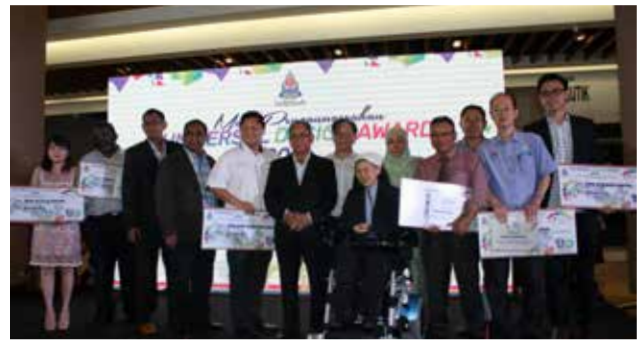
ENCORP Annual Gathering Themed Bollywood Dream 2016.



6 December 2016

CORPORATE

Winner of the Jury Category for Strand Mall at the Universal Design Award 2016.



6 December 2016

CORPORATE

Encorp Marina Puteri Harbour Official Site Visit by ENCORP'S Board of Directors.



15 December 2016

CORPORATE

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



IN FOCUS



CORPORATE SOCIAL RESPONSIBILITY

Corporate social responsibility (CSR) is a central pillar of Encorp's guiding principles and core values particularly in the ethical way we do business, our close and constant engagement with key stakeholders and the importance we place on our employees, shareholders, the environment and the community in which we operate. In Financial Year (FY) 2016, we undertook our CSR efforts within different segments:

GROWING WITH THE ENVIRONMENT

In FY2016, Encorp remains dedicated to project development and business practices that are environmentally sustainable and ecologically friendly. As an important part of our sustainable business agenda, we focused on providing green design features in our development projects in order to reduce our carbon footprint and to work towards conserving and protecting our environmental assets.

Our green building policies centred on several eco-friendly elements in the planning, design and construction of our projects both in Malaysia as well as internationally. These policies included:

- Designing and orienting buildings for natural cross ventilation effects.
- Maximising natural lighting in open, spacious areas as much as possible.
- Using tinted glass windows to minimise solar radiation.
- Incorporating rainwater harvesting systems to use for watering plants and green areas within our development landscapes and to reduce our tapped water consumption.
- Implementing water-saving policies in our developments and practising sustainable water use in project management.
- Incorporating green lungs with vibrant plants and trees within our various developments.
- Using eco-friendly low-volatile organic compound paints.
- Regularly conducting inspections and tests to ensure building equipment meets requisite emission standards.
- Monitoring decibel levels of sound emanating from our construction sites to minimise noise pollution.

GROWING WITH OUR COMMUNITY

In FY2016, Encorp remained committed to improving lives both within the community as well as the Encorp family members in several key areas:

Growth of the Community

- Encorp joined hands with Yayasan Kebajikan Negara in a community outreach programme to distribute food, provide basic necessities and haircut services to the homeless in Kuala Lumpur. A total of 50 Encorp employees volunteered for the programme and enjoyed the opportunity to work together across departments for the common goal of giving back to society. The team took turns serving food and performing odd jobs for the 200 people who attended.
- In conjunction with Malaysia's 59th Merdeka Day celebrations, Encorp sponsored a set of car flags for the Jelajah Merdeka programme organised by Kelab Er-6 Bikerz Malaysia. The programme involved a convoy of bikers visiting eight major cities in Malaysia where the sponsored flags were distributed to road users.
- During the Ramadhan month, Encorp family members had a memorable moment with orphans from Rumah Amal Kasih Bestari at Encorp's Majlis Iftar Bersama Pengerusi during which Encorp Chairman YB Tan Sri Haji Mohd Isa Dato' Haji Abdul Samad presented shopping vouchers and duit raya to the orphans.

Growth of Education

- Seeking to establish closer ties with communities in the vicinity of our developments, Encorp initiated a series of community engagement activities with schools in Kota Damansara, paying for the school fees of 10 underprivileged pupils attending SK Seksyen 11 Kota Damansara.
- Encorp also took part in the Science and Mathematics Olympiad of Negeri Sembilan 2016 by assisting with registration, distributing goodies, organising certificates and providing invigilation. The Group also sponsored t-shirts and goodies for the organising committee.

Growth of Sports

- Encorp sponsored the winning prizes for Sukan Warga FELDA—a golf tournament held on 12 November 2016 at the Pulau Springs Resort, Johor.

IN FOCUS



Majlis Iftar with Rumah Amal Kasih Bestari



Majlis Iftar with Rumah Amal Kasih Bestari



Science and Mathematics Olympiad of Negeri Sembilan



A Night with Homeless



Program Jelajah Merdeka

GROWING WITH THE MARKET PLACE

In its contribution to growing the market place in FY2016, Encorp maintained its focus on ensuring the highest standards of corporate governance and accountability throughout our operations. Our principles and core values are the foundations of our sustainable business practices, and in FY2016 we engaged an investor relations consultant to provide better investor relations activities in FY2017 and to help improve value for our shareholders, among other things. In FY2016, we will continue to invest in maintaining and refining our corporate processes and systems in tandem with the latest developments in corporate governance within the market place.

GROWING WITH THE WORK PLACE

At Encorp, we remain committed to our workplace philosophy that the growth of the Group can occur only with strong and continuous engagement with our employees and strategies to build their capacities and capabilities.

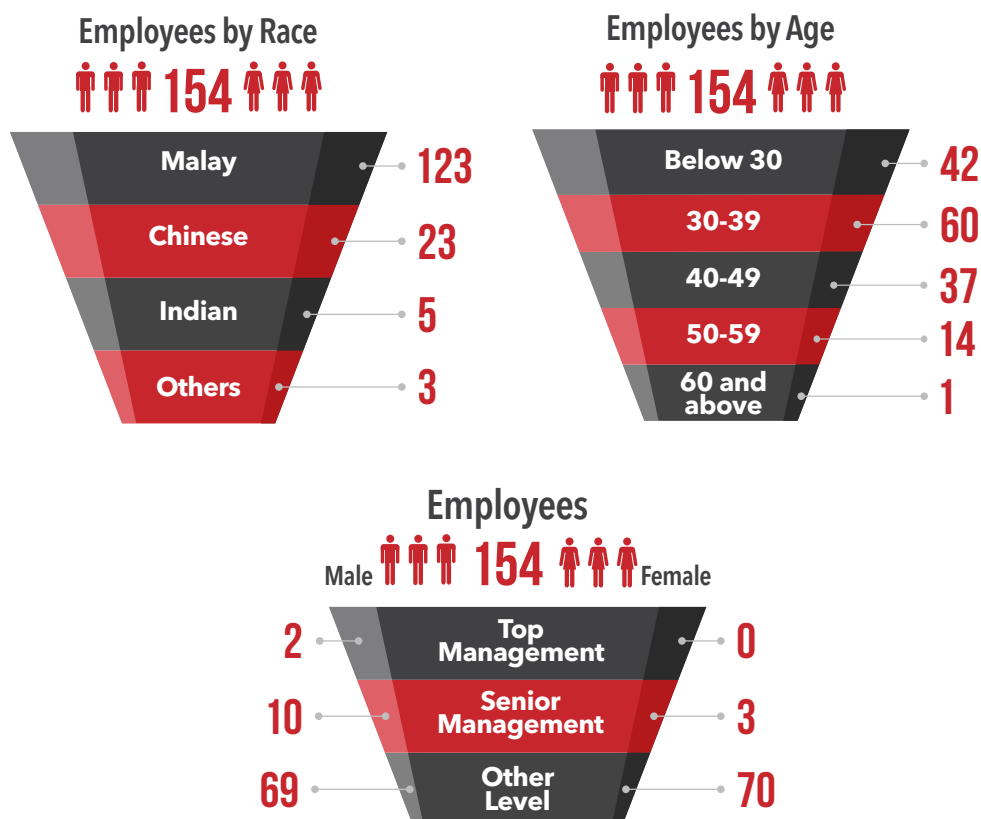
Human Resource

We believe the diversity of our team has resulted in cross-functional capabilities which further enhance the strength of our team. With this in view, our Human Resource strategy and initiatives for FY2016 focused on developing talent:

Recruitment

Encorp streamlined its recruitment process with industry best practices and procedures to ensure effective end-to-end recruitment. The measures we undertook in FY2016 included:

- Implementing a career microsite in collaboration with Jobstreet.com to advertise vacancies on the company's website.
- Working closely with a number of universities to establish internship programmes for young achievers in order to tap into the pool of young talent. Our partner institutions included Universiti Kuala Lumpur, the German-Malaysian Institute, Taylor's University Lakeside Campus, Universiti Teknologi MARA and the International Islamic University, Malaysia.
- Working to enhance the quality of our workforce with additional attention given to the middle workforce.
- Improving ethnic and gender representation within the Group—in FY2016 we had a total headcount of 154 and women constituted almost half at 73.



IN FOCUS

Training and Development

In FY2016, Encorp established and implemented a Development Framework to focus on three key components: **Leadership** (leadership skills and competencies for employees in lead and managerial roles), **Personal Development** (focusing personal and team effectiveness and efficiency for employees in management, executive and non-executive positions—including the fields of communication, time management, planning and organisation, negotiation and problem solving, supervisory skills, and more) and **Technical Development** (which focused on all employees to identify technical courses and programmes suited to their needs and goals for career development). The Framework also helps close gaps in technical competence identified by managers.

The overall goal of training and development remains centred on ensuring that the abilities of Encorp employees match their functions, and increasing productivity and quality in line with the company's business direction. In this regard, total training hours for FY2016 was 7,000 hours with an average of 583 training hours per month (for both internal and external training courses)-and this exceeded forecast training hours of 6,686 total (average of 557 hours per month).

Soft Skills Training vs Technical Skills Training Frequency for 2016

Soft Skills Training 72%

Technical Skills Training 28%

Employee Compensation and Benefits

Encorp's compensation and benefits scheme for FY2016 focused on:

- Streamlining mall operations allowances to provide for a clear allowance structure based on job category, job grade, working hours (including shift allowance), public holiday allowances, meal allowances, replacement leave and more.
- Renewing insurance and medical benefits to cover employees and their dependants—Encorp emphasises the need for continuous medical benefits to be provided to employees.
- Streamlining employee job grades, performance bonuses and increments in line with the general structure of the property development industry.
- Introducing a private retirement scheme in collaboration with commercial banks.
- Introducing Amanah Saham Bumiputera (ASB) salary deductions through monthly payroll processing.
- Streamlining payroll salary crediting to ease employee salary management.
- Collaborating with corporate banks to introduce personal loans at low interest rates.
- Expanding the use of Human Resource Intergrated System (HRIS) for services ranging from e-Claims to e-Leaves and e-Payroll Processing.
- Extending benefits to 6 employees' children who excel in major school examinations in Malaysia.

Work-life Balance / Employee Engagement

Throughout the course of FY2016 Encorp conducted a variety of activities and celebrations to foster closer relationships among Encorp employees and to encourage stronger and happier teamwork and friendship. The many activities included:

- Lunch talks based on relevant monthly themes
 - January – Welfare
 - February – Health Awareness
 - March – Money Matters
 - April – Safety
 - May – Style
 - June – NGOs
 - August – Health Awareness
 - September – Integrity
 - October – Private Retirement Schemes
 - November – Loans for Education

- Monthly breakfasts and birthday celebrations for employees.
- PPK (Malaysia Shopping Malls Association) Bowling Competition—a friendly bowling competition with a “cowboy” theme.
- PPK (Malaysia Shopping Malls Association) Futsal Tournament 2016.
- Encorp Fun Run 2016.
- Festival of Wings 2016 (a community carnival to celebrate biodiversity, including the importance of conserving fauna and habitats).
- “Celebrate Unity at Encorp” held in August ahead of national Merdeka celebrations, which highlighted our cultural heritage by showcasing various traditional games, among other things.

Health and Safety

Encorp’s policies for occupational health, safety and environment (OHSE) focus on promoting working conditions and a work culture that are secure and conducive. In FY2016, we took the measures to enhance workplace health and safety by:

- Forming a Corporate HSE Committee, chaired by the Group Chief Operating Officer. The Committee held its first meeting on 11 November 2016 to discuss and resolve issues pertaining to health and safety within the Group.
- Publishing the Encorp OHSE Manual, as well as eight OHSE Standard Operating Procedures, 24 OHSE Operational Control Procedures and our Emergency Response Plan.
- Forming an Emergency Response Team as a precautionary measure to handle emergency situations that may arise at Encorp premises.
- Establishing an Emergency Assembly Area as a part of the Encorp Emergency Response Plan.

Encorp Berhad Safety Statement

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

In reaching this goal, Encorp Berhad believes in embedding the principles and policies of Safety, Health and Environment in all employees and those involved in our daily business activities, especially the top management.

Encorp Berhad is committed to complying with the provisions of the Occupational Safety and Health Act 1994, its regulations and all approved codes of practice 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 OHSE targets and objectives and ensuring that these targets are monitored.

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

INVESTOR RELATIONS

Encorp’s role is to continuously improve value for our shareholders and to be the investment of choice in the property development and construction industry. Open, transparent and timely communication with our investors is the centrepiece of our investor relations programme.

Among the measures we undertook in FY2016 were:

- Giving our investors, shareholders and other key parties regularly updated progress reports pertaining to the company’s finances.
- Updating investors, shareholders and other key parties through both traditional and new media in areas of financial growth and business activities.
- Engaging both traditional and new media to communicate information on Encorp’s products and services.
- Providing regular publications on Encorp’s policies, corporate governance activities and corporate social responsibility.
- Regularly communicating with financial and business analysts, business and consumer media, and potential investment partners through a strategic communications mix of interviews, press releases and website updates.

ENCORP IN THE NEWS

Encorp enters new phase of growth

KEY AREAS: Firm confident of securing JV with Felda to develop landbanks

SHAREN KAMAR
KUALA LUMPUR

Malaysia's property giant Encorp (KLSE: 4568) has entered a new phase of growth as it enters its 10th year of operation. The company, which has been active in various development sectors in Malaysia and Australia, is poised to enter a new phase of growth.

The developer has the experience to develop in various landbanks in prime areas across Malaysia and Australia, and is confident of securing JV with Felda to develop landbanks.

Encorp, which was founded in 1972, has been active in various development sectors in Malaysia and Australia, and is poised to enter a new phase of growth.

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PROPERTY TIMES



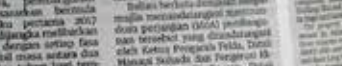
An aerial impression of Encorp's new development in Kuala Lumpur.



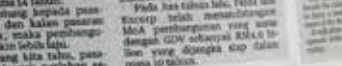
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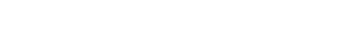
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An aerial impression of Encorp's new development in Kuala Lumpur.



Higher GDV target for Malacca project

BUKIT KATIL TOWNSHIP: Encorp now sets RM4.1b goal as company confident of market pick-up next year

SHAREN KAMAR
KUALA LUMPUR

ENCORP (KLSE: 4568) has revised upwards the gross development value (GDV) target for its integrated township project in Bukit Katil, Malacca, by 40 per cent to about RM4.1 billion.

Chairman Tan Sri Mohd Isa Abdul Samad told Business Times that he was confident the market value would pick up next year, given the strong economic indicators.

Encorp, which posted a net profit of RM8.8 million for the six months ended June 30, had earlier this year cut the GDV forecast for the project to RM3.2 billion because of unfavourable market conditions.

Although it has now raised the GDV back to more than RM4 billion, it is still below the initial target of RM4.9 billion announced in June last year.

This was when Encorp inked a memorandum of understanding (MoU) with its major shareholder — the Federal Land Development Authority (Felda) — to develop the latter's 299.3ha of leasehold land for the Bukit Katil project.

"When we first estimated the GDV to be RM4.9 billion, we didn't expect the market to slow down. We see the market improving and it will get better. Right now, I can say the target is about RM4 billion."

"Hopefully by the time we launch Phase 1 of the project, the market will improve further," said Isa.



Encorp chairman Tan Sri Mohd Isa Abdul Samad says the Bukit Katil project will be developed in several phases and each will be rolled out over 10 years based on market demand.

He said the Bukit Katil project would be developed in several phases and each would be rolled out over 10 years based on market demand.

The project, of which location is Keroh Hill Plaza and about 18 minutes from Bandar Hilir, would offer a mix of residential and commercial properties on a 40:20 ratio.

Encorp via its wholly-owned subsidiary Encorp Bukit Katil Sdn Bhd, aims to launch Phase 1 in the third quarter of next year.

It acquired the development rights from Felda, which holds a 70.97 per cent stake in the company.

Shares closed five sen higher yesterday.

Felda, Encorp bangun projek GDV RM3.2b di Melaka

KUALA LUMPUR 30 Jun. — Lembaga Kemajuan Tanah Persekutuan (Felda) dan Encorp Bhd, Encorp akan membangunkan projek pembangunan di Bukit Katil, Melaka dengan nilai pembangunan kasar (GDV) sebanyak RM3.2 bilion, lebih rendah berbanding RM4.9 bilion pada projek pembangunan sebelumnya.

Presiden Felda dan Encorp, Tan Sri Mohd Isa Abdul Samad, berkata, GDV bagi projek pembangunan yang bersempadan dengan kawasan pertanian, perikanan dan kehutanan akan lebih rendah berbanding projek pembangunan di kawasan bandar.

Projek pembangunan yang bersempadan dengan kawasan pertanian, perikanan dan kehutanan akan lebih rendah berbanding projek pembangunan di kawasan bandar.

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Encorp in des to develop Malacca land

KUALA LUMPUR 30 Jun. — Encorp Bhd is in the process of developing a new project in Malacca, which is expected to be completed by next year.

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Encorp Berhad anjur program A Night with Homeless
Kerja amal gunting rambut gelandangan

Encorp Berhad telah menganjurkan program 'A Night with Homeless' yang bertujuan untuk membantu golongan gelandangan dengan menyediakan mereka dengan keperluan asas seperti makanan, pakaian dan tempat tinggal. Program ini dijalankan oleh Encorp Berhad bersama-sama dengan pihak-pihak berkepentingan lain.



500 kakitangan Encorp sambut Aidilfitri

Encorp Berhad telah mengadakan sambutan Aidilfitri untuk kakitangannya. Acara ini diadakan di sebuah hotel mewah dan dihadiri oleh kakitangan Encorp Berhad dari seluruh negara. Acara ini bertujuan untuk merayakan kemenangan umat Islam dan mempererat hubungan antara kakitangan Encorp Berhad.

10th of April 2016
Kuala Lumpur

Projek tiga fasa

FELDA, Encorp meterai perjanjian maju perbandaran bersepadu bernilai RM3.2b



Perjanjian kerjasama antara FELDA dan Encorp telah ditandatangani pada 10 April 2016. Perjanjian ini bertujuan untuk membangunkan perbandaran bersepadu di FELDA. Perjanjian ini bernilai RM3.2 bilion dan akan dilaksanakan dalam tiga fasa. Fasa pertama akan melibatkan pembangunan infrastruktur asas, manakala fasa kedua dan ketiga akan melibatkan pembangunan perumahan dan komersial. Perjanjian ini adalah satu langkah penting dalam membangunkan FELDA sebagai perbandaran bersepadu.

Encorp in pact with parent Felda to develop land for RM584m

Encorp Berhad telah menandatangani perjanjian dengan FELDA untuk membangunkan perbandaran bersepadu di FELDA. Perjanjian ini bernilai RM584 juta dan akan dilaksanakan dalam tiga fasa. Fasa pertama akan melibatkan pembangunan infrastruktur asas, manakala fasa kedua dan ketiga akan melibatkan pembangunan perumahan dan komersial. Perjanjian ini adalah satu langkah penting dalam membangunkan FELDA sebagai perbandaran bersepadu.

Encorp to proceed with Akasia launch despite soft mart

Encorp Berhad telah memutuskan untuk melancarkan projek Akasia walaupun pasaran perumahan sedang lesu. Projek Akasia adalah sebuah projek perumahan yang akan dilaksanakan di FELDA. Projek ini akan melibatkan pembangunan perumahan dan komersial. Encorp Berhad yakin bahawa projek Akasia akan berjaya walaupun pasaran sedang lesu.

IN FOCUS

RECOGNITION OF A GROWING ENCORP



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- Jury Winner of Strand Mall, Universal Design Award 2016
- Finalist Winner of Best Mixed Development for Encorp Strand, IProperty.com People's Choice Awards 2016

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15

- 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 Dishes Served In A Single Event, Malaysia Book of Records 2015
- Winner of Malaysia HR Awards 2015
 - Employer of Choice Award (Silver)
 - HR Leader of the Year Award (Bronze)

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14

- Winner of Best Investor Relations Company, 4th Asian Excellence Recognition Awards 2014
- Winner of 5 Star Best Retail Architecture [Malaysia] - Encorp Strand Mall, Asia Pacific Property Awards 2014-2015
- Winner of HR Asia: Best Companies to Work for in Asia 2014 Awards
- Winner of Excellence Employee Development (Gold), Human Resources Excellence Awards Malaysia 2014
- Winner of Employer of Choice Award (Silver), Malaysia HR Awards 2014

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13

- 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

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12

- 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)

IN FOCUS

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11

- 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)
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10

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



Encorp Strand Kota Damansara

IN FOCUS



ENTHUSING BUSINESS GROWTH

At Encorp, we know that the only constant in an ever-changing world is change itself. Change is the cornerstone of evolution in the natural world as well as that of the modern global economy. We believe that we must adapt to new situations not merely to survive but to flourish.

Encorp believes in positive change that leads to advancement, improvement and growth. Such change cannot be reactive or passive. Instead, we gear our operations towards anticipating, and even leading, growth through innovation and the unending pursuit of the highest standards of quality.

Our practice of always creating an abiding enthusiasm towards growth continues to drive progress throughout the Group. It motivates every member of the Encorp family to deliver on the promises we make and it fuels our long-term mission of becoming a leader in the Malaysian property development industry.

At Encorp, the opportunities we create and the journey towards our objectives are just as important as the goals we have achieved. Inspired by a passion for progress, we continuously drive ourselves to aspire to greater heights.

All members of the Encorp team gain opportunities to enhance their skills and learn new ones in an exciting and enriching environment that encourages innovation. In our journey, we develop valuable skill sets that allow us to adapt to ever-changing market demands and thrive on new technologies. We are inspired and enthused by growth and progress.

As a responsible and sustainable business, we continue to refine our operations with a constant view towards improving performance, increasing competitiveness and creating better value at the highest standards of quality for all our customers, shareholders and stakeholders.

At Encorp, we pursue positive change and are driven by it. We enthuse growth in all that we do.



Future Development - Dahlia, Encorp Cahaya Alam

IN FOCUS

GROUP FINANCIAL HIGHLIGHTS

OPERATING RESULT	2016 RM'000	2015 RM'000	2014 RM'000	2013 RM'000	2012 RM'000
Revenue	359,254	209,885 ^{N1}	330,385	536,435	396,515
Profit before tax	41,812	25,485 ^{N1}	25,299	115,930	47,192
Profit after tax	28,125	12,074 ^{N1}	13,940	95,821	29,655
Profit attributable to owners of the parent	28,405	7,784 ^{N1}	10,526	61,496	12,083

FINANCIAL RATIOS	2016	2015	2014	2013	2012
Profit before tax margin (%)	11.6%	12.1% ^{N1}	7.7%	21.6%	11.9%
Basic earnings per share (sen)	10.19	2.79 ^{N1}	4.20	28.14	5.54
Closing share price as at end of period (RM)	0.62	0.80	1.05	0.99	0.59
Price-earning ratio (times)	0.06	0.29 ^{N1}	0.25	0.04	0.11
Return on capital employed (ROCE)	0.08	0.09 ^{N1}	0.09	0.14	0.10
Return on equity (ROE)	0.07	0.02 ^{N1}	0.03	0.19	0.04
Net gearing ratio (times)	0.58	0.39	0.39	0.41	0.04
Net assets per share (sen)	1.51	1.42	1.38	1.46	1.22
Share Capital (RM)	278,648	278,645	278,645	224,856	223,509

N1 The results for financial year excludes the result from the discontinued operations.

N2 The net gearing ratio is calculated based on loans and borrowing excluding the Sukuk Murabahah in relation to the Teachers' Quarter Project, which has no resource to the Company.

KEY BALANCE SHEET DATA	2016 RM'000	2015 RM'000	2014 RM'000	2013 RM'000	2012 RM'000
Property, plant and equipment	6,878	7,536	22,846	29,787	21,540
Investment properties	325,130	324,860	343,749	280,396	-
Land held for property development and property development cost	529,724	166,375	123,407	204,688	353,805
Trade and other receivables	1,001,357	1,012,666	1,090,665	1,144,894	1,138,427
Inventories	100,132	69,737	79,788	1,525	44,972
Cash & bank balance and Investment Security	180,967	127,651	156,347	195,613	298,569
Other assets	84,153	151,899	145,109	187,594	69,600
Assets of disposal group classified as held for sale	23,087	28,224	-	-	-
Total Assets	2,251,428	1,888,948	1,961,911	2,044,497	1,926,913
Loans and borrowings	213,823	243,602	248,329	317,508	217,883
Sukuk Murabahah	944,841	987,275	1,028,660	1,078,946	1,206,082
Trade and other payables	543,711	153,327	176,633	211,850	156,296
Other liabilities	35,255	17,995	36,766	23,825	23,253
Liabilities of disposal group classified as held for sale	934	1,251	-	-	-
Total Liabilities	1,738,564	1,403,450	1,490,388	1,632,129	1,603,514
Total Equity	512,864	485,498	471,523	412,368	323,399
Non-controlling interest	90,862	91,142	87,006	83,592	49,815
Shareholders' equity	422,002	394,356	384,517	328,776	273,584

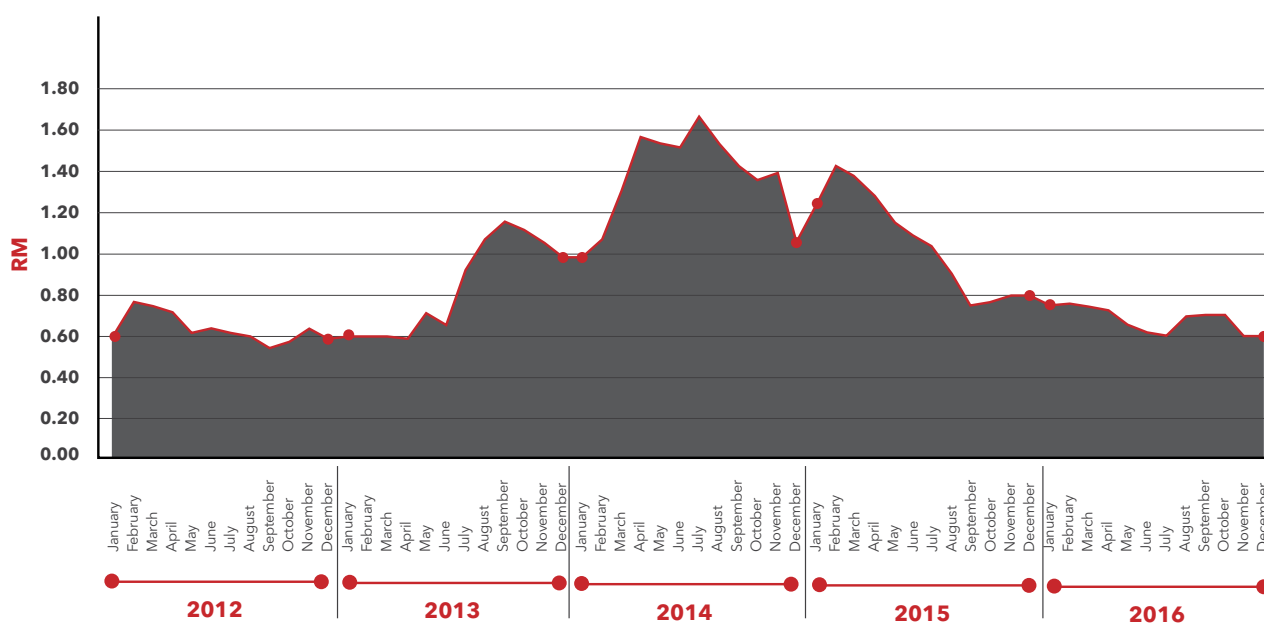
IN FOCUS

SHARE PERFORMANCE

Encorp Berhad (6076)

During the year	2016	2015	2014	2013	2012
Highest (RM)	0.90	1.52	1.88	1.28	0.82
Lowest (RM)	0.57	0.72	0.92	0.54	0.54

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







Encorp Marina Puteri Harbour is located along Persiaran Puteri Selatan in Kota Iskandar, Nusajaya, Johor. Designed with 571 units in the sky and generous balconies. These arboreal towers, together with the unique cascading residential units, terraced roof gardens and pools, are orientated to capitalise on views to the waterfront.



CORPORATE GOVERNANCE

STATEMENT OF CORPORATE GOVERNANCE

The Board of Directors ("the Board") reaffirms its commitment to and supports the principles and recommendations of the Malaysian Code on Corporate Governance 2012 ("the Code").

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

During the financial year under review, the Board continued to adhere to the principles and recommendations of the Code. The Board is pleased to report to the shareholders on its application and measures implemented to strengthen its compliance of the Code in the Statement of Corporate Governance below.

A. BOARD OF DIRECTORS

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

1. Composition of the Board

As at the date of this Statement, there are seven (7) members of the Board, comprising three (3) Independent Directors, three (3) Non-Independent Non-Executive Directors and one (1) Non-Independent Executive Director. Dato' Haji Zakaria bin Nordin, a Non-Independent Executive Director has been appointed as the Group Chief Executive Officer ("GCEO") of the Company on 18 February 2016.

This composition complies with the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("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.

2. Board Independence and Balance

The Chairman of the Company is a Non-Independent Non-Executive Director. The Board acknowledged that the Board must comprise a majority of independent directors where the Chairman is not an independent director. However, the current size and composition of the Board are considered adequate to provide an optimum mix of skills and experiences. The Directors, with their diverse professional backgrounds and specialisations, collectively bring considerable knowledge, independent judgments and expertise to the Board.

Further, the Chairman also ensures proper balance of power and authority on the Board by encouraging robust discussions during meetings. The Independent Directors also provide an element of objectivity, independent views, evaluations, check and balance on Board deliberations and decisions. This ensures that the interests of the Group, shareholders, employees, customers, suppliers and other business associates are safeguarded.

In addition, the role of the Chairman and the 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.

One of the recommendations 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 director's re-designation as a non-independent director.

In line with the recommendations of 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.

3. 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.

Minutes of all Board meetings are properly recorded in substantial detail and length, including issues discussed in arriving at decisions.

During the financial year under review, six (6) Board meetings were held. The summary of attendance of the Board is as follows:

Name of Director	No. of Meetings Attended
YB Tan Sri Haji Mohd Isa bin Dato' Haji Abdul Samad	5/6
Dato' Haji Zakaria bin Nordin	6/6
Datuk Hanapi bin Suhada	4/6
YB Datuk Noor Ehsanuddin bin Mohd Harun Narrashid	4/6
Datuk Haji Jaafar bin Abu Bakar	6/6
Dato' Feroz bin A S Moidunny	6/6
Abdul Rahim bin Abdul Hamid	6/6

4. Supply of Information

All Directors are provided with accurate, complete, adequate, unrestricted and quality information relating to the business, operations and financial matters of the Company and the Group on a timely basis to enable them to effectively discharge their duties and responsibilities.

To facilitate the Directors' time planning, an annual meeting calendar is prepared and circulated in advance of each new year whereby it provides Directors with the scheduled dates for meetings of the Board and the AGM, as well as the targeted dates of announcements of the Company's quarterly results.

The notice of a Directors' meeting is given in writing at least fourteen (14) days prior to the meeting. The agenda has included, amongst others, matters specifically reserved for the Board's decision and the Company also adopts the policy of circulating Board papers relating to the agenda to the Directors ahead of scheduled meetings. This ensures that Directors are given sufficient time to review and appraise the issues to be deliberated at the Board meetings. Senior management and/or advisers are invited to attend the Board meetings, where necessary, to provide explanation on additional information on the relevant agenda items tabled at the meeting.

The Company Secretary ensure that deliberations at Board and Board Committee meetings are well documented, and subsequently communicated to the relevant Management for appropriate actions. The Board is updated by the Company Secretary on the follow-up of its decisions and recommendations by the Management.

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 Securities, compliance with the Capital Markets and Services Act 2007, Companies Act 2016 and the Code. The Board is regularly updated and advised by the Company Secretary on new statutory and regulatory requirements.

All Directors have full and unrestricted access to the senior management within the Group and are entitled to the advice and service of the Company Secretary. Further, Directors may obtain independent professional advice relating to the affairs of the Group where necessary at the Company's expense, in order for them to discharge their responsibilities. The Board is satisfied with the performance and support rendered by the Company Secretary to the Board in discharging its function.

5. Promote Sustainability

The Board recognises the importance of business sustainability and committed to deliver long-term sustainable values to the stakeholders of the Company. The Company's workplace, marketplace, community and environment are integral part of the Company's social obligation in conducting its business.

CORPORATE GOVERNANCE

The Encorp Sustainability Roadmap was developed in year 2011-2012 to demonstrate a clear way for the Group to address the marketplace, employees, environment and communities that the Group builds in. A Sustainability Policy has been adopted by the Company on 26 November 2015 to integrate the principles of sustainability into the Group's strategies, policies and procedures.

6. Roles and Responsibilities of the Board

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. More information on the Board Charter 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.

7. 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 Recommendation 2.2 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 of the Listing Requirements, all Directors of Encorp do not hold more than five (5) directorships of listed issuer at any one time.

The Board recognizes the challenges in achieving the right balance of diversity on the Board. Nevertheless, the Board is committed to provide fair and equal opportunities and nurturing diversity within the Group. The Board has established a Board Diversity Policy to ensure that through the 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 Recommendation 2.2 of the Code and will ensure that suitable women candidates are sought and considered as part of the recruitment exercise.

8. 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 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.

9. Board Committees

To assist the Board in carrying out its duties and responsibilities, the Board has delegated certain functions to the following committees comprising selected members of the Board. Each committee operates within clearly defined terms of reference and makes appropriate recommendations to the Board for decision on matters deliberated by the committee.

a. 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
Datuk Haji Jaafar bin Abu Bakar	Chairman	Independent Non-Executive Director
Abdul Rahim bin Abdul Hamid	Member	Independent Non-Executive Director
Dato' Feroz bin A S Moidunny	Member	Independent Non-Executive Director

b. Nomination and Remuneration Committee

The Nomination and Remuneration Committee comprises exclusively of 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	Member	Independent Non-Executive Director
Abdul Rahim bin Abdul Hamid	Member	Independent Non-Executive Director

CORPORATE GOVERNANCE

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 Nomination and Remuneration Committee deliberated on the following matters in 2016:

- Re-appointment and re-election of Directors who are subject to retirement at forthcoming AGM;
- 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; and
- 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.

In line with the Code, 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.

The Board also 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.

Such implementation ensures a balanced Board, effective in overseeing and providing guidance towards proper management and development of the Company which will, in turn, protect and enhance shareholders' value over the long term.

c. Investment Committee

The Investment Committee is made up of four (4) Directors appointed by the Board and it has written terms of reference clearly setting out its authority and duties.

The establishment of the Investment Committee is to evaluate and recommend to the Board all significant investments undertaken by the Group. This includes and is not limited to merger and acquisitions, new partnerships, divestments and large capital expenditure projects.

The Investment Committee currently comprises the following members:

Name	Designation	Directorship
YB Datuk Noor Ehsanuddin bin Mohd Harun Narrashid	Chairman	Non-Independent Non-Executive Director
Datuk Hanapi bin Suhada	Member	Non-Independent Non-Executive Director
Datuk Haji Jaafar bin Abu Bakar	Member	Independent Non-Executive Director
Dato' Haji Zakaria bin Nordin	Member	Non-Independent Executive Director/GCEO

The duties of the Investment Committee shall be as follows:-

- to establish and review the overall investment policies on all investment-related matters of the Group;
- to review, evaluate and assess prospective investments/divestments, new businesses, projects and joint ventures, taking into account factors such as strategic rationale, return on investment and resource requirements of those prospects;
- to evaluate proposals on new investments and disposals of significant value;
- to review and monitor the current and future capital and financial resources requirements;
- to monitor the fund raising activities of the Group;
- to conduct annual performance evaluation of the Group's investment activities; and
- to carry out such other responsibilities, functions or assignments as may be defined jointly by the Investment Committee and the Board from time to time.

CORPORATE GOVERNANCE

d. 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.

10. 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 2016, the Directors have attended the following training programmes/seminars/workshops/talks:

Name of Director	Training and Seminars attended
YB Tan Sri Haji Mohd Isa bin Dato' Haji Abdul Samad	<ul style="list-style-type: none"> Overview of the Malaysian Code on Corporate Governance 2012 : Securities Industry Development Corporation ("SIDC").
Dato' Haji Zakaria bin Nordin	<ul style="list-style-type: none"> Overview of the Malaysian Code on Corporate Governance 2012 : SIDC. Effective Crisis Communication Training for Senior Management : Encorp Berhad.
Datuk Hanapi bin Suhada	<ul style="list-style-type: none"> Overview of the Malaysian Code on Corporate Governance 2012 : SIDC. Joint Consultative Committee (JCC) Seminar : FELDA. Malaysia-Turkey Palm Oil Trade Fair & Seminar (POTS) : Malaysia Palm Oil Council & Malaysia Palm Oil Board. KPF's Board and Management Seminar : Koperasi Permodalan Felda (KPF). Roundtable on Sustainable Palm Oil Seminar : Plantation Department, FELDA.
YB Datuk Noor Ehsanuddin bin Mohd Harun Narrashid	<ul style="list-style-type: none"> Overview of the Malaysian Code on Corporate Governance 2012 : SIDC.
Datuk Haji Jaafar bin Abu Bakar	<ul style="list-style-type: none"> Overview of the Malaysian Code on Corporate Governance 2012 : SIDC. Directors' Continuous Learning Programme – The Proposed Companies Act 2015 – Challenges for Directors and Secretaries : The Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA").
Dato' Feroz bin AS Moidunny	<ul style="list-style-type: none"> Overview of the Malaysian Code on Corporate Governance 2012 : SIDC.
Abdul Rahim bin Abdul Hamid	<ul style="list-style-type: none"> Overview of the Malaysian Code on Corporate Governance 2012 : SIDC. Capital Market Directors Programme Module 1, 2b, 3 & 4 : SIDC. Khazanah Mega Trend and Khazanah Global Lecture : Khazanah Malaysia. Malaysian Directors Academy ("MINDA") Breakfast Power Talk : MINDA. Malaysian Industrial Development Finance ("MIDF") Board Training : MIDF. Malaysian Institute of Accountants ("MIA") International Accountants' Conference 2016 : MIA. MIA-IPTAs Roundtable Meeting – Re: Financing Research & Development : MIA.

B. DIRECTORS' REMUNERATION

Policies and Procedures

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

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 aggregate remuneration of Directors for the financial year 31 December 2016 are categorised into appropriate components as follows:

Description of Payment	Group		Company	
	Executive Directors (RM'000)	Non-Executive Directors (RM'000)	Executive Directors (RM'000)	Non-Executive Directors (RM'000)
Salaries / Allowance & Other Emoluments	664	78	662	76
Fees	13	621	13	621
Defined contribution plan	76	-	76	-
Total	753	699	751	697

The number of Directors whose remuneration falls into each successive band is as follows:

Range of Remuneration	Group		Company	
	Executive Directors	Non-Executive Directors	Executive Directors	Non-Executive Directors
RM50,001 - RM100,000		2		2
RM100,001 - RM150,000		3		3
RM150,001 - RM200,000		1		1
RM 750,001 - RM800,000	1		1	

CORPORATE GOVERNANCE

C. SHAREHOLDERS

Communication with Shareholders and Investors

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 recommendations 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.

Annual General Meeting (AGM)

The AGM is the principal forum for communication with shareholders. The notices of the AGM and annual reports are sent out to shareholders at least twenty-one (21) days before the AGM. The Notice of AGM is also published in a major local newspaper. Details of any special business are included in an explanatory statement to provide relevant information on matters involved.

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.

Recommendation 8.2 of the Code recommends that the Board should encourage poll voting, the Company has always made the necessary preparation for poll voting for all resolutions at its AGM.

D. ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board aims to present a clear, balanced and comprehensive assessment of the Group's financial position and prospects. The financial statements for each financial year and quarterly results are prepared and drawn up in accordance with regulatory requirements and applicable Financial Reporting Standards.

The Board is assisted by the Audit and Governance Committee to oversee the Group's financial reporting processes and the accuracy, adequacy and completeness of its financial reporting.

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 86 to 89.

Code of Ethics and Conduct

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.

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 raise 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.

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 Ernst & Young and was satisfied with their competency and independence. However, Messrs. Ernst & Young had on 23 February 2017 expressed their intention not to seek for re-appointment at the forthcoming AGM. The Company then had on 17 April 2017 received a notice of nomination from a shareholder of the Company nominating Messrs Deloitte PLT as the external auditors of the Company for the financial year ending 31 December 2017 in replacement of Messrs. Ernst & Young. The proposed appointment is conditional upon the shareholders' approval at the forthcoming AGM.

CORPORATE GOVERNANCE**Malaysian Corporate Integrity Pledge**

The Group has always been committed in upholding the highest standards of integrity, transparency and good governance in its business operations. Such commitment is manifested in the signing of the Malaysian Corporate Integrity Pledge by the Company on 13 January 2014. Being a signatory to the Malaysian Corporate Integrity Pledge, the Company pledges that it will abide by the Anti-Corruption Principles for Corporations in Malaysia in the conduct of its business as well as working together with its business partners, regulators and law enforcement agencies to create a business environment that is free from corruption.

ADDITIONAL COMPLIANCE INFORMATION

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

Share Buy Back

As per the Record of Depositors as at 21 March 2017, the Company held as treasury shares a total of 386,000 of its 278,648,016 issued ordinary shares. Such treasury shares are held at a carrying amount RM326,732.00.

Options, Warrants or Convertible Securities

Redeemable Convertible Secured Loan Stocks ("RCSLS") and Warrants

During the financial year under review, 3,300 RCSLS were converted and no warrants were exercised into ordinary shares. The RCSLS and warrants of the Company were matured / expired on 17 March 2016.

Options

During the financial year under review, the company did not issue any options.

Depository Receipt Programme

During the financial year under review, the Company did not sponsor any Depository Receipt Programme.

Sanctions/Penalties

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

Audit and Non-Audit Fees

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

	Group (RM)	Company (RM)
Statutory audit services provided by Messrs Ernst & Young	295,000.00	136,750.00
Non-audit services provided by Messrs Ernst & Young	73,500.00	50,000.00
Advisory services provided by affiliates of Messrs Ernst & Young	100,000.00	12,000.00
Total	468,500.00	198,750.00

CORPORATE GOVERNANCE

Variations in Results

There were no variations in results from any profit estimate, forecast, projection or unaudited results announced.

Profit Guarantee

No profit guarantee was given by the Company for the financial year under review.

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 Sixteenth Annual General Meeting held on 15 June 2016.

Recurrent Transactions conducted during the financial year ended 31 December 2016 are set out below:

Type of Recurrent Transactions	Related Party	Relationship with Encorp Group	RM
Sale of properties	Dato' Haji Zakaria bin Nordin	Director / GCEO of Encorp Berhad	954,400.00
	Wan Azman bin Wan Abbas	Director of Must Ehsan Development Sdn Bhd, a 70%-owned subsidiary of Encorp Must Sdn Bhd, which in turn is a wholly-owned subsidiary of Encorp Berhad	1,244,400.00
Provision of comprehensive facilities management services to FELDA Group	FELDA	Major shareholder of Encorp Berhad	8,171,790.00
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	8,186,468.00



Strand Mall - Lobby area

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 2016.

MEMBERSHIP AND MEETINGS OF THE AUDIT AND GOVERNANCE COMMITTEE

During the financial year ended 31 December 2016, 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
Datuk Haji Jaafar bin Abu Bakar	Chairman, Independent Non-Executive Director	7/7
Abdul Rahim bin Abdul Hamid	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 reviewed by the Board annually 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.

CORPORATE GOVERNANCE

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 non-audit 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 on 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.

CORPORATE GOVERNANCE

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:

- Directors' Continuous Learning Programme – The Proposed Companies Act 2015, Challenges for Directors and Secretaries : The Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA")
- Malaysian Institute of Accountants ("MIA") International Accountants' Conference 2016 : MIA
- MIA-IPTAs Roundtable Meeting - Financing Research & Development : MIA
- Overview of the Malaysian Code on Corporate Governance 2012 : Securities Industry Development Corporation ("SIDC")

SUMMARY OF ACTIVITIES OF THE AUDIT AND GOVERNANCE COMMITTEE DURING THE YEAR

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 2015, 31 March 2016, 30 June 2016 and 30 September 2016 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 2016 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 revised Limits of Authority to the Board for approval.
- 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 2016.

- Reviewed and approved the annual internal audit plan 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

The internal audit function of the Company has been outsourced to an independent professional firm, NGL Tricor Governance Sdn Bhd ("NGL Tricor"), which assists the Audit and Governance Committee in discharging its duties and responsibilities. They act independently and with due professional care and report directly to the Audit and Governance Committee.

NGL Tricor provides independent and objective assurance on the adequacy and effectiveness of the risk management, internal control and governance processes.

During the financial year ended 31 December 2016, the major activities carried out by NGL Tricor were as follows:

- Developed the annual internal audit plan and submitted that plan to the Audit and Governance Committee for review and approval.
- 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 2016, inter-alia, includes the following:
 - » Internal control review of Property - Project Implementation
 - » Internal control review of Asset Management & Admin Services
 - » Internal control review of Contracts / Agreements Processing
- Issued quarterly internal audit reports to the Audit and Governance Committee detailing audit issues and recommendations for corrective actions to be adopted by Management, to overcome the deficiencies or to enhance controls.
- Conducted follow-up on selected area upon Audit and Governance Committee's request.

The costs incurred for the internal audit function for the financial year ended 31 December 2016 amounted to RM83,290.00.

CORPORATE GOVERNANCE

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. 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
 - Monitoring the progress of action plans and reviewing the business risks from time to time
- b. Lines of responsibility and accountability
- c. Defined parameters for risk rating

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 & divisions.

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 Management Department (RMD) is responsible for formulating the risk management policy, monitoring its implementation and providing necessary resources. RMD also ensures that principle risks are identified with appropriate controls put in place and periodical risk reports are submitted to AGC. RMD 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 RMD is supported by the Risk Management Officer (RMO) at the operational level. The members of RMO comprise of representatives from departmental operations and support functions. Meetings and discussions were conducted by RMD 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

During the year, the internal audit function was outsourced to an independent consulting firm, NGL Tricor Governance Sdn Bhd, to provide assurance on the effectiveness as well as the adequacy and integrity 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:

- » Property Implementation;
- » Asset Management and Admin Services;
- » Contract Management; and
- » Human Capital Management.

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.

CORPORATE GOVERNANCE

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 targets for all levels of staff is practised using a Human Resource Information System.

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 Executive Committee and General Manager, Risk & Governance, 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 2016 up to the date of approval of this statement. This statement is made in accordance with the resolution of the Board of Directors on 23 February 2017.

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 2016, the Directors have:

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

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

Encorp Strand Garden Office





Encorp Cahaya Alam township is located in Seksyen U12, Shah Alam and accessible by the New Klang Valley Expressway, Federal Highway and NKVE-MERU Link. It has a host of facilities offering residents amenities which enrich residents' lives, emphasising the best of neighbourhood living.



FINANCIALS

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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 2016.

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 18 to the financial statements.

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

Results

	Group RM'000	Company RM'000
Profit/(loss) net of tax	28,125	(36,992)
Profit/(loss) attributable to:		
Owners of the parent	28,405	(36,992)
Non-controlling interest	(280)	-
	28,125	(36,992)

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.

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Encorp Berhad (506836-X)
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Directors

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

Tan Sri Haji Mohd Isa Bin Dato' Haji Abdul Samad
Dato' Haji Zakaria Bin Nordin
Datuk Noor Ehsanuddin Bin Mohd Harun Narrashid
Datuk Haji Jaafar Bin Abu Bakar
Abdul Rahim Bin Abdul Hamid
Dato' Feroz Bin A S Moidunny
Datuk Hanapi Bin Suhada

Directors' benefits

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

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

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 of RM1 each			As at 31.12.2016
	As at 1.1.2016	Acquired	Sold	
Direct interest				
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.

Encorp Berhad (506836-X)
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Issuance of shares

During the 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 at an issue price 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.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company unless the allotment of the new ordinary shares is made on or prior to the entitlement date of any dividends, rights, allotments and/or other distributions.

Redeemable Convertible Secured Loan Stock ("RCSLS")

On 17 March 2016, the outstanding 10,566,780 units of RCSLS and 32,852,830 units of warrants have matured and expired pursuant to the terms and conditions stipulated in the Trust Deed and Deed Poll dated 28 January 2011.

Other statutory information

- (a) Before the statements of profit or loss, statements of 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 satisfied themselves that there were no known bad debts 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) it necessary to write off any bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

FINANCIAL**Encorp Berhad (506836-X)**

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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.

Significant event

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

Auditors

Ernst & Young retires at the forthcoming annual general meeting and does not wish to seek re-appointment.

Signed on behalf of the Board in accordance with a resolution of the directors dated 21 April 2017.

Dato' Haji Zakaria Bin Nordin

Datuk Haji Jaafar Bin Abu Bakar

Encorp Berhad (506836-X)
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Statement by directors

Pursuant to Section 169(15) of the Companies Act, 1965

We, Dato' Haji Zakaria Bin Nordin and Datuk Haji Jaafar Bin Abu Bakar, 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 112 to 236 are drawn up in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 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 2016 and of their financial performance and cash flows for the year then ended.

Supplementary information – breakdown of retained profits into realised and unrealised

Further to the statement by directors, pursuant to Section 169(15) of the Companies Act, 1965, as above, the information set out in Note 40 to the financial statements on page 237 have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the directors dated 21 April 2017.

Dato' Haji Zakaria Bin Nordin

Datuk Haji Jaafar Bin Abu Bakar

Statutory declaration

Pursuant to Section 169(16) of the Companies Act, 1965

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 112 to 237 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 21 April 2017

Seow Yoke Wei @ Seow Yoke Loong

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

FINANCIAL

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

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

Report on the financial statements

Opinion

We have audited the financial statements of Encorp Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the statements of profit or loss, statements of other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 112 to 236.

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 2016, 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, 1965 in Malaysia.

Basis for opinion

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

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

Encorp Berhad (506836-X)
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**Independent auditors' report to the members of
Encorp Berhad (contd.)
(Incorporated in Malaysia)**

Key audit matters (contd.)

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

Revenue and cost of sales from property development activities

(Refer to Note 2.16(ii), Note 3.2(b) and Note 17(b) to the financial statements)

A significant proportion of the Group's revenues and profits are derived from property development contracts which span more than one accounting period. For the financial year ended 31 December 2016, property development revenue of RM241,899,000 and cost of sales of RM160,270,000 accounted for approximately 67% and 88% 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.

We identified revenue and cost of sales from property development activities as areas requiring audit focus as significant management's judgment 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.

To address these areas of audit focus, we performed, amongst others, the following procedures:

- (a) We obtained an understanding of the internal controls over the accuracy and timing of revenue recognised in the financial statements, including controls performed by management in estimating the total property development cost, profit margin and percentage-of-completion of the property development activities;
- (b) For significant property development phase, we read the sale and purchase agreements entered into with the customers to obtain an understanding of the specific terms and conditions;

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Encorp Berhad (506836-X)
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**Independent auditors' report to the members of
Encorp Berhad (contd.)
(Incorporated in Malaysia)**

Key audit matters (contd.)

Revenue and cost of sales from property development activities (contd.)

To address these areas of audit focus, we performed, amongst others, the following procedures: (contd.)

- (c) We evaluated the assumptions applied in estimating the total property development cost including the provisions and allocations of common infrastructure costs for the property development projects by examining documentary evidence such as letters of award issued to contractors to support the total budgeted costs. We also considered the historical accuracy of management's forecasts for the similar property development projects in evaluating the estimated total property development costs;
- (d) We evaluated the determination of percentage-of-completion by examining supporting evidence such as contractors' progress claims and suppliers' invoices; and
- (e) We observed the progress of the property development phases by performing site visit and examined physical progress reports. We also discussed the status of on-going property development phases with management, finance personnel and project officials.

Impairment of goodwill

(Refer to Note 2.11, Note 3.2(a) and Note 15 to the financial statements)

As at 31 December 2016, the carrying amount of goodwill recognised by the Group amounted to RM24,504,000. This goodwill relates to a subsidiary principally engaged in property development activities. The Group is required to perform annual impairment test of the cash generating units (CGUs) or groups of CGUs to which this goodwill has been allocated. The Group estimated the recoverable amount of the 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.

Encorp Berhad (506836-X)
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**Independent auditors' report to the members of
Encorp Berhad (contd.)
(Incorporated in Malaysia)**

Key audit matters (contd.)

Impairment of goodwill (contd.)

In addressing this area of focus, we performed, amongst others, the following procedures:

- (a) Obtained an understanding of the relevant internal controls over estimating the VIU of the CGUs or groups of CGUs;
- (b) Evaluated the assumptions applied in the determination of estimated selling prices of future development projects in light of supporting evidence such as transactions from National Property Information Centre and external market outlook report;
- (c) Evaluated the assumptions applied in estimating the expected take up rate for each development phase by comparing to the actual take up rate of similar completed development phases in previous years; and
- (d) Considered the historical accuracy of management's estimates of profits (and the resulting cash flows) for similar completed property development activities in previous years.

We have also evaluated the adequacy of the Group's disclosures of each key assumption on which the Group has based its cash flow projections. Key assumptions are those to which the recoverable amount is most sensitive, as disclosed in Note 15 to the financial statements.

Valuation of investment properties

(Refer to Note 2.8, Note 3.2(g) and Note 16 to the financial statements)

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 judgmental. Accordingly, we consider this to be an area of audit focus.

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

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

Key audit matters (contd.)

Valuation of investment properties (contd.)

Our audit procedures focused on the valuations performed by firms of independent valuers which the management relied upon, which included amongst others the following procedures:

- (a) We considered the objectivity, independence and expertise of the firm of independent 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) As part of our evaluations of the fair values of investment properties, we had discussions with the independent valuers to obtain an understanding of the property related data used as input to the valuation models; and
- (d) We also assessed whether the discount rate used to determine the present value of the cash flows reflects the return that investors would require if they were to choose an investment that would generate cash flows of amounts, timing and risk profile equivalent to those that the entity expects to derive.

Cost of investment in a subsidiary

(Refer to Note 2.5, Note 3.2(f) and Note 18 to the financial statements)

The Company is required to perform impairment test of its investment whenever there is an indication that the investment may be impaired.

There is an indication that the carrying amount of the Company's cost of investment in Encorp Construction & Infrastructure Sdn. Bhd. ("ECISB") may be impaired as 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"). Estimating the VIU involves estimating the future cash inflows and outflows that will be derived from the investment and discounting them at an appropriate rate.

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

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

Key audit matters (contd.)

Cost of investment in a subsidiary (contd.)

We focused on the evaluation of the probability of securing significant long-term construction contracts. Our procedures included amongst others, evaluated the management's procedures in estimating the probability of securing contracts. We also made enquiries with the project teams to obtain an understanding of the status of negotiations and the likelihood of securing the contracts.

In addition, we also focused on the evaluation of the estimated profits and the resulting cash flows to be derived from those significant contracts by comparing the estimated profits (and resulting cash flows) with the actual profits and cash flows derived from similar completed contracts in previous years.

We also assessed the appropriateness of the discount rate used to determine the present value of the cash flows and whether the rate used reflects the current market assessments of the time value of money and the risks specific to the asset is the return that investors would require if they were to choose an investment that would generate cash flows of amounts, timing and risk profile equivalent to those that the entity expects to derive from the asset.

Impairment review of amount due from a subsidiary

(Refer to Note 2.13, Note 3.2 (e) and Note 19 to the financial statements)

Included in the amounts due from subsidiaries of the Company as at 31 December 2016 is an amount due from Encorp Development Pty. Ltd. ("EDPL") of RM53,245,000. The history of continued losses and the depleting shareholders' funds reported by EDPL are viewed 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 of the financial asset, reduced or delayed based on the current expectations of the amount and timing of these cash flows as a result of losses incurred at the balance sheet date. Those cash flows are discounted at the original effective interest rate of the financial asset. Such impairment review gave rise to an impairment loss of RM12,540,000.

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

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

Key audit matters (contd.)

Impairment review of amount due from a subsidiary (contd.)

The aforementioned estimation of future cash flows involves significant judgment and estimates which are highly subjective. In addressing this area of concern:

- (a) We obtained an understanding of the relevant internal controls of the Company over the estimation of recoverable amount due from EDPL; and
- (b) We evaluated the assumptions applied in the determination of the amount and timing of receipts from EDPL in light of the estimation of profits and the resulting cash flows to be derived from the operations of EDPL.

Provision for liquidated and ascertained damages

(Refer to Note 2.18, Note 3.2(h) and Note 28(a) to the financial statements)

In accordance with the sale and purchase agreements ("SPA") signed between the Group and the purchasers, the vacant possession of the property development units shall be delivered to the purchaser within a stipulated period. If the Group fails to deliver vacant possession within the stipulated timeline, the Group shall be liable to pay to the purchaser an amount of liquidated and ascertained damages ("LAD"). The Group recognises a provision for LAD when it determines that it is probable that an outflow of resources is more likely than not to occur as a result of the delay in the completion of property development projects.

A provision by its nature is more uncertain than most other items in the statement of financial position. The estimates of the outcome and financial effects are determined by the judgement of the management, supplemented by experience from similar transactions. The evidence considered will also include any additional evidence provided by events after the reporting period. Accordingly, we consider this area to be an area of audit focus.

In addressing this area of audit focus:

- (a) We obtained an understanding of the relevant internal controls of the Group over the estimation of LAD payable;
- (b) We observed the progress of the property development projects by performing site visits and examining the physical progress reports;

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

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

Key audit matters (contd.)

Provision for liquidated and ascertained damages (contd.)

In addressing this area of audit focus: (contd.)

- (c) We discussed the status of on-going property development phases with management, finance personnel and project officials. We also evaluated the viability of the Group's plans to accelerate the completion of development projects, taking into consideration factors such as availability of resources; and
- (d) In respect of those property development projects where delay in completion is anticipated, we evaluated the amount of LAD provided by the Group with reference to expected completion date and the terms and conditions provided in the sale and purchase agreements entered with the customers.

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 directors' report, but does not include the financial statements and our auditors' report thereon, which we obtained prior to the date of this auditors' report, and the other information included in the Group's 2016 Annual Report, which is expected to be made available to us after the date of this auditors' report.

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

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information identified above when it becomes available 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 directors' report that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this directors' report, we are required to report that fact. We have nothing to report in this regard.

When we read the other information included in the Group's 2016 Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Company and take appropriate action.

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

**Independent auditors' report to the members of
Encorp Berhad (contd.)
(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, 1965 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 judgment 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.

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

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

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

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: (contd.)

- 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.

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

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

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

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

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

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia ("the Act"), we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 18 to the financial statements, being financial statements that have been included in the consolidated financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.
- (d) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

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

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

Other reporting responsibilities

The supplementary information set out in Note 40 on page 237 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF: 0039
Chartered Accountants

Kuala Lumpur, Malaysia
21 April 2017

Kua Choo Kai
No. 2030/03/18(J)
Chartered Accountant

FINANCIAL

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

Statements of profit or loss
For the year ended 31 December 2016

		Group		Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Continuing operations					
Revenue	4	359,254	209,885	3,780	4,632
Cost of sales	5	(182,208)	(60,849)	-	-
Gross profit		177,046	149,036	3,780	4,632
Other income	6	17,957	31,667	4,474	6,355
Selling and marketing expenses		(5,185)	(2,948)	-	-
Administrative expenses		(42,483)	(42,191)	(41,962)	(56,800)
Finance costs	7	(104,529)	(108,850)	(3,599)	(2,503)
Other expenses		(994)	(1,229)	(518)	(651)
Profit/(loss) before tax	8	41,812	25,485	(37,825)	(48,967)
Income tax	11	(13,687)	(13,411)	833	1,322
Profit/(loss) from continuing operations, net of tax		28,125	12,074	(36,992)	(47,645)
Discontinued operation					
Loss from discontinued operation, net of tax	12	-	(6,404)	-	-
Profit/(loss) net of tax		28,125	5,670	(36,992)	(47,645)
Profit/(loss) attributable to:					
Owners of the parent		28,405	1,380	(36,992)	(47,645)
Non-controlling interest		(280)	4,290	-	-
		28,125	5,670	(36,992)	(47,645)
Earnings per share					
attributable to owners of the parent (sen per share)					
Basic	13	10.19	0.50		
Earnings per share from continuing operations attributable to owners of the parent (sen per share)					
Basic	13(a)	10.19	2.79		
Loss per share from discontinued operation attributable to owners of the parent (sen per share)					
Basic	13(b)	-	(2.30)		

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

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

Statements of other comprehensive income
For the year ended 31 December 2016

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Profit/(loss) net of tax		28,125	5,670	(36,992)	(47,645)
Other comprehensive income					
Foreign currency translation	32(b)	(762)	2,969	-	-
Total comprehensive income/(loss) for the year		<u>27,363</u>	<u>8,639</u>	<u>(36,992)</u>	<u>(47,645)</u>
Total comprehensive income/(loss) attributable to:					
Owners of the parent		27,643	4,349	(36,992)	(47,645)
Non-controlling interest		(280)	4,290	-	-
		<u>27,363</u>	<u>8,639</u>	<u>(36,992)</u>	<u>(47,645)</u>

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

FINANCIAL

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

Consolidated statement of financial position
As at 31 December 2016

		Group	
	Note	2016 RM'000	2015 RM'000
Assets			
Non-current assets			
Property, plant and equipment	14	6,878	7,536
Intangible assets	15	25,042	25,234
Investment properties	16	325,130	324,860
Land held for property development	17(a)	293,836	93,028
Trade and other receivables	19	866,693	922,472
Other investments	24	4,857	-
Deferred tax assets	20	9,774	4,339
		<u>1,532,210</u>	<u>1,377,469</u>
Current assets			
Property development costs	17(b)	235,888	73,347
Inventories	21	100,132	69,737
Tax recoverable		5,185	8,981
Trade and other receivables	19	134,664	90,194
Other current assets	22	44,152	113,345
Other investments	24	113,267	109,961
Cash and bank balances	25	<u>62,843</u>	<u>17,690</u>
		696,131	483,255
Assets of disposal group classified as held for sale	26	<u>23,087</u>	<u>28,224</u>
		<u>719,218</u>	<u>511,479</u>
Total assets		<u>2,251,428</u>	<u>1,888,948</u>

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

Consolidated statement of financial position
As at 31 December 2016 (contd.)

		Group	
	Note	2016 RM'000	2015 RM'000
Equity and liabilities			
Current liabilities			
Trade and other payables	27	209,277	145,597
Provision	28(a)	30,326	10,243
Other current liabilities	28(b)	-	3,692
Loans and borrowings	29	141,623	136,022
Income tax payable		1,391	10
		<u>382,617</u>	<u>295,564</u>
Liabilities directly associated with disposal group classified as held for sale	26	<u>934</u>	<u>1,251</u>
		<u>383,551</u>	<u>296,815</u>
Net current assets		<u>335,667</u>	<u>214,664</u>
Non-current liabilities			
Trade and other payables	27	334,434	7,730
Loans and borrowings	29	1,017,041	1,094,855
Deferred tax liabilities	20	3,538	4,050
		<u>1,355,013</u>	<u>1,106,635</u>
Total liabilities		<u>1,738,564</u>	<u>1,403,450</u>
Net assets		<u>512,864</u>	<u>485,498</u>
Equity attributable to owners of the parent			
Share capital	31	278,648	278,645
Share premium	31	104,302	104,302
Treasury shares	31	(327)	(327)
Other reserves	32	180	4,582
Retained earnings		<u>39,199</u>	<u>7,154</u>
		422,002	394,356
Non-controlling interest		<u>90,862</u>	<u>91,142</u>
Total equity		<u>512,864</u>	<u>485,498</u>
Total equity and liabilities		<u>2,251,428</u>	<u>1,888,948</u>

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

FINANCIAL

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

Statement of financial position
As at 31 December 2016

		Company	
	Note	2016 RM'000	2015 RM'000
Assets			
Non-current assets			
Property, plant and equipment	14	1,257	1,639
Intangible assets	15	395	514
Investment properties	16	-	-
Investment in subsidiaries	18	295,960	295,960
Other receivables	19	-	6,645
		<u>297,612</u>	<u>304,758</u>
Current assets			
Trade and other receivables	19	110,585	132,676
Other current assets	22	662	167
Tax recoverable		1,232	-
Other investments	24	15	68
Cash and bank balances	25	292	3,473
		<u>112,786</u>	<u>136,384</u>
Assets of disposal group classified as held for sale	26	16,115	27,000
		<u>128,901</u>	<u>163,384</u>
Total assets		<u>426,513</u>	<u>468,142</u>

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

Statement of financial position
As at 31 December 2016 (contd.)

		Company	
	Note	2016 RM'000	2015 RM'000
Equity and liabilities			
Current liabilities			
Other payables	27	41,440	31,572
Loans and borrowings	29	40,043	42,709
Income tax payable		-	8
		<u>81,483</u>	<u>74,289</u>
Net current assets		<u>47,418</u>	<u>89,095</u>
Non-current liabilities			
Loans and borrowings	29	22	11,466
Deferred tax liabilities	20	-	390
		<u>22</u>	<u>11,856</u>
Total liabilities		<u>81,505</u>	<u>86,145</u>
Net assets		<u>345,008</u>	<u>381,997</u>
Equity attributable to owners of the parent			
Share capital	31	278,648	278,645
Share premium	31	104,302	104,302
Treasury shares	31	(327)	(327)
Other reserves	32	-	3,640
Accumulated loss		(37,615)	(4,263)
Total equity		<u>345,008</u>	<u>381,997</u>
Total equity and liabilities		<u>426,513</u>	<u>468,142</u>

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

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

**Consolidated statement of changes in equity
For the year ended 31 December 2016**

Attributable to owners of the parent

Non-distributable

	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 2016										
Total comprehensive income	485,498	394,356	278,645	104,302	(327)	4,582	3,640	942	7,154	91,142
Other comprehensive income	28,125	28,405	-	-	-	-	-	-	28,405	(280)
Total recognised income and expenses for the year	(762)	(762)	-	-	-	(762)	-	(762)	-	-
Transactions with owners										
Issuance of ordinary shares:										
- Conversion of RCSLS	3	3	3	-	-	-	-	-	-	-
Expiration of warrant reserves transferred to retained earnings	-	-	-	-	-	(3,640)	(3,640)	-	3,640	-
Total transactions with owners	3	3	3	-	-	(3,640)	(3,640)	-	3,640	-
At 31 December 2016	512,864	422,002	278,648	104,302	(327)	180	-	180	39,199	90,862
At 1 January 2015										
Total comprehensive income	471,523	384,517	278,645	103,044	(4,559)	1,613	3,640	(2,027)	5,774	87,006
Other comprehensive income	5,670	1,380	-	-	-	-	-	-	1,380	4,290
Total recognised income and expenses for the year	2,969	2,969	-	-	-	2,969	-	2,969	-	-
Transactions with owners										
Dividends paid by a subsidiary	8,639	4,349	-	-	-	2,969	-	2,969	1,380	4,290
Disposal of treasury shares	(450)	-	-	-	-	-	-	-	-	(450)
Disposal of a subsidiary	5,490	5,490	-	-	5,490	-	-	-	-	-
Gain on disposal of treasury shares transferred to share premium reserve	296	-	-	-	-	-	-	-	-	296
Total transactions with owners	-	-	-	1,258	(1,258)	-	-	-	-	-
At 31 December 2015	5,336	5,490	-	1,258	4,232	-	-	-	-	(154)
	485,498	394,356	278,645	104,302	(327)	4,582	3,640	942	7,154	91,142

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 2016**

	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 2016							
Total comprehensive loss	381,997 (36,992)	278,645	104,302	(327)	3,640	3,640	(4,263) (36,992)
	345,005	278,645	104,302	(327)	3,640	3,640	(41,255)
Transactions with owners							
Issuance of ordinary shares: - Conversion of RCSLS	3	3	-	-	-	-	-
Expiration of warrant reserves transferred to retained earnings	-	-	-	-	(3,640)	(3,640)	3,640
Total transactions with owners	3	3	-	-	(3,640)	(3,640)	3,640
At 31 December 2016	345,008	278,648	104,302	(327)	-	-	(37,615)
	424,152 (47,645)	278,645	103,044	(4,559)	3,640	3,640	43,382 (47,645)
Total comprehensive income	376,507	278,645	103,044	(4,599)	3,640	3,640	(4,263)
	5,490	-	-	5,490	-	-	-
Transactions with owners							
Disposal of treasury shares	-	-	-	-	-	-	-
Gain on disposal of treasury shares transferred to share premium reserve	-	-	1,258	(1,258)	-	-	-
Total transactions with owners	5,490	-	1,258	4,232	-	-	-
At 31 December 2015	381,997	278,645	104,302	(327)	3,640	3,640	(4,263)

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

FINANCIAL

Encorp Berhad (506836-X)

(Incorporated in Malaysia)

Statements of cash flows
For the year ended 31 December 2016

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Operating activities				
Profit/(loss) before tax from continuing operations	41,812	25,485	(37,825)	(48,967)
Loss before tax from discontinued operation	-	(6,368)	-	-
	<u>41,812</u>	<u>19,117</u>	<u>(37,825)</u>	<u>(48,967)</u>
Adjustments for:				
Depreciation of property, plant and equipment	683	3,070	399	495
Amortisation of intangible assets	192	293	119	158
Interest expense	104,216	107,121	3,599	2,503
Distribution income from money market investment securities	(4,036)	(4,147)	(25)	(13)
Gain on disposal of investment securities	(75)	(262)	-	(4)
Interest income	(1,032)	(1,393)	(1,843)	(1,609)
Deposit income forfeited	(7,302)	(2,985)	-	-
Provision for short-term accumulating compensated absences	82	42	16	-
Loss on disposal of property, plant and equipment	-	22	-	73
Changes in fair value of investment properties	(270)	(8,111)	-	8,449
Allowance for impairment on other receivables	9,537	21	26,396	33,704
Write down of inventories	1,220	4,024	-	-
Write off of plant and equipment	712	-	-	-
Write off of intangible assets	3	-	-	-
Reversal for impairment for land held for property development	-	(3,496)	-	-
Allowance for impairment on:				
- trade receivables	1,747	2,254	461	131
- assets held for sale	251	-	-	-
Unrealised foreign exchange gain	(1,354)	-	(1,354)	(4,511)
Unwinding of discount on other liabilities at amortised costs	313	2,676	-	-
Finance income - other liabilities at amortised costs	-	(899)	-	-
Gain on derecognition of a subsidiary	-	(251)	-	-
Liquidated and ascertained damages	18,621	7,348	-	-
Gain on disposal of a subsidiary	-	(8,051)	-	-
Bad debts written off	-	5,420	-	-
Operating cash flows before working capital changes carried forward	<u>165,320</u>	<u>121,813</u>	<u>(10,057)</u>	<u>(9,591)</u>

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Statements of cash flows
For the year ended 31 December 2016 (contd.)

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Operating activities (contd.)				
Operating cash flows before working capital changes brought forward	165,320	121,813	(10,057)	(9,591)
<u>Changes in working capital:</u>				
Land held for development and development expenditure	(23,239)	(37,944)	-	-
Inventories	(31,587)	5,997	-	-
Trade and other receivables	8,681	20,091	4,090	(21,171)
Other current assets	69,193	(18,766)	(495)	35
Provision, trade and other payables	27,453	59,458	(6,263)	12,026
Other current liabilities	(3,692)	(30,213)	-	-
	212,129	120,436	(12,725)	(18,701)
Interest paid	(103,336)	(8,391)	(3,433)	(1,527)
Income taxes (paid)/refunded	(14,457)	(11,779)	(1,652)	8
Net cash flows generated from/ (used in) operating activities	94,336	100,266	(17,810)	(20,220)
Investing activities				
Purchase of property, plant and equipment (Note a)	(25)	(30)	(17)	(30)
Purchase of intangible assets (Note a)	-	(589)	-	(559)
Proceeds from disposal of property, plant and equipment	-	1,224	-	422
Proceeds from disposal of investment properties	27,000	-	27,000	-
(Investment)/withdrawal in other investments	(8,088)	(1,923)	53	5
Net cash inflows for derecognition of a subsidiary	-	286	-	-
Net cash outflows for disposal of a subsidiary	-	(2,697)	-	-
Interest received	1,032	1,393	1,843	1,609
Distribution income	4,036	4,147	25	13
Net cash flows generated from investing activities	23,955	1,811	28,904	1,460

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Statements of cash flows
For the year ended 31 December 2016 (contd.)

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Financing activities				
Proceed from disposal of treasury shares	-	5,490	-	5,490
Withdrawal/(placement) of deposits	1,558	4,060	2,156	(62)
Drawdown of loans and borrowings	128,481	24,462	10,000	15,000
Repayment of loans and borrowings	(189,306)	(160,160)	(12,870)	(413)
Payment of RCSLS coupon	(11,354)	(633)	(11,354)	(633)
Net repayment of finance lease payables	(47)	(1,640)	(51)	(81)
Net cash flow (used in)/generated from financing activities	(70,668)	(128,421)	(12,119)	19,301
Net increase/(decrease) in cash and cash equivalents	47,623	(26,344)	(1,025)	541
Effect of exchange rate changes on cash and cash equivalents	(762)	2,969	-	-
Cash and cash equivalents at beginning of year	12,106	35,481	1,317	776
Cash and cash equivalents at end of year (Note 25)	58,967	12,106	292	1,317

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash	(25)	(619)	(17)	(589)

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

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Notes to the financial statements

31 December 2016

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 18.

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 2016 were authorised for issue in accordance with a resolution of the directors on 21 April 2017.

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, 1965 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 2016 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.

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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 2016, 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 2016:

Description	Effective for annual periods beginning on or after
Annual Improvements to FRSs 2012-2014 Cycle	1 January 2016
Amendment to FRS 10, FRS 12 and FRS 128: Investment	
Entities: Applying the Consolidation Exception	1 January 2016
Amendment to FRS 11: Accounting for Acquisitions of	
Interest in Joint Operations	1 January 2016
FRS 14: Regulatory Deferral Accounts	1 January 2016
Amendment to FRS 101: Disclosure Initiatives	1 January 2016
Amendment to FRS 116 and FRS 138: Clarification of	
Acceptable Methods of Depreciation Amortisation	1 January 2016
Amendment to FRS 127: Equity Method in Separate Financial	
Statements	1 January 2016

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.

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2. Summary of significant accounting policies (contd.)

2.2 Changes in accounting policies (contd.)

The nature and the impact of the new and amended FRSs are described below:

Amendments to FRS 116 and FRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset forms part of the business) rather than the economic benefits that are consumed through the use of an asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

The amendments do not have any impact to the Group as the Group has not used a revenue-based method to depreciate its non-current assets.

Amendments to FRS 11 Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations

The amendments to FRS 11 require that a joint operator which acquires an interest in a joint operations which constitute a business to apply the relevant FRS 3 Business Combinations principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to FRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

These amendments do not have any impact on the Group's consolidated financial statements as there has been no interest acquired in a joint operation during the year.

Amendments to FRS 127: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associate in their separate financial statements. Entities already applying FRS and electing to change to the equity method in its separate financial statements will have to apply this change retrospectively. For first-time adopters of FRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to FRS. These amendments do not have any impact on the Group's and the Company's financial statements.

Amendments to FRS 101: Disclosure Initiatives

The amendments to FRS 101 include narrow-focus improvements in the following five areas:

- Materiality
- Disaggregation and subtotals
- Notes structure
- Disclosure of accounting policies
- Presentation of items of other comprehensive income arising from equity accounted investments

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

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2. Summary of significant accounting policies (contd.)**2.2 Changes in accounting policies (contd.)**Amendments to FRS 10, FRS 12 and FRS 128: Investment Entities: Applying the Consolidation Exception

The amendments clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. The amendments further clarify that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. In addition, the amendments also provides that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries.

The amendments do not have any impact on the Group's financial statements as the Group does not apply the consolidation exception.

FRS 14 Regulatory Deferral Accounts

FRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulations, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of FRS. Entities that adopt FRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in the account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. Since the Group is an existing FRS preparer, this standard does not apply.

Annual Improvements to FRSs 2012-2014 Cycle

The Annual Improvements to FRSs 2012-2014 Cycle include a number of amendments to various FRSs, which are summarised below. These amendments do not have a significant impact on the Group's and the Company's financial statements.

FRS 5 Non-current Assets Held for Sale and Discontinued Operations

The amendment to FRS 5 clarifies that changing from one disposal method to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in FRS 5.

The amendment also clarifies that changing the disposal method does not change the date of classification. This amendment is applied prospectively.

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2. Summary of significant accounting policies (contd.)

2.2 Changes in accounting policies (contd.)

Annual Improvements to FRSs 2012-2014 Cycle (contd.)

FRS 7 Financial Instruments: Disclosures

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in FRS 7 in order to assess whether the disclosures are required.

In addition, the amendment also clarifies that the disclosures in respect of offsetting of financial assets and financial liabilities are not required in the condensed interim financial report. This amendment is applied retrospectively.

FRS 119 Employee Benefits

The amendment to FRS 119 clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment is applied prospectively.

FRS 134 Interim Financial Reporting

The amendment states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment is applied retrospectively.

2.3 Standards issued but not yet effective

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:

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 Unrealized 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
Amendments to FRS 10 and FRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

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

FRS 107 Disclosures Initiatives (Amendments to FRS 107)

The amendments to FRS 107 Statement of Cash Flows requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of this amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of amendments will result in additional disclosures to be provided by the Company.

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2. Summary of significant accounting policies (contd.)

2.3 Standards issued but not yet effective (contd.)

FRS 112 Recognition of Deferred Tax for Unrealised losses (Amendments to FRS 112)

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between retained earnings and other components of equity. Entities applying this relief must disclose that fact.

These amendments are effective for annual periods beginning on or after 1 January 2017 with early application permitted. If an entity applies this amendments for an earlier period, it must disclose that fact. These amendments are not expected to have any impact on the Group and on the Company.

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

The amendments clarify that:

- gains and losses resulting from transactions involving assets that do not constitute a business, between investor and its associate or joint venture are recognised in the entity's financial statements only to the extent of unrelated investors' interests in the associate or joint venture; and
- gains and losses resulting from transactions involving the sale or contribution of assets to an associate of a joint venture that constitute a business is recognised in full.

The amendments are to be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined by Malaysian Accounting Standards Board. Earlier application is permitted. These amendments are not expected to have any impact on the Group or the Company.

The Group is in the process of assessing the impact of implementing these accounting standards, amendments and interpretations, as the effects would only be observable in future financial years.

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.)

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.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2016. 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 2.10(a).

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2. Summary of significant accounting policies (contd.)

2.5 Subsidiaries

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

- (i) 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 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 shareholders' equity. Transactions with non-controlling interest are accounted for using the entity concept method, whereby, transactions with non-controlling interests 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.

2.7 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.

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2. Summary of significant accounting policies (contd.)**2.7 Foreign currency (contd.)****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.

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.

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2. Summary of significant accounting policies (contd.)

2.7 Foreign currency (contd.)

c) Foreign operations (contd.)

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

	2016	2015
Australian Dollar (AUD)	<u>3.24</u>	<u>3.14</u>

2.8 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 freeholder 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.)**2.8 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 2.9 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 year.

2.9 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 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.

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2. Summary of significant accounting policies (contd.)

2.9 Property, plant and equipment (contd.)

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.

2.10 Intangible assets

a) Goodwill

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 cash-generating 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 2.7.

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.)**2.10 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.

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2. Summary of significant accounting policies (contd.)

2.10 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.

2.11 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.)**2.11 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.

2.12 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.

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2. Summary of significant accounting policies (contd.)

2.12 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 marketplace 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.

2.13 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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2. Summary of significant accounting policies (contd.)**2.13 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.

2.14 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.

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2. Summary of significant accounting policies (contd.)

2.15 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.

2.16 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.)**2.16 Land held for property development and property development costs****(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 architects, quantity surveyors and engineers to measure the extent of 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.

2.17 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-in-first-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.

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2. Summary of significant accounting policies (contd.)

2.18 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 the 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.

2.19 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.)**2.19 Financial liabilities****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.

2.20 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.

2.21 Employee benefits**(i) Defined contribution plans**

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year 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.

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2. Summary of significant accounting policies (contd.)

2.21 Employee benefits

(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.

2.22 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.)**2.22 Leases (contd.)****a) As lessee (contd.)**

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 straightline 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).

2.23 Discontinued operation

A component of the Group is classified as a "discontinued operation" when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations or is part of a single coordinated major line of business or geographical area of operations. A component is deemed to be held for sale if its carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

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.

a) Sale of properties

Revenue from sale of properties is accounted for by the stage of completion method as described in Note 2.16(ii).

b) Construction contracts

Revenue from construction contracts is accounted for by the stage of completion method as described in Note 2.15.

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2. Summary of significant accounting policies (contd.)

2.24 Revenue (contd.)

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.

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.

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2. Summary of significant accounting policies (contd.)**2.24 Revenue (contd.)****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.

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.

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2. Summary of significant accounting policies (contd.)

2.25 Income taxes

b) Deferred tax

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 Redeemable convertible secured loan stocks ("RCSLS")**

The RCSLS are regarded as compound instruments, consisting of a liability component and an equity component. The component of RCSLS that exhibits characteristics of a liability is recognised as a financial liability in the statement of financial position net of transaction costs. The coupon payable on RCSLS are recognised as interest expense in profit or loss using the effective interest rate method. On issuance of the RCSLS, the fair value of the liability component is determined using the Company's effective interest cost and this amount is carried as a financial liability in accordance with the accounting policy for other financial liabilities set out in Note 2.19.

The residual amount, after deducting the fair value of the liability component, is recognised and included in shareholder's equity, net of transaction costs.

Transaction costs are apportioned between the liability and equity components of the redeemable convertible secured loan stocks based on the allocation of proceeds to the liability and equity components when the instruments were first recognised.

2.27 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.

2.28 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.

2.29 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.

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2. Summary of significant accounting policies (contd.)

2.30 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.

2.31 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.

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2. Summary of significant accounting policies (contd.)**2.31 Fair value measurements (contd.)**

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

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

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

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

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

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2. Summary of significant accounting policies (contd.)

2.32 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.

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.

2.33 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.

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3. Significant accounting judgements and estimates

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

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.

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3. Significant accounting judgements and estimates (contd.)

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 given in Note 15.

(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 17.

(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.

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3. Significant accounting judgements and estimates (contd.)**3.2 Key sources of estimation uncertainty (contd.)****(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 Note 11 and 20.

(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 investment 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 18.

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3. Significant accounting judgements and estimates (contd.)

3.2 Key sources of estimation uncertainty (contd.)

(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 16.

(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.

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4. Revenue

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Concession income	93,764	97,839	-	-
Sale of development properties and completed properties	241,899	101,980	-	-
Sale of goods sold	-	614	-	-
Rental income	7,233	9,452	-	-
Construction revenue	8,186	-	-	-
Facility management fees	8,172	-	-	-
Management fees from subsidiaries	-	-	3,780	4,632
	<u>359,254</u>	<u>209,885</u>	<u>3,780</u>	<u>4,632</u>

5. Cost of sales

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Property development costs (Note 17(b))	160,270	44,451	-	-
Costs of completed properties	-	6,864	-	-
Cost of goods	-	299	-	-
Property expenses	5,756	6,431	-	-
Construction costs	5,520	-	-	-
Facility management cost	6,911	-	-	-
Consultancy service	3,751	2,804	-	-
	<u>182,208</u>	<u>60,849</u>	<u>-</u>	<u>-</u>

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6 Other income

Included in other income are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Gain on disposal of investment securities	75	262	-	4
Rental income	381	686	-	-
- Continuing	381	153	-	-
- Discontinued	-	533	-	-
Interest income	1,032	1,393	1,843	1,609
- Continuing	1,032	1,321	1,843	1,609
- Discontinued	-	72	-	-
Distribution income from money market investment security	4,036	4,147	25	13
Reversal of allowance for impairment on trade receivables (Note 19)	342	-	-	-
Deposit income forfeited	7,302	2,985	-	-
Finance income - other liabilities at amortised costs*	-	899	-	-
- Continuing	-	-	-	-
- Discontinued	-	899	-	-
Gain on disposal of property, plant and equipment	-	80	-	-
- Continuing	-	56	-	-
- Discontinued	-	24	-	-
Net fair value gain of investment properties (Note 16)	270	8,111	-	-
Reversal of impairment on land held for development (Note 17(a))	-	3,496	-	-
Gain on derecognition of subsidiary (Note 18)	-	251	-	-
Unrealized gain on foreign exchange	1,354	-	1,354	4,511

* 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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7. Finance costs

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Interest expense on:				
- Sukuk Murabahah	93,546	97,541	-	-
- Obligations under finance leases	4	213	4	5
- Continuing	4	5	4	5
- Discontinued	-	208	-	-
- Bank credit facilities, bank loans and bank overdrafts	13,650	11,672	2,715	1,522
- Continuing	13,650	11,184	2,715	1,522
- Discontinued	-	488	-	-
- RCSLS coupon (Note 29(m))	166	976	166	976
Interest on advances from immediate holding company	714	-	714	-
Unwinding of discount on other liabilities at amortised costs*	313	2,676	-	-
- Continuing	313	2,425	-	-
- Discontinued	-	251	-	-
Less:				
- Interest capitalised in property development cost (Note 17(b))	(3,864)	(3,281)	-	-

*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. Profit/(loss) before tax

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Employee benefits expense (Note 9)	12,960	15,039	7,303	8,477
- Continuing	12,960	14,168	7,303	8,477
- Discontinued	-	871	-	-
Non-executive directors' remuneration (Note 10)	699	1,061	697	803
- Continuing	699	1,029	697	803
- Discontinued	-	32	-	-
Auditors' remuneration:				
- current year	314	291	129	90
- Continuing	314	287	129	90
- Discontinued	-	4	-	-
- Under provision in prior year	53	6	39	3
- Other service	24	26	8	8
Allowance for impairment:				
- Trade receivables (Note 19)	1,747	2,254	461	131
- Continuing	1,747	2,254	461	131
- Discontinued	-	-	-	-
- Other receivables (Note 19)	9,537	39,649	26,396	33,704
- Continuing	9,537	21	26,396	33,704
- Discontinued	-	39,628	-	-
- Assets held for sale	251	-	-	-
Depreciation of:				
- Property, plant and equipment	683	3,070	399	495
- Continuing (Note 14)	683	942	399	495
- Discontinued	-	2,128	-	-
Amortisation of intangible assets (Note 15)	192	293	119	158
- Continuing	192	287	119	158
- Discontinued	-	6	-	-
Loss on fair value of investment properties (Note 16)	-	-	-	8,449
Inventories written down	1,220	4,024	-	-
Write off of plant and equipment (Note 26)	712	-	-	-
Written off of intangible assets (Note 26)	3	-	-	-

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

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Operating lease - minimum lease payments on:				
- premises	560	173	1,059	540
- Continuing	560	97	1,059	540
- Discontinued	-	76	-	-
- equipment	240	241	141	100
- Continuing	240	181	141	100
- Discontinued	-	60	-	-
- others	50	183	30	-
- Continuing	50	13	30	-
- Discontinued	-	170	-	-
Bad debts written off	-	5,420	-	-
- Continuing	-	103	-	-
- Discontinued	-	5,317	-	-
Liquidated and ascertained damages (Note 28(a))	18,621	7,348	-	-
Loss on disposal of property, plant and equipment	-	102	-	73

9. Employee benefits expense

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Wages and salaries	8,973	10,864	4,588	5,965
Social security contributions	81	74	39	33
Contributions to defined contribution plan	1,185	1,320	662	731
Provision of short term accumulating compensated absences (Note 27(d))	82	42	16	-
Other benefits	2,639	2,739	1,998	1,748
	<u>12,960</u>	<u>15,039</u>	<u>7,303</u>	<u>8,477</u>

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM753,000 (2015: RM81,000) and RM751,000 (2015: RM81,000) 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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Executive:				
Salaries and other emoluments	664	52	662	52
Fees	13	29	13	29
Defined contribution plan	76	-	76	-
Total executive directors' remuneration	<u>753</u>	<u>81</u>	<u>751</u>	<u>81</u>
Non-executive:				
Fees	621	640	621	600
Allowances and other emoluments	78	421	76	203
Total non-executive directors' remuneration	<u>699</u>	<u>1,061</u>	<u>697</u>	<u>803</u>
Total directors' remuneration	<u>1,452</u>	<u>1,142</u>	<u>1,448</u>	<u>884</u>

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

	Number of directors	
	2016	2015
Executive directors:		
RM50,001 - RM100,000	-	1
RM750,001 - RM800,000	<u>1</u>	<u>-</u>
Non-executive directors:		
< RM50,000	-	2
RM50,001 - RM100,000	2	2
RM100,001 - RM150,000	3	3
RM150,001 - RM250,000	<u>1</u>	<u>1</u>

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11. Income tax

Major components of income tax:

The major components of income tax for the years ended 31 December 2016 and 2015 are:

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Statement of profit or loss:				
Current income tax:				
- Malaysian income tax	19,179	7,376	(855)	(900)
- Under provision in prior year	135	1,436	92	-
	<u>19,314</u>	<u>8,812</u>	<u>(763)</u>	<u>(900)</u>
Real property gains tax	<u>320</u>	<u>-</u>	<u>320</u>	<u>-</u>
Deferred income tax (Note 20):				
- Origination and reversal of temporary differences	(6,044)	3,490	(390)	(422)
- Under provision in prior year	97	1,109	-	-
	<u>(5,947)</u>	<u>4,599</u>	<u>(390)</u>	<u>(422)</u>
Income tax attributable:				
- Continuing	13,687	13,411	(833)	(1,322)
- Discontinued	-	36	-	-
Income tax expenses/(benefit)	<u>13,687</u>	<u>13,447</u>	<u>(833)</u>	<u>(1,322)</u>

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11. Income tax (contd.)

Reconciliation between tax and accounting profit

The reconciliation of income tax and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2016 and 2015 is as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Profit/(loss) before tax				
- Continuing	41,812	25,485	(37,825)	(48,967)
- Discontinued	-	(6,368)	-	-
	<u>41,812</u>	<u>19,117</u>	<u>(37,825)</u>	<u>(48,967)</u>
Tax at Malaysian statutory tax rate of 24% (2015: 25%)	10,035	4,779	(9,078)	(12,242)
Different tax rates in other countries	(73)	(117)	-	-
<u>Adjustments:</u>				
Non-deductible expenses	2,461	4,813	8,366	8,292
Income not subject to tax	(1,610)	(1,628)	(603)	(158)
Effect of reduction in tax rate	-	(43)	-	-
Deferred tax assets not recognised	2,763	4,458	460	1,096
Real property gains tax	320	-	320	-
Underprovision of tax expense in prior years				
- current taxation	135	1,472	92	-
- deferred tax	97	1,109	-	-
Deferred tax recognised at different tax rate	<u>(441)</u>	<u>(1,396)</u>	<u>(390)</u>	<u>1,690</u>
Income tax expense/(benefit) recognised in profit or loss	<u>13,687</u>	<u>13,447</u>	<u>(833)</u>	<u>(1,322)</u>

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2015: 25%) of the estimated assessable profit for the year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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12. Discontinued operation

In prior financial year, on 3 September 2015, the Company announced that Encorp Construction & Infrastructure Sdn. Bhd. ("ECISB"), a wholly-owned subsidiary of the Company had entered into a Share Sale Agreement with Senandung Serbajuta Sdn. Bhd. for the disposal of 15,000,000 ordinary shares of RM1.00 each representing 100% equity interest in Pembinaan Legenda Unggul Sdn. Bhd. (formerly known as Encorp Construct Sdn. Bhd.) ("ECSB"), which was previously reported under the construction segment.

The disposal was part of a rationalization and restructuring exercise undertaken by the Group to dispose of its loss making subsidiary. The disposal enabled the Group to be relieved of further losses to be incurred from the continuing operations of ECSB.

As at 31 December 2015, the results of ECSB had been presented separately in the statements of profit or loss as "loss from discontinued operation, net of tax".

Statements of profit or loss

The results of ECSB for the period ended 3 September 2015 are as follows:

	01.01.2015 to 03.09.2015 RM'000
Revenue	15,451
Expenses	(28,923)
Loss from operations	(13,472)
Finance costs	(947)
Loss before tax	(14,419)
Taxation (Note 11)	(36)
Loss for the period ended 3 September 2015	(14,455)
Net gain on disposal of ECSB	8,051
Loss from discontinued operation, net of tax	(6,404)

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12. Discontinued operation (contd.)

The disposal had the following effects on the financial position of the Group:

		Group 03.09.2015 RM'000
Assets:		
Plant and equipment		10,312
Intangible assets		28
Trade and other receivables		14,171
Prepayment		391
Cash and bank balances		2,697
Investment		36
Tax recoverable		289
Other current asset		11,092
		<u>39,016</u>
Liabilities:		
Trade payables and other payables		(79,824)
Loan and borrowings		(6,871)
		<u>(86,695)</u>
Net liabilities		<u>(47,679)</u>
Total disposal proceeds	-	*
Allowance for impairment on other receivables (Note 19)	39,628	39,628
Net gain on disposal of the Group		<u>(8,051)</u>
Cash inflow arising from disposal:		
Cash consideration		-
Cash and cash equivalent of subsidiary disposed off		(2,697)
Net cash outflow on disposal		<u>(2,697)</u>

* Cash consideration of RM1

Subsequent to the disposal, the Group had provided an allowance for doubtful debts in respect of the amount owing from ECSB. Further details are disclosed in Note 19.

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13. Earnings per share

Basic earnings per share amounts are calculated by dividing 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 earnings per share amounts are calculated by dividing profit for the year, net of tax, attributable to owners of the parent (after adjusting for interest expense on redeemable convertible secured loan stocks) 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 profit and share data used in the computation of basic and diluted earnings per share for the years ended 31 December:

	2016 RM'000	Group 2015 RM'000
Profit net of tax attributable to owners of the parent used in the computation of basic earnings per share	<u>28,405</u>	<u>1,380</u>
Profit net of tax attributable to owners of the parent	28,405	1,380
Add back: Loss from discontinued operation, net of tax, attributable to owners of the parent	<u>-</u>	<u>6,404</u>
Profit net of tax from continuing operations attributable to owners of the parent used in the computation of basic earnings per share	<u>28,405</u>	<u>7,784</u>
	Number of Shares	
	'000	'000
Weighted average number of ordinary shares for basic earnings per share computation*	<u>278,648</u>	<u>278,645</u>

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

	2016 sen	2015 sen
Basic earnings per share	<u>10.19</u>	<u>0.50</u>

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13. Earnings per share (contd.)

(a) Continuing operations

Basic earnings per share amounts are calculated by dividing profit for the year from continuing operations, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share amounts are calculated by dividing profit for the year from continuing operations, net of tax, attributable to owners of the parent (after adjusting for interest expense on convertible redeemable preference shares) 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.

	2016 sen	2015 sen
Basic earnings per share	<u>10.19</u>	<u>2.79</u>

(b) Discontinued operation

The basic loss per share from discontinued operation are calculated by dividing the loss from discontinued operation, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares for basic earnings per share computation and weighted average number of ordinary shares for diluted earnings per share computation respectively.

	2016 sen	2015 sen
Basic loss per share	<u>-</u>	<u>(2.30)</u>

The effect on the diluted earnings per share arising from the assumed conversion of RCSLS and warrants were anti-dilutive. Accordingly, the diluted earnings per share for the current and previous financial year was not presented in the Group's financial statements.

14. Property, plant and equipment

Group	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Office renovation RM'000	Plant and machinery RM'000	Crockery, cutlery and glasswares RM'000	Buildings RM'000	Total RM'000
Cost:							
At 1 January 2015	4,141	4,357	4,910	15,203	369	5,070	34,050
Additions	-	30	-	-	-	-	30
Disposals	(1,530)	(159)	(163)	-	(59)	-	(1,911)
Attributable to disposal group classified as held for sale (Note 26)	-	(449)	(435)	-	(310)	-	(1,194)
Attributable to discontinued operation (Note 12)	(1,891)	(1,387)	(375)	(15,203)	-	-	(18,856)
At 31 December 2015	720	2,392	3,937	-	-	5,070	12,119
and 1 January 2016	-	25	-	-	-	-	25
Additions	-	-	-	-	-	-	-
At 31 December 2016	720	2,417	3,937	-	-	5,070	12,144

14. Property, plant and equipment (contd.)

Group	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Office renovation RM'000	Plant and machinery RM'000	Crockery, cutlery and glasswares RM'000	Buildings RM'000	Total RM'000
Accumulated depreciation:							
At 1 January 2015	1,956	2,803	2,121	4,069	78	177	11,204
Charge for the year							
recognised in profit or loss (Note 8)	367	153	398	2,024	27	101	3,070
Disposals	(618)	(46)	-	-	(1)	-	(665)
Attributable to disposal group							
classified as held for sale (Note 26)	-	(195)	(183)	-	(104)	-	(482)
Attributable to discontinued operation (Note 12)							
At 31 December 2015	(1,128)	(1,114)	(209)	(6,093)	-	-	(8,544)
At 31 December 2015 and 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	635	1,735	2,517	-	-	379	5,266
Net carrying amount							
At 31 December 2015	143	791	1,810	-	-	4,792	7,536
At 31 December 2016	85	682	1,420	-	-	4,691	6,878

14. Property, plant and equipment (contd.)

Company	Office renovation RM'000	Motor vehicles RM'000	Office equipment RM'000	Total RM'000
Cost:				
At 1 January 2015	2,766	1,566	1,330	5,662
Additions	-	-	30	30
Disposals	-	(924)	(2)	(926)
At 31 December 2015 and 1 January 2016	2,766	642	1,358	4,766
Additions	-	-	17	17
At 31 December 2016	2,766	642	1,375	4,783

14. Property, plant and equipment (contd.)

Company	Office renovation RM'000	Motor vehicles RM'000	Office equipment RM'000	Total RM'000
Accumulated depreciation:				
At 1 January 2015	1,290	819	954	3,063
Charge for the year (Note 8)	278	109	108	495
Disposal	-	(430)	(1)	(431)
At 31 December 2015 and 1 January 2016	1,568	498	1,061	3,127
Charge for the year (Note 8)	277	58	64	399
At 31 December 2016	1,845	556	1,125	3,526
Net carrying amount				
At 31 December 2015	1,198	144	297	1,639
At 31 December 2016	921	86	250	1,257

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14. 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 RM86,000 (2015: RM144,000) and RM86,000 (2015: RM144,000) respectively.

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

Two units of terrace shop offices amounting to RM4,691,000 (2015: RM4,792,000) have been pledged to a fixed charge as security for term loans and revolving credit facilities (Note 29(d)).

15. Intangible assets

	Goodwill on consolidation RM'000	Computer software RM'000	Total RM'000
Group			
Cost:			
At 1 January 2015	197,003	1,564	198,567
Additions	-	589	589
Attributable to disposal group classified as held for sale (Note 26)	-	(5)	(5)
Attributable to discontinued operation (Note 12)	-	(45)	(45)
At 31 December 2015, 1 January 2016 and 31 December 2016	197,003	2,103	199,106

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15. Intangible assets (contd.)

	Goodwill on consolidation RM'000	Computer software RM'000	Total RM'000
Accumulated amortisation and impairment:			
At 1 January 2015	172,499	1,099	173,598
Amortisation (Note 8)	-	293	293
Attributable to disposal group classified as held for sale (Note 26)	-	(2)	(2)
Attributable to discontinued operation (Note 12)	-	(17)	(17)
At 31 December 2015 and 1 January 2016	172,499	1,373	173,872
Amortisation (Note 8)	-	192	192
At 31 December 2016	172,499	1,565	174,064
Net carrying amount:			
At 31 December 2015	24,504	730	25,234
At 31 December 2016	24,504	538	25,042

	Computer software RM'000
Company	
Cost:	
At 1 January 2015	813
Addition	559
At 31 December 2015, 1 January 2016 and 31 December 2016	1,372
Accumulated amortisation:	
At 1 January 2015	700
Amortisation (Note 8)	158
At 31 December 2015 and 1 January 2016	858
Amortisation (Note 8)	119
At 31 December 2016	977
Net carrying amount:	
At 31 December 2015	514
At 31 December 2016	395

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15. 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:

	2016 RM'000	Group 2015 RM'000
Property development	24,504	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 Board covering a five year period.

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

	Property development segment 2016	2015
Budgeted gross margins	34%	34%
Discount rate	19%	19%

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

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

Budgeted gross margins - 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.

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16. Investment properties

	Group	
	2016 RM'000	2015 RM'000
At 1 January	324,860	343,749
Fair value adjustment recognised in profit or loss (Note 6)	270	8,111
Reclassified as non-current assets held for sales (Note 26)	-	(27,000)
At 31 December	<u>325,130</u>	<u>324,860</u>
Fair value for financial reporting purposes		
Market value as estimated by the external valuer	<u>325,130</u>	<u>324,860</u>

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

	Company	
	2016 RM'000	2015 RM'000
At 1 January	-	35,449
Fair value adjustment recognised in profit or loss (Note 8)	-	(8,449)
Reclassified as non-current assets held for sales (Note 26)	-	(27,000)
At 31 December	<u>-</u>	<u>-</u>

The following properties have been pledged as security for borrowings:

- (i) 12 units of terrace shop offices are charged as security for term loans and revolving credit facilities (Note 29(c) and (d));
- (ii) 10 units of terrace shop offices had been pledged as security for term loans facilities (Note 29(h)); and
- (iii) Leasehold land included in the completed investment properties has been pledged as security for bank loan (Note 29(d)).

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17. Land held for property development and property development costs

(a) Land held for property development

Group	Freehold land RM'000	Leasehold land RM'000	Development expenditure RM'000	Total RM'000
At 31 December 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 cost (Note 17(b))	-	(155,806)	(5,184)	(160,990)
Reclassification	3,122	-	(3,122)	-
Attributable to disposal group reclassified 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
Accumulated impairment losses				
At 1 January 2016	(3,143)	-	-	(3,143)
Exchange difference	(104)	-	-	(104)
31 December 2016	(3,247)	-	-	(3,247)
Carrying amount				
At 31 December 2016	19,428	252,329	22,079	293,836
At 31 December 2015				
Cost				
At 1 January 2015	17,198	32,062	25,295	74,555
Addition	-	-	5,507	5,507
Transfer from/(to) property development cost (Note 17(b))	16,116	(4,332)	2,454	14,238
Exchange differences	1,605	-	266	1,871
At 31 December 2015	34,919	27,730	33,522	96,171

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17. Land held for property development and property development costs

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

At 31 December 2015

	Freehold land RM'000	Leasehold land RM'000	Development expenditure RM'000	Total RM'000
Accumulated impairment losses				
At 1 January 2015	(6,296)	-	-	(6,296)
Reversal of Impairment loss (Note 6)	3,496	-	-	3,496
Exchange differences	(343)	-	-	(343)
At 31 December 2015	(3,143)	-	-	(3,143)
Carrying amount				
At 31 December 2015	31,776	27,730	33,522	93,028

(b) Property development costs

	Freehold land RM'000	Leasehold land RM'000	Development expenditure RM'000	Total RM'000
Group				
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 17(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

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

(b) Property development costs (contd.)

At 31 December 2016

	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 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

At 31 December 2015

Cumulative property development costs				
At 1 January 2015	55,274	56,435	682,970	794,679
Costs incurred during the year	-	-	76,888	76,888
Transferred (to)/from land held for property development (Note 17(a))	(16,116)	4,332	(2,454)	(14,238)
Reversal of completed project	(8,736)	(37,521)	(341,590)	(387,847)
At 31 December 2015	30,422	23,246	415,814	469,482

Cumulative costs recognised in statements of profit or loss		RM'000
At 31 December 2014/ 1 January 2015		(739,531)
Recognised during the year (Note 5)		(44,451)
Reversal of completed project		387,847
At 31 December 2015		(396,135)
Property development costs at 31 December 2015		73,347

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17. 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:

	Group	
	2016	2015
	RM'000	RM'000
Interest expense (Note 7)	<u>3,864</u>	<u>3,281</u>

The leasehold land held for development was purchased from 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 (2015: 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 RM8,308,690 (2015: RM5,918,000), has been pledged as security for bank loan obtained (Note 29(i)).

18. Investment in subsidiaries

	Company	
	2016	2015
	RM'000	RM'000
Unquoted shares, at cost	<u>295,960</u>	<u>295,960</u>

18. Investment in subsidiaries (contd.)

(a) Details of the subsidiaries are as follows:

Name of subsidiaries	Share capital RM'000	Country of incorporation	Principal activities	Proportion (%) of ownership interest		Proportion (%) of ownership interest held by non-controlling interests	
				2016	2015	2016	2015
Encorp Construction & Infrastructure Sdn. Bhd.	50,000	Malaysia	Investment holding and construction project management	100	100	-	-
Encorp Must Sdn. Bhd.	10,000	Malaysia	Investment holding and property project management	100	100	-	-
Encorp Development Pty Ltd ^	+	Australia	Property development	100	100	-	-
Encorp Facilities Management Sdn. Bhd.	*	Malaysia	Facilities management services provider	100	100	-	-

18. Investment in subsidiaries (contd.)

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

Name of subsidiaries	Share capital RM'000	Country of incorporation	Principal activities	Proportion (%) of ownership interest held by non-controlling interests	
				2016	2015
Subsidiaries of Encorp Construction & Infrastructure Sdn. Bhd.					
Encorp Systembilt Sdn. Bhd.	50,000	Malaysia	Concessionaire to build and transfer teachers' quarters to the Government of Malaysia	100	100
Encorp Trading Services Sdn. Bhd.	1,000	Malaysia	General Trading	100	100

18. Investment in subsidiaries (contd.)

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

Name of subsidiaries	Share capital RM'000	Country of incorporation	Principal activities	Proportion (%) of ownership interest		Proportion (%) of ownership interest held by non-controlling interests	
				2016	2015	2016	2015
Subsidiaries of Encorp Must Sdn Bhd							
Must Ehsan Development Sdn. Bhd.	15,000	Malaysia	Property development	70	70	30	30
Encorp Development Sdn. Bhd.	250	Malaysia	Property development	100	100	-	-
Encorp Iskandar Development Sdn. Bhd.	2,750	Malaysia	Property development	100	100	-	-
Encorp Bukit Katil Sdn. Bhd.	*	Malaysia	Property development	100	-	-	-
Subsidiaries of Must Ehsan Development Sdn Bhd							
Red Carpet Avenue Sdn. Bhd.^	*	Malaysia	Investment holding	100	100	-	-
Encorp Strand Mall Sdn. Bhd.	2,500	Malaysia	Property investment	100	100	-	-
Encorp Parking Sdn. Bhd.^	*	Malaysia	Property investment	100	100	-	-

18. Investment in subsidiaries (contd.)

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

Name of subsidiaries	Share capital RM'000	Country of incorporation	Principal activities	Proportion (%) of ownership interest		Proportion (%) of ownership interest held by non-controlling interests	
				2016	2015	2016	2015
Subsidiaries of Red Carpet Avenue Sdn Bhd							
Etika Tapis Sdn. Bhd. ^	#	Malaysia	Food and beverage	50	50	50	50
Red Carpet Culinary Sdn. Bhd. ^	250	Malaysia	Food and beverage	50	50	50	50

- ^ Audited by firm of auditors other than Ernst & Young
+ Represent paid-up capital of one hundred (100) ordinary shares of 1 Australian Dollar each
* Represent paid-up capital of two (2) ordinary shares of RM1 each
Represent paid-up capital of one hundred (100) ordinary shares of RM1 each

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18. Investment in subsidiaries (contd.)

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

- (i) Encorp Must Sdn. Bhd. ("EMSB") had on 8 January 2016 acquired 2 ordinary shares of RM1.00 each fully paid-up 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.

EBKSB was incorporated as a private company limited by shares on 14 December 2015. The authorised share capital of EBKSB is RM400,000.00 divided into 400,000 ordinary shares RM1 each.

- (ii) In previous financial year, Encorp Strand Mall Sdn. Bhd. ("ESMSB") on 23 December 2015 increased its issued and paid up ordinary share capital from RM100,000 to RM2,500,002 through the creation of 2,400,002 ordinary shares of RM1 each.

On the same date, Must Ehsan Development Sdn. Bhd. ("MEDSB") increased its investment in ESMSB from RM100,000 to RM2,500,002 by way of subscription of 2,400,002 ordinary shares of RM1 each.

The new ordinary shares issued rank pari passu in all respect with the existing shares of ESMSB.

- (iii) In previous financial year, Encorp Construction & Infrastructure Sdn. Bhd. ("ECISB") on 3 September 2015 had entered into a Share Sale Agreement with Senandung Serbajuta Sdn. Bhd. for the disposal of 15,000,000 ordinary shares of RM1.00 each representing 100% equity interest in ECSB.

Pursuant to the disposal, ECSB ceased to be a subsidiary of ECISB and indirect subsidiary of Encorp Berhad on 3 September 2015.

The effects of the disposal on the financial position of the Group as disclosed in Note 12.

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18. Investment in subsidiaries (contd.)

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

- (iv) In previous financial year, Red Carpet Avenue Sdn. Bhd. ("RCASB") on 28 December 2015 had disposed of 60 ordinary shares of RM1.00 each representing 60% equity interest of Etika Tranquerah Sdn. Bhd. ("ETQSB") for a total cash consideration of RM300,000.

The disposal had the following effects on the financial position of the Group as at end of 31 December 2015:

	2015
	RM'000
Proceed from disposal	300
Less: Settlement of inter-company balance	(486)
	(186)
Less: Net liabilities disposed off	733
Non controllable interest	(296)
Gain on derecognition of subsidiary (Note 6)	437
	251
Cash inflows arising from disposal:	
Cash consideration	300
Cash and cash equivalent of subsidiary disposed	(14)
Net cash inflow from derecognition of subsidiary	286

The above acquisition and disposal of the subsidiaries did not have any material effect to the financial results and position of the Group other than the disposal of ECSB as disclosed in Note 12.

- (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.

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18. Investment in subsidiaries (contd.)

(b) Summarised financial information (contd.)

(i) Summarised statements of financial position - MEDSB group

	2016 RM'000	2015 RM'000
Non-current assets	392,482	396,209
Current assets	219,302	178,473
Total assets	611,784	574,682
Current liabilities	163,672	162,706
Non-current liabilities	125,880	90,277
Total liabilities	289,552	252,983
Net assets	322,232	321,699
Equity attributable to owners of the Group	324,809	323,741
Non-controlling interests	(2,577)	(2,042)

(ii) Summarised statements of comprehensive income - MEDSB group

	2016 RM'000	2015 RM'000
Revenue	99,904	61,962
Profit for the year	533	19,230
Profit, representing total comprehensive income attributable to the owners of the Group	1,068	19,646
Loss, representing total comprehensive loss attributable to the non-controlling interests	(535)	(416)

(iii) Summarised cash flows - MEDSB group

Net cash used in operating activities	(18,285)	(4,877)
Net cash generated from investing activities	500	1,408
Net cash generated from/(used in) financing activities	36,851	(16,549)
Net increase/(decrease) in cash and cash equivalents	19,066	(20,018)
Cash and cash equivalents at beginning of the year	7,126	27,144
Cash and cash equivalents at end of the year	26,192	7,126

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19. Trade and other receivables

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Current				
Trade receivables (a)				
Third parties	84,166	44,701	70	70
Subsidiaries (c)	-	-	6,604	3,336
Concession income receivables (b)	47,517	43,015	-	-
	<u>131,683</u>	<u>87,716</u>	<u>6,674</u>	<u>3,406</u>
Less: Allowance for impairment (a)	(4,271)	(3,688)	(662)	(201)
	<u>127,412</u>	<u>84,028</u>	<u>6,012</u>	<u>3,205</u>
Other receivables				
Subsidiaries (c)	-	-	125,360	131,477
Amount due from holding company (c)	53	53	53	53
Deposits	5,493	4,869	313	92
Sundry receivables	1,986	1,265	307	110
	<u>7,532</u>	<u>6,187</u>	<u>126,033</u>	<u>131,732</u>
Less: Allowance for impairment (d)	(280)	(21)	(21,460)	(2,261)
Other receivable, net	<u>7,252</u>	<u>6,166</u>	<u>104,573</u>	<u>129,471</u>
	<u>134,664</u>	<u>90,194</u>	<u>110,585</u>	<u>132,676</u>
Non-current				
Trade receivables (a)				
Concession income receivables (b)	<u>866,693</u>	<u>914,210</u>	<u>-</u>	<u>-</u>
Other receivables				
Long term receivables (e)	48,906	47,890	38,793	38,241
Less: Allowance for impairment (d)	(48,906)	(39,628)	(38,793)	(31,596)
	<u>-</u>	<u>8,262</u>	<u>-</u>	<u>6,645</u>
Total non-current receivables	<u>866,693</u>	<u>922,472</u>	<u>-</u>	<u>6,645</u>

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19. Trade and other receivables (contd.)

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Total trade and other receivables	1,001,357	1,012,666	110,585	139,321
Add: Fixed deposit (Note 24)	4,857	-	-	-
Add: Cash and bank balances (Note 25)	62,843	17,690	292	3,473
Add: Disposal group classified as held for sale (Note 26)				
- trade and other receivables	-	251	-	-
- cash and bank balances	228	230	-	-
Total loans and receivables	<u>1,069,285</u>	<u>1,030,837</u>	<u>110,877</u>	<u>142,794</u>

(a) Trade receivables

Trade receivables are non-interest bearing and are generally on 14 to 60 days (2015: 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	
	2016 RM'000	2015 RM'000
Neither past due nor impaired	933,822	964,968
1 to 30 days past due not impaired	21,466	1,554
31 to 60 days past due not impaired	1,724	124
61 to 90 days past due not impaired	3,620	899
91 to 120 days past due not impaired	3,390	658
121 to 365 days past due not impaired	30,083	30,035
	60,283	33,270
Impaired	4,271	3,688
	<u>998,376</u>	<u>1,001,926</u>

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 RM60,283,000 (2015: RM33,270,000) 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 deem 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 92% (2015: 96%) 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		Company	
	Individually impaired		Individually impaired	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Trade receivables				
- nominal amounts	4,271	3,688	662	201
Less: Allowance				
for impairment	(4,271)	(3,688)	(662)	(201)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Movement in allowance accounts for trade receivables:

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
At 1 January	3,688	1,434	201	70
Charge for the year (Note 8)	1,747	2,254	461	131
Written off	(822)	-	-	-
Reversal of impairment				
losses (Note 6)	(342)	-	-	-
At 31 December	<u>4,271</u>	<u>3,688</u>	<u>662</u>	<u>201</u>

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.

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19. Trade and other receivables (contd.)**(b) Concession income receivables**

	Group	
	2016 RM'000	2015 RM'000
Concession income receivables accrued:		
Within 1 year	136,753	136,779
More than 1 year and less than 2 years	136,753	136,779
More than 2 years and less than 5 years	410,260	410,338
More than 5 years	832,187	968,856
	<u>1,515,953</u>	<u>1,652,752</u>
Unearned interest income	(601,743)	(695,527)
	<u>914,210</u>	<u>957,225</u>
Concession income receivables analysed as:		
Due within one year	47,517	43,015
Due after one year	866,693	914,210
	<u>914,210</u>	<u>957,225</u>

The Group's normal trade credit term on concession income receivables is 21 (2015: 21 days).

The entire concession income receivables are pledged to the holders of the Sukuk Murabahah as disclosed in Note 29(a).

(c) Amount 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 RM37,423,000 (2015: RM15,700,000) which bears interest at rates ranging from 5.53% to 9% (2015: 6%).

(d) Other receivables

Movement in allowance accounts for other receivables:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At 1 January	39,649	-	33,857	153
Charge for the year (Note 8)	<u>9,537</u>	<u>39,649</u>	<u>26,396*</u>	<u>33,704</u>
At 31 December	<u>49,186</u>	<u>39,649</u>	<u>60,253</u>	<u>33,857</u>

* Included in this amount is an allowance for impairment of RM12,540,000 for amount due from a subsidiary company, namely, Encorp Development Pty. Ltd..

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

20. Deferred tax

Deferred income tax as at 31 December relates to the following:

Group	As at 1 January 2015 RM'000	Recognised in profit or loss (Note 11) RM'000	As at 31 December 2015 RM'000	Recognised in profit or loss (Note 11) RM'000	As at 31 December 2016 RM'000
Deferred tax liabilities:					
Property, plant and equipment	615	(582)	33	(12)	21
Progress billings	238,740	(6,270)	232,470	(13,058)	219,412
Trade payables	91	(91)	-	-	-
Investment properties	602	(104)	498	(404)	94
	240,048	(7,047)	233,001	(13,474)	219,527
Deferred tax assets:					
Tax losses and capital allowances	(214,549)	11,995	(202,554)	14,634	(187,920)
Loan and borrowings	(22,187)	(5,703)	(27,890)	(4,877)	(32,767)
Trade receivables	(172)	172	-	-	-
Provisions	(8,028)	5,182	(2,846)	(2,230)	(5,076)
	(244,936)	11,646	(233,290)	7,527	(225,763)
	(4,888)	4,599	(289)	(5,947)	(6,236)

20. Deferred tax (contd.)**Company****Deferred tax liability:**

Investment properties

As at 1 January 2015 RM'000	Recognised in profit or loss (Note 11) RM'000	As at 31 December 2015 RM'000	Recognised in profit or loss (Note 11) RM'000	As at 31 December 2016 RM'000
812	(422)	390	(390)	-

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20. Deferred tax (contd.)

Presented after appropriate offsetting as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Deferred tax assets	(9,774)	(4,339)	-	-
Deferred tax liabilities	3,538	4,050	-	390
	<u>(6,236)</u>	<u>(289)</u>	<u>-</u>	<u>390</u>

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Unutilised tax losses	40,898	32,087	6,125	4,598
Unabsorbed capital allowances	3,131	3,000	2,686	2,616
Other deductible temporary difference	<u>6,615</u>	<u>4,045</u>	<u>607</u>	<u>289</u>

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.

Section 44(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 a 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 Section 44(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.

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21. Inventories

	Group	
	2016 RM'000	2015 RM'000
Cost		
Properties held for sale	82,728	51,715
Food and beverages	-	3
	<u>82,728</u>	<u>51,718</u>
Net realisable value		
Properties held for sale	<u>17,404</u>	<u>18,019</u>
	<u>100,132</u>	<u>69,737</u>

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

22. Other current assets

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Prepayments	944	308	662	167
Accrued billings in respect of property development cost	41,838	113,037	-	-
Gross amount due from customers on contract (Note 23)	<u>1,370</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>44,152</u>	<u>113,345</u>	<u>662</u>	<u>167</u>

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23. Gross amount due from customers on contract

	2016 RM'000	Group 2015 RM'000
Construction costs incurred to date	5,530	-
Attributable profits	<u>2,667</u>	<u>-</u>
	8,197	-
Less: Progress billings	<u>(6,827)</u>	<u>-</u>
Amount due from customers on contract	<u>1,370</u>	<u>-</u>
<i>Presented as:</i>		
Gross amount due from customers on contract (Note 22)	<u>1,370</u>	<u>-</u>
Retention sum on construction contracts included in:		
- trade payables	<u>301</u>	<u>-</u>

The costs incurred to date on construction contracts include the following charges made during the financial year:

	2016 RM'000	Group 2015 RM'000
Employee benefits	<u>573</u>	<u>-</u>

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24. Other investments

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Non-current				
<i>Loan and receivables</i>				
Fixed deposit	4,857	-	-	-
Current				
<i>Fair value through profit or loss</i>				
Money market				
investment securities	113,267	109,961	15	68

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

The investment securities above 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 RM113,086,000 (2015: RM108,920,000) is held in trust for the holders of the Sukuk Murabahah as disclosed in Note 29(a).

25. Cash and bank balances

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash on hand and at				
banks (a)	60,007	11,521	292	1,317
Deposits with:				
- licensed banks (c)	2,768	6,103	-	2,156
- a licensed corporation (b)	68	66	-	-
Cash and bank balances	62,843	17,690	292	3,473

(a) Included in cash at bank of the Group is an amount of RM54,458,000 (2015: RM8,907,000) 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 RM68,000 (2015: RM66,000) held by a licensed corporation in trust for the holders of the Sukuk Murabahah as disclosed in Note 29(a).

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25. Cash and bank balances (contd.)

- (c) The deposits with licensed banks of the Group and of the Company which are pledged or on lien are:
- (i) Deposits of RM1,941,000 (2015: RM1,880,000) pledged to a bank for credit facilities granted to a subsidiary;
 - (ii) Deposits of RM NIL (2015: RM2,156,000) on lien for bank guarantees granted to the Company and a subsidiary, respectively in favour of the customers for the projects awarded;
 - (iii) Deposits of RM827,000 (2015: RM292,000) pledged to banks as securities for credit facilities granted to subsidiaries (Note 29(b) and (g)).

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash and bank balances	62,843	17,690	292	3,473
Add: Disposal group held for sale (Note 26)	228	230	-	-
Less:				
Pledged/designated	(2,768)	(4,328)	-	(2,156)
Bank overdrafts (Note 29)	(1,336)	(1,486)	-	-
Cash and cash equivalents	<u>58,967</u>	<u>12,106</u>	<u>292</u>	<u>1,317</u>

Cash at banks earns interest at floating rates based on daily bank deposit rates. Deposits are made for varying periods of between 2 months to 12 months, depending on the immediate cash requirements of the Group and the Company, and earn interest at the respective deposit rates. As at reporting date, the effective interest rates of deposits of the Group and of the Company range from 2.7% to 3.3% (2015: 2.7% to 3.3%) and 2.7% (2015: 2.7%) per annum respectively

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26. Disposal group classified as held for sale

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

- (a) During the 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 condition precedent has yet to be met as at reporting date.

The freehold land has been pledged as security for bank loan obtained (Note 29(I)).

- (b) In previous financial year, 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 Red Carpet Avenue Sdn. Bhd., which in turn is an indirect subsidiary of the Company, who is operating a food & beverage business; and

In previous financial year, 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.

- (c) The Company had entered into a Sale and Purchase Agreement ("SPA") with a third party to dispose 20 units of Office Suite located at Encorp Strand Garden Office, Kota Damansara at RM27,000,000. In previous financial year, the fair value was estimated by the directors based on internal appraisal of fair values of comparable properties.

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

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

	Group		Total
	(a) RM'000	(b) RM'000	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
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 breakdown:

	Plant and equipment RM'000	Intangible assets RM'000
Net carrying amount at 1 January 2016	712	3
Less: written off (Note 8)	(712)	(3)
	-	-

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

The details of the assets and liabilities classified as held for sales as at 31 December 2015 are as follows:

	Group		
	(b)	(c)	Total
	RM'000	RM'000	RM'000
Assets			
Non - current assets			
Plant and equipment	712	-	712
Intangible asset	3	-	3
Investment properties	-	27,000	27,000
	<u>715</u>	<u>27,000</u>	<u>27,715</u>
Current assets			
Inventories	28	-	28
Trade and other receivables	251	-	251
Cash and bank balances	230	-	230
	<u>509</u>	<u>-</u>	<u>509</u>
Assets of disposal group classified as held for sale			<u>28,224</u>
Current liabilities			
Trade and other payables	<u>1,251</u>	<u>-</u>	<u>1,251</u>
Liabilities of disposal group classified as held for sale			<u>1,251</u>
			Company
			(c)
			RM'000
Non - current assets			
Investment properties, representing non current assets held for sale			<u>27,000</u>

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27. Trade and other payables

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Current				
Trade payables				
Third parties (a)	36,555	20,552	-	-
Amount due to a corporate shareholder of a subsidiary (b)	29,455	54,455	-	-
Amount due to ultimate holding body (f)	70,000	-	-	-
	<u>136,010</u>	<u>75,007</u>	<u>-</u>	<u>-</u>
Other payables				
Amounts due to:				
- subsidiaries (c)	-	-	12,012	10,978
- immediate holding company (e)	14,129	5,000	14,129	5,000
Sundry payables	24,506	22,834	10,204	5,957
Provision for short-term accumulating compensated absences (d)	266	237	101	99
Other accruals	34,366	42,519	4,994	9,538
	<u>73,267</u>	<u>70,590</u>	<u>41,440</u>	<u>31,572</u>
	<u>209,277</u>	<u>145,597</u>	<u>41,440</u>	<u>31,572</u>

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27. Trade and other payables (contd.)

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Non-current				
Trade payables				
Retention sum on construction contracts	24,044	7,730	-	-
Amount due to ultimate holding body (f)	310,390	-	-	-
	<u>334,434</u>	<u>7,730</u>	<u>-</u>	<u>-</u>
Total trade and other payables	543,711	153,327	41,440	31,572
Add: Loans and borrowings (Note 29)	1,158,664	1,230,877	40,065	54,175
Add: Disposal group held for resale (Note 26)	934	1,251	-	-
Less: Provision for short-term accumulating compensated absences (d)	<u>(266)</u>	<u>(237)</u>	<u>(101)</u>	<u>(99)</u>
Total financial liabilities carried at amortised cost	<u>1,703,043</u>	<u>1,385,218</u>	<u>81,404</u>	<u>85,648</u>

- (a) The trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 14 to 60 days (2015: 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, 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.

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27. Trade and other payables (contd.)

(d) The movement of provision for short term accumulating compensated absences is as follows:

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
At beginning of financial year	237	393	99	126
Recognised in statement of comprehensive income (Note 9)	82	42	16	-
Utilised during the year	(53)	(198)	(14)	(27)
At end of financial year	<u>266</u>	<u>237</u>	<u>101</u>	<u>99</u>

- (e) Amount due to immediate holding company is unsecured, repayable on demand and is non interest bearing except for an amount of RM5,000,000 which bears interest rate of 12%.
- (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.

28. Provision and other current liabilities

- (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 recognise based on stage at completion method.

Group	RM'000
Current	
At 1 January 2016	10,243
Additions	23,193
Repayment	(3,110)
At 31 December 2016	<u>30,326</u>
At 1 January 2015	-
Additions	10,243
At 31 December 2015	<u>10,243</u>

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28. Provision and other current liabilities (contd.)

(b) Other current liabilities

	2016 RM'000	Group 2015 RM'000
Progress billings in respect of property development costs	-	3,692

29. Loans and borrowings

	Note	2016 RM'000	Group 2015 RM'000	2016 RM'000	Company 2015 RM'000
Current					
Secured:					
Sukuk Murabahah	a	48,857	42,435	-	-
Bank overdraft	b	1,336	1,486	-	-
Team loan 1	d	13,502	13,502	-	-
Term loan 2	e	-	6,040	-	-
Term loan 3	f	-	1,478	-	1,478
Term loan 5	h	10,000	-	10,000	-
Bridging loan 1	e	9,635	14,000	-	-
Bridging loan 2	i	5,891	-	-	-
Bridging loan 3	i	6,509	-	-	-
Revolving credit 1	c	3,350	3,350	-	-
Revolving credit 2	d	12,500	12,500	-	-
Revolving credit 5	l	15,000	15,000	15,000	15,000
RCSLS	m	-	11,191	-	11,191
Obligations under finance leases (Note 30(a))	n	43	40	43	40
		<u>126,623</u>	<u>121,022</u>	<u>25,043</u>	<u>27,709</u>
Unsecured:					
Revolving credit 3	j	5,000	5,000	5,000	5,000
Revolving credit 4	k	10,000	10,000	10,000	10,000
		<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>
		<u>141,623</u>	<u>136,022</u>	<u>40,043</u>	<u>42,709</u>

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29. Loans and borrowings (contd.)

		Group	Company		
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Non-current					
Secured:					
Sukuk Murabahah	a	895,984	944,840	-	-
Term loan 1	d	73,787	87,717	-	-
Term loan 2	e	-	8,971	-	-
Term loan 3	f	-	11,394	-	11,394
Term loan 4	g	8,807	-	-	-
Bridging loan 1	e	-	41,861	-	-
Bridging loan 2	i	19,400	-	-	-
Bridging loan 3	i	19,041	-	-	-
Obligations under finance leases (Note 30(a))	n	22	72	22	72
		1,017,041	1,094,855	22	11,466
Total loans and borrowings		1,158,664	1,230,877	40,065	54,175

The remaining maturities of loans and borrowings as at 31 December 2016 are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
On demand or within one year	141,623	136,022	40,043	42,709
More than 1 year and less than 2 years	77,039	83,947	22	1,551
More than 2 years and less than 5 years	288,143	279,729	-	4,434
5 years or more	651,859	731,179	-	5,481
	<u>1,158,664</u>	<u>1,230,877</u>	<u>40,065</u>	<u>54,175</u>

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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

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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) Revolving credit 1

Revolving credit 1 is at effective cost of funds + 1.25% per annum. Ten units of terrace shop offices remains charged for the revolving credit 1 facility (Note 16) together with the assignment of rental proceeds and corporate guarantee provided by the Company.

(d) 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 14 and 16), leasehold land (Note 16), assignment over the project account and debenture over fixed and floating charge.

(e) Term loan 2 and bridging loan 1

The term loan 2 and bridging loan 1's interest rates are at the bank's effective cost of funds + 1.75% per annum. The term loan and bridging loan are secured by a fixed charge over the Group's freehold land under development (Note 17), debenture over the Group's fixed and floating assets and corporate guarantee by the Company. Term loan 2 has been settled in current financial year.

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29. Loans and borrowings (contd.)

(f) Term loan 3

In prior financial year, the term loan is at cost of funds + 1.25% per annum. The term loan was secured by the Company's properties.

(g) Term loan 4

Term loan 4 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.

(h) Term loan 5

The term loan 5 is at 9% per annum. This loan is secured by the ten units of terrace shop offices (Note 16).

(i) 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.

Bridging loans are secured against first/third party first legal charge over part of the Group's leasehold land (Note 17), 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.

(j) Revolving credit 3

Revolving credit 3 is at cost of funds + 1.50% per annum.

(k) Revolving credit 4

Revolving credit 4 is at cost of funds + 1.75% per annum.

(l) Revolving credit 5

Revolving credit 5 is at cost of funds + 2% per annum. This loan is secured by a freehold land (Note 26).

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29. Loans and borrowings (contd.)

(m) Redeemable convertible secured loan stocks ("RCSLS")

In previous financial year, the carrying amount of the liability component of the RCSLS at the reporting date was arrived at as follows:

	Group/Company 2015 RM'000
Face value of RCSLS	65,706
Equity component	
- Deferred tax liability	1,213
- Warrant reserve (Note 32(a))	3,640
	4,853
Liability component of RCSLS at initial recognition	<u>60,853</u>

	Group/Company 2016 RM'000	2015 RM'000
Liability component of RCSLS at initial recognition	60,853	60,853
Interest expense recognised in profit or loss:		
At 1 January	19,611	18,635
Recognised during the year (Note 7)	166	976
At 31 December	<u>19,777</u>	<u>19,611</u>
Coupon paid:		
At 1 January	(13,527)	(12,894)
Paid during the year	(11,354)	(633)
At 31 December	<u>(24,881)</u>	<u>(13,527)</u>
Conversion of RCSLS	(55,749)	(55,746)
Liability component at 31 December	<u>-</u>	<u>11,191</u>

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29. Loans and borrowings (contd.)

(m) Redeemable convertible secured loan stocks ("RCSLS") (contd.)

The Company had on 17 March 2011 issued the renounceable rights issue of up to RM54,530,634 nominal value of 5-year 6% RCSLS at 100% of its nominal value together with up to 27,265,317 free detachable warrants on the basis of two (2) RM1 nominal value of RCSLS together with one (1) free detachable warrant for every eight (8) existing ordinary shares of the Company held on 22 February 2011. In addition to the renounceable rights issue, the Company had issued by way of placement of up to RM11,175,426 nominal value of 5-year 6% RCSLS at 100% of its nominal value together with up to 5,587,713 free detachable warrants.

The salient features of the RCSLS issued by the Company were as follows:

- (i) Unless previously redeemed, converted or purchased and cancelled, the Company should redeem all outstanding RCSLS at 105.95% of the nominal value of the RCSLS at the end of the fifth anniversary from the date of issuance of the RCSLS.
- (ii) The coupon payment was payable in arrears on a quarterly basis and was computed based on the nominal value of the RCSLS at a rate of 6% per annum.
- (iii) Each registered holder of RCSLS should have the right at any time, after the issuance of RCSLS until the fifth anniversary from the date of issuance, to convert such nominal value of RCSLS held into fully-paid ordinary shares. The conversion price of RCSLS was fixed at RM1 by surrendering for cancellation, RM1 nominal value of RCSLS for one (1) new ordinary share of the Company.
- (iv) The holders of the RCSLS was to grant to the Company an option to redeem the outstanding RCSLS in whole or in part at a price to be determined based on a yield-to-call of 7%. The call option could be exercisable by the Company on the day immediately preceding the second anniversary of the issuance of the RCSLS until and including the end of the third anniversary of the issuance of the RCSLS.
- (v) Each RCSLS holders had the option to require the Company to redeem all or part of the outstanding RCSLS at 103.3% of the nominal value of the RCSLS on the third anniversary from the date of issuance of the RCSLS.
- (vi) The RCSLS holders were not entitled to participate in any distribution or offer of securities of the Company until and unless such RCSLS holders converted the RCSLS into the Company's shares.
- (vii) Upon conversion of the RCSLS into new ordinary shares, such share was to rank pari passu in all respects with the existing ordinary shares of the Company in issue at the time of conversion except that they were not be entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which is prior to the allotment date of the new ordinary shares to be issued pursuant to the conversion of the RCSLS.

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29. Loans and borrowings (contd.)

(m) Redeemable convertible secured loan stocks ("RCSLS") (contd.)

On 18 March 2014, the day immediately after the third anniversary, the call option granted by the holders of the RCSLS to the Company to redeem the outstanding RCSLS in whole or in part had lapsed. The Company did not exercise the option. On the same day, the option granted to the RCSLS holders to require the Company to redeem all or part of the outstanding RCSLS had also lapsed. None of the RCSLS holders had exercised the option.

The RCSLS has matured on 17 March 2016 ("Maturity date"). RCSLS which are not converted by the Maturity Date was redeemed by Encorp at 105.95% of the nominal value of such RCSLS.

In previous financial year, the RCSLS was secured by a legal charge over fifteen units of terrace shop offices.

(n) Obligations under finance leases

These obligation are secured by a charge over the leased assets (Note 14).

30. Commitments

(a) Finance lease commitments

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Minimum lease payments:				
Not later than 1 year	45	44	45	44
Later than 1 year and not later than 2 years	22	40	22	40
Later than 2 years and not later than 5 years	-	35	-	35
Total minimum lease payment	67	119	67	119
Less: Amounts representing finance charges	(2)	(7)	(2)	(7)
Present value of finance lease liabilities	65	112	65	112

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30. Commitments (contd.)

(a) Finance lease commitments (contd.)

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Present value of minimum payments:				
Not later than 1 year	43	40	43	40
Later than 1 year and not later than 2 years	22	38	22	38
Later than 2 years and not later than 5 years	-	34	-	34
	<u>65</u>	<u>112</u>	<u>65</u>	<u>112</u>
Less: Amount due within 12 months (Note 29)	<u>(43)</u>	<u>(40)</u>	<u>(43)</u>	<u>(40)</u>
Amount due after 12 months (Note 29)	<u>22</u>	<u>72</u>	<u>22</u>	<u>72</u>

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% (2015: 2.5%) and 2.5% (2015: 2.5%) per annum.

(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:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Not later than 1 year	2,168	124	2,129	578
Later than 1 year but not later than 5 years	8,888	78	8,852	5
More than 5 years	<u>26,080</u>	<u>-</u>	<u>26,080</u>	<u>-</u>
	<u>37,136</u>	<u>202</u>	<u>37,061</u>	<u>583</u>

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30. Commitments (contd.)

(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:

	2016 RM'000	Group 2015 RM'000
Not later than 1 year	4,410	6,313
Later than 1 year but not later than 5 years	-	2,953
	<u>4,410</u>	<u>9,266</u>

31. Share capital, treasury shares and share premium

	Group and Company				
	Number of ordinary shares of RM1 each		Amount		
	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
At 1 January 2015	278,644,716	(5,386,000)	278,645	103,044	381,689
Transactions with owners					
Disposal of treasury shares	-	5,000,000	-	-	5,490
Gain on disposal of treasury shares transferred to share premium reserve				1,258	1,258
At 31 December 2015 and 1 January 2016	278,644,716	(386,000)	278,645	104,302	382,947
Transactions with owners					
Issuance of ordinary shares:					
- Conversion of RCSLS	3,300	-	3	-	3
At 31 December 2016	278,648,016	(386,000)	278,648	104,302	382,950
					(327)

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31. Share capital, treasury shares and share premium (contd.)

	Number of ordinary shares of RM1 each		Amount	
	2016	2015	2016 RM'000	2015 RM'000
Authorised:				
At 1 January/31 December	<u>500,000,000</u>	<u>500,000,000</u>	<u>500,000</u>	<u>500,000</u>

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.

During the 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.

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.

In previous financial year, the Company resold 5,000,000 of its treasury shares at the price of RM1.10 per treasury share for total consideration of RM5,490,550.

As at 31 December 2016, the Company held as treasury shares a total of 386,000 of its 278,648,016 issued ordinary shares. Such treasury shares are held at a carrying amount of RM326,732.

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32. Other reserves

	Warrant Reserve (a) RM'000	Foreign currency translation Reserve (b) RM'000	Total RM'000
Group			
At 1 January 2015	3,640	(2,027)	1,613
Other comprehensive income			
Foreign currency translation	-	2,969	2,969
At 31 December 2015 and 1 January 2016	3,640	942	4,582
Foreign currency translation	-	(762)	(762)
Expiration of warrant reserves transferred to retained earnings	(3,640)	-	(3,640)
At 31 December 2016	-	180	180
Company			
At 1 January 2015, 31 December 2015 and 1 January 2016	3,640	-	3,640
Expiration of warrant reserves transferred to retained earnings	(3,640)	-	(3,640)
At 31 December 2016	-	-	-

(a) Warrant reserve

Warrant reserve relates to the fair value in relation to the issuance of RCSLS. 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.

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33. Financial guarantees

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

- corporate guarantees of RM200,000 (2015: RM409,000) given to suppliers in favour of credit terms granted to a former subsidiary;
- corporate guarantees given to banks of RM19,500,000 (2015: RM89,496,000) for credit facilities granted to subsidiaries; and
- corporate guarantees given to a financial institution of RM1,800,000 (2015: RM3,607,000) for credit facilities granted to a former subsidiary.

As at reporting date, no values are ascribed on corporate guarantees provided by the Company to secure bank loans and other banking facilities granted to its subsidiaries where such banking facilities granted to subsidiaries are collateralised by charges over the lands and inventories of the subsidiaries and where the directors regard the value of the credit enhancement provided by the corporate guarantees as minimal.

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:

	2016 RM'000	2015 RM'000
Group		
Construction projection management charged to MSM Sugar Refinery (Johor) Sdn. Bhd. (i)	(8,186)	-
Comprehensive facilities management fees to a ultimate holding body	(8,172)	-
Advances from immediate holding company	(13,428)	-
Interest charged on advances from immediate holding company	714	-
Purchase of leasehold land from ultimate holding body (ii)	380,000	-
Sale of properties to directors	(2,199)	-

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34. Related party disclosures (contd.)

	2016 RM'000	2015 RM'000
Company		
Management fees charged to subsidiaries (iii):		
- Encorp Trading Services Sdn. Bhd.	(120)	-
- Encorp Must Sdn. Bhd.	(480)	(840)
- Encorp Systembilt Sdn. Bhd.	(600)	(600)
- Must Ehsan Development Sdn. Bhd.	(600)	(600)
- Encorp Development Sdn. Bhd.	(120)	(216)
- Encorp Iskandar Development Sdn. Bhd.	(600)	(840)
- Encorp Strand Mall Sdn. Bhd.	(600)	(996)
- Encorp Construction & Infrastructure Sdn. Bhd.	(480)	-
- Encorp Facilities Management Sdn. Bhd.	(180)	-
Rental payable to subsidiary (iv):		
- Encorp Strand Mall Sdn. Bhd.	540	540
Interest charged to subsidiaries:		
- Must Ehsan Development Sdn. Bhd.	(673)	-
- Encorp Must Sdn. Bhd.	(172)	-
- Encorp Development Sdn. Bhd.	(20)	-
- Encorp Trading Services Sdn. Bhd.	(6)	-
- Encorp Construction & Infrastructure Sdn. Bhd.	(20)	-
Coupon payable on RCSLS charged to Must Ehsan Development Sdn. Bhd. (v)	(942)	(1,283)

- (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 in 2017.
- (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 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 2016 and 31 December 2015 are disclosed in Notes 19 and 27.

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34. Related party disclosures (contd.)

(b) Compensation of key management personnel

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Salaries and other emoluments	1,254	302	1,252	302
Social security contributions	1	-	1	-
Contributions to defined contribution plans	146	-	146	-
Other staff related expenses	32	-	32	-
	<u>1,433</u>	<u>302</u>	<u>1,431</u>	<u>302</u>

Included in the total remuneration of key management personnel is:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Directors' remuneration (Note 10)	<u>753</u>	<u>81</u>	<u>751</u>	<u>81</u>

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 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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35. Fair value measurements (contd.)

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
Group				
At 31 December 2016				
Investment properties (Note 16):				
- 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

Group				
At 31 December 2015				
Investment properties (Note 16):				
- Shopping mall	-	-	206,000	206,000
- Terrace shop office	-	-	118,860	118,860
Assets held for resale (Note 26):				
- Terrace shop office	-	-	27,000	27,000
Financial assets:				
- Investment securities carried at fair value through profit or loss (Note 24)	-	109,961	-	109,961
	-	109,961	351,860	461,821

Company				
At 31 December 2016				
Financial assets:				
- Investment securities carried at fair value through profit or loss (Note 24)	-	15	-	15
	-	15	-	15

Company				
At 31 December 2015				
Assets held for resale (Note 26):				
- Terrace shop office	-	-	27,000	27,000
Financial assets:				
- Investment securities carried at fair value through profit or loss (Note 24)	-	68	-	68
	-	68	27,000	27,068

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35. Fair value measurements (contd.)

	Shopping Mall RM'000	Terrace Shop office RM'000	Total RM'000
At 1 January 2015	205,000	138,749	343,749
Re-measurement recognised in profit or loss	1,000	7,111	8,111
At 31 December 2015	206,000	145,860	351,860
Re-measurement recognised in profit or loss	-	270	270
Disposal	-	(27,000)	(27,000)
At 31 December 2016	206,000	119,130	325,130

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 2016			
Shopping mall	Investment method	Allowance for void	15%
		Term yield	6.5%
		Reversionary yield rates	7%
Terrace Shop office	Market comparable approach	Different in location, time factor, size, land usage, tenure and main road	2.5% - 7.5%
At 31 December 2015			
Shopping mall	Investment method	Allowance for void	10%
		Term yield	6.5%
		Reversionary yield rates	7%
Terrace Shop office	Market comparable approach	Different in location, time factor, size, land usage, tenure and main road	2.5% - 7.5%

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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.

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.

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.

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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

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.

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.

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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.

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:

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36. Financial risk management objectives and policies (contd.)

(a) Credit risk (contd.)

	Group			
	2016		2015	
	RM'000	% of total	RM'000	% of total
<u>By industry sectors</u>				
Concessionaire sector	914,210	92%	957,225	96%
Property development sector	76,559	8%	38,348	4%
Investment property	5,548	.*	6,078	.*
Other sector	2,059	.*	275	.*
	<u>998,376</u>	<u>100%</u>	<u>1,001,926</u>	<u>100%</u>

* Less than 1% of total receivables

Financial assets that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired 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.

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36. Financial risk management objectives and policies (contd.)

(b) Liquidity risk (contd.)

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				
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
2015				
Financial liabilities:				
Trade and other payables (excluding provision)	146,611	8,525	-	155,136
Loans and borrowings	145,343	986,233	1,341,210	2,472,786
Total undiscounted financial liabilities	291,954	994,758	1,341,210	2,627,922

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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.)

Company	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)	41,339	-	-	41,339
Loans and borrowings	42,735	23	-	42,758
Total undiscounted financial liabilities	84,074	23	-	84,097
2015				
Financial liabilities:				
Trade and other payables (excluding provision)	31,473	-	-	31,473
Loans and borrowings	45,229	10,171	6,057	61,457
Total undiscounted financial liabilities	76,702	10,171	6,057	92,930

(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.

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 RM330,000 (2015: RM109,803) 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.

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36. Financial risk management objectives and policies (contd.)

(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 RM5,635,000 (2015: RM2,302,000) 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	
	2016 RM'000	2015 RM'000
AUD/RM - strengthened 3% (2015: 9%)	(38)	(225)
- weakened 3% (2015: 9%)	<u>38</u>	<u>225</u>

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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 2016 and 31 December 2015.

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 RCSLS and Sukuk), trade and other payables, less cash and bank balances and investment securities. Capital includes RCSLS, equity attributable to the owners of the parent.

		Group		Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Loans and borrowings	29	1,158,664	1,230,877	40,065	54,175
Trade and other payables	27	543,711	153,327	41,440	31,572
Less: RCSLS	29	-	(11,191)	-	(11,191)
Less: Sukuk	29	(944,841)	(987,275)	-	-
Less: Cash and bank balances	25	(62,843)	(17,690)	(292)	(3,473)
Less: Fixed deposits	24	(4,857)	-	-	-
Less: Investment securities	24	(113,267)	(109,961)	(15)	(68)
Net debt		<u>576,567</u>	<u>258,087</u>	<u>81,198</u>	<u>71,015</u>
RCSLS	29	-	11,191	-	11,191
Equity attributable to the owners of the parent		<u>422,002</u>	<u>394,356</u>	<u>345,008</u>	<u>381,997</u>
Total capital		<u>422,002</u>	<u>405,547</u>	<u>345,008</u>	<u>393,188</u>
Capital and net debt		<u>998,569</u>	<u>663,634</u>	<u>426,206</u>	<u>464,203</u>
Gearing ratio		<u>58%</u>	<u>39%</u>	<u>19%</u>	<u>15%</u>

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 the normal course of business.

38. Segment information (contd.)

	Investment and the provision of management services RM'000	Concessionaire RM'000	Property development RM'000	Investment property RM'000	Construction Project management RM'000	Others * RM'000	Adjustment and eliminations RM'000	Notes	Per consolidated financial statements RM'000
2016									
Revenue									
External customers	-	93,764	241,899	7,233	8,186	8,172	-		359,254
Inter-segment	12,969	-	-	1,424	-	-	(14,393)	A	-
Total revenue	12,969	93,764	241,899	8,657	8,186	8,172	(14,393)		359,254
Results:									
Interest income and distribution income	2,056	4,102	7,158	-	-	12	(8,260)		5,068
Interest expense	3,787	93,546	8,836	6,238	20	278	(8,176)		104,529
Depreciation and amortisation	573	-	78	121	-	2	101		875
Rental income	-	-	381	-	-	-	-		381
Other non-cash income	10	-	7,390	356	-	90	-	B	7,846
Fair value (loss)/gain on investment property	-	-	-	300	-	-	(30)		270
Segment profit/(loss)	(38,579)	3,396	49,775	(7,722)	775	(13,185)	33,665		28,125
Assets:									
Additions to non-current assets	26	-	383,912	-	-	98	-	C	384,036
Segment assets	455,605	1,038,977	1,132,686	345,618	56,025	5,937	(783,420)	D	2,251,428
Segment liabilities									
	95,235	952,545	817,862	301,018	6,712	31,745	(466,553)	E	1,738,564

38. Segment information (contd.)

	Investment and the provision of management services RM'000	Concessionaire RM'000	Property development RM'000	Investment property RM'000	Others * RM'000	Construction contracts (Discontinued) RM'000	Adjustment and eliminations RM'000	Notes	Per consolidated financial statements RM'000
2015									
Revenue									
External customers	-	97,839	101,980	9,452	614	15,451	(15,451)		209,885
Inter-segment	7,963	-	-	642	-	14,349	(22,954)	A	-
Total revenue	7,963	97,839	101,980	10,094	614	29,800	(38,405)		209,885
Results:									
Interest income and distribution income	98	4,229	1,120	10	11	72	(72)		5,468
Interest expense	2,524	97,541	3,315	6,739	258	947	(2,474)		108,850
Depreciation and amortisation	731	-	116	118	163	2,134	(2,033)		1,229
Reversal of Impairment of land held for development	-	-	3,496	-	-	-	-		3,496
Rental income	-	-	153	-	-	533	(533)		153
Other non-cash income	274	-	4,115	72	6	1,057	(1,057)	B	4,467
Fair value gain on investment property	(8,449)	-	-	20,230	-	-	(3,670)		8,111
Segment profit/(loss)	(16,660)	2,878	20,485	11,509	(3,015)	(18,925)	15,802		12,074
Assets:									
Additions to non-current assets	619	-	5,507	-	-	-	-	C	6,126
Segment assets	501,794	1,077,311	695,032	399,378	27,328	42,565	(854,460)	D	1,888,948
Segment liabilities	103,098	994,275	425,008	298,501	39,945	89,897	(547,274)	E	1,403,450

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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	2016 RM'000	2015 RM'000
Other Income-Purchasers' deposit forfeited	6	7,302	2,985
Other income		544	1,426
Gain on disposal of property, plant and equipment		-	56
		<u>7,846</u>	<u>4,467</u>

C Additions to non-current assets consist of :

Property, plant and equipment	14	25	30
Intangible assets	15	-	589
Land held for property development	17	384,011	5,507
		<u>384,036</u>	<u>6,126</u>

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

	Note	2016 RM'000	2015 RM'000
Deferred tax assets	20	9,774	4,339
Tax recoverable		5,185	8,981
Inter-segment assets		(798,379)	(867,780)
		<u>(783,420)</u>	<u>(854,460)</u>

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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	2016 RM'000	2015 RM'000
Loans and borrowings	29	1,158,664	1,230,877
Current tax payable		1,391	10
Deferred tax liabilities	20	3,538	4,050
Inter-segment liabilities		(1,630,146)	(1,782,211)
		<u>(466,553)</u>	<u>(547,274)</u>

Geographical information

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

	Revenue		Non-current assets	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Malaysia	359,254	205,248	631,458	431,878
Australia	-	4,637	19,428	18,780
	<u>359,254</u>	<u>209,885</u>	<u>650,886</u>	<u>450,658</u>

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

	Note	2016 RM'000	2015 RM'000
Property, plant and equipment	14	6,878	7,536
Intangible assets	15	25,042	25,234
Completed investment property	16	325,130	324,860
Land held for property development	17(a)	293,836	93,028
		<u>650,886</u>	<u>450,658</u>

39. Significant event

Encorp Bukit Katil Sdn Bhd, 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.

The parties to the MOUs are in the midst of finalising the joint venture agreement as at the date of this report.

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40. Supplemental information

The breakdown of the retained earnings of the Group and of the Company as at 31 December 2016 and 31 December 2015 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Total retained earnings of the Company and its subsidiaries:				
- Realised	189,977	224,310	(83,622)	(19,304)
- Unrealised	139,576	105,750	46,007	15,041
	<u>329,553</u>	<u>330,060</u>	<u>(37,615)</u>	<u>(4,263)</u>
Less: Consolidation adjustments	<u>(290,354)</u>	<u>(322,906)</u>	<u>-</u>	<u>-</u>
Total retained earnings as per financial statements	<u>39,199</u>	<u>7,154</u>	<u>(37,615)</u>	<u>(4,263)</u>

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LIST OF PROPERTIES

LOCATION LAND	DESCRIPTION AND EXISTING USE	AREA (sq. m)	NET BOOK VALUE AS AT 31.12.16 (RM'000)	YEAR OF ACQUISITION
Completed investment property				
Red Carpet Avenue	29 units terrace shop offices	15,130	135,530	2013
Encorp Strand Mall	3 storey retail center with 4 storey elevated carpark and 1 level basement carpark	132,441	206,000	2013
Inventories				
PN 81890 Lot 4028 Bandar Shah Alam, Daerah Petaling, Selangor Darul Ehsan	3 storey shop offices	173	1,129	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 and 324 units of carpark bay (99 years lease expiring on 14/11/2107)	7,682	51,711	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	39 units of residential apartment & 114 units of car park bay (99 years lease expiring on 14/11/2107)	5,081	30,980	2000
Oversea Inventories				
67 Canning Highway, Victoria Park, Australia being Lots 26, 27 & 28 on Strata Title Plan 63339	3 units of residential apartment (freehold)	1,176	17,404	2010

Land Held for Sale

No. Hakmilik GRN 35127, Nombor Lot 289, Seksyen 2, Bandar Batu Feringgi, Daerah Timor Laut, Pulau Pinang	Freehold land held for sale	23,597	22,859	2008
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Properties Under Development & Land Held for Development

PN 82690 Lot 4762, PN 82692 - 82696 Lot 4763 - 4767, PN 82699 - 82706 Lot 4768 - 4775, PN 82713 - 82726 Lot 4782 - 4795, PN 82733 - 82746 Lot 4802 - 4815 & PN 82753 - 82832 Lot 4822 - 4901, Bandar Shah Alam, Daerah Petaling, Selangor Darul Ehsan	Residential Properties under construction (99 years lease expiring on 31/03/2104)	24,892	4,110	2000
PN 82833 - 82852 Lot 4902 - 4921 & PN 82854 - 82946 Lot 4924 - 5016, Bandar Shah Alam, Daerah Petaling, Selangor Darul Ehsan	Residential Properties under construction (99 years lease expiring on 31/03/2104)	22,989	3,688	2000
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, 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 - 82307 Lot 4410 - 4413, PN 82309 Lot 4415, PN 82315 Lot 4416, PN 82317 - 82318 Lot 4417 - 4418 & PN 83208 Lot 4414, Bandar Shah Alam, Daerah Petaling, Selangor Darul Ehsan	Land held for property development (99 years lease expiring on 22/03/2104 & 25/03/2104)	55,391	10,869	2000

PN 83361 - 83452 Lot 5432 - 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 Pulau, Daerah Johor Bahru, Johor	Freehold land for property development	13,363	25,890	2012
PN 43209, Lot 6934, Mukim Bukit Katil, Daerah Melaka Tengah, Melaka	Leasehold land for property development (99 years lease expiring on 27 January 2096)	2,593,957	380,000	2016

Overseas Properties Under Development & Land Held for Development

15 Tea Tree Close Cockburn Central, Perth, Australia	Freehold land held for property development	11,002	19,428	2012
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Red Carpet Avenue



Strand Mall is a home to more than 150 shops and boutiques, including Malaysia's leading cinema and supermarket, as well as complemented by 2,133 covered parking spaces and 24-hour security. With a covered arcade designed as a convenient meeting place that will become the destination of choice for everyone to gather. Tenants such as TGV Cinemas, SAM's Groceria, Chi Fitness, CHAI Fashion Emporium, Daiso of Japan and Yamaha Music School are located here.



SHAREHOLDING'S INFORMATION

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ANALYSIS OF SHAREHOLDINGS AS AT 21 MARCH 2017

Issued Share Capital	: RM278,648,016 comprising 278,648,016 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	118	5.49	925	0.00
100 - 1,000	285	13.26	206,120	0.07
1,001 - 10,000	1,306	60.77	5,363,049	1.93
10,001 - 100,000	374	17.40	12,845,196	4.62
100,001 - less than 5% of issued shares	63	2.93	22,777,500	8.19
5% and above of issued shares	3	0.14	237,069,266	85.20
Total	2,149	100.00	278,262,016	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	70.82	-	-
Federal Land Development Authority	-	-	197,069,226 ^①	70.82
Anjakan Masyhur Sdn. Bhd.	40,000,000	14.37	-	-
Azhar bin Mohd Awal	-	-	40,000,000 ^②	14.37
Azman Hanafi bin Abdullah	-	-	40,000,000 ^②	14.37

① Deemed interest through Felda Investment Corporation Sdn. Bhd. pursuant to Section 8 of the Companies Act, 2016.

② Deemed interest by virtue of their substantial shareholdings in Anjakan Masyhur Sdn. Bhd.

LIST OF DIRECTORS' SHAREHOLDINGS

Directors	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
YB Tan Sri Haji Mohd Isa Bin Dato' Haji Abdul Samad	-	-	-	-
Dato' Haji Zakaria Bin Nordin	38,000	0.01	-	-
Datuk Hanapi Bin Suhada	-	-	-	-
YB Datuk Noor Ehsanuddin Bin Mohd Harun Narrashid	-	-	-	-
Datuk Haji Jaafar Bin Abu Bakar	-	-	-	-
Dato' Feroz Bin AS Moidunny	-	-	-	-
Abdul Rahim Bin Abdul Hamid	-	-	-	-

LIST OF 30 LARGEST SHAREHOLDERS
(as at 21 March 2017)

No	Name	No. of Shares	%
1	Amsec Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account – Ambank Islamic Berhad for Felda Investment Corporation Sdn. Bhd.	145,000,000	52.11
2	Felda Investment Corporation Sdn. Bhd.	52,069,226	18.71
3	Anjakan Masyhur Sdn. Bhd.	40,000,000	14.37
4	CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB Bank for Teh Swee Heng (MM1118)	2,278,000	0.82
5	Datuk (Dr) Philip Ting Ding Ing	1,924,500	0.69
6	Alliancegroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tan Kian Chuan (8059299)	1,834,100	0.66
7	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Chew Pok Oi	1,060,400	0.38
8	Abdul Aziz Bin Abdul Kadir	1,000,000	0.36
9	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tan Kian Aik	858,200	0.31
10	Yahya Talla	814,100	0.29
11	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Stuart Saw Teik Siew	659,500	0.24
12	Alliancegroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tan Kian Aik (8058967)	504,800	0.18
13	Amanahraya Trustees Berhad Amanah Saham Sarawak	500,000	0.18

SHAREHOLDINGS' INFORMATION

No	Name	No. of Shares	%
14	Mohd Isa Bin Ismail	500,000	0.18
15	Tung Yoke Cheng	491,000	0.18
16	CIMSEC Nominees (Asing) Sdn. Bhd. CIMB Bank for Lim Geok Eng Mary (MY0955)	478,500	0.17
17	Alliancegroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Lim Geok Eng Mary	412,000	0.15
18	Sai Yee @ Sia Say Yee	410,000	0.15
19	Tan Boak Wah	355,000	0.13
20	Cimsec Nominees (Tempatan) Sdn. Bhd. CIMB Bank for Siow Wong Yen @ Siow Kwang Hwa (PBCL-0G0320)	342,000	0.12
21	Supang Lian @ Supang Tala	334,100	0.12
22	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tan Kian Ling	315,900	0.11
23	Lee Boon Leng	300,000	0.11
24	Lee Kay Huat	300,000	0.11
25	Rozairie Aida Binti Mohamed Sam	274,500	0.10
26	Leow Kit Keong	264,100	0.09
27	Alliancegroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Goh Juai Hian (100378)	259,000	0.09
28	Andrew Lim Eng Guan	245,700	0.09
29	Lim Mei Kong	240,000	0.09
30	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Liew Swee Kong	238,600	0.09
Total		254,263,226	91.38

STATEMENT OF SHARE BUY-BACK

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING PURSUANT TO PARAGRAPH 12.06(2)(a) OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

1. Disclaimer Statement

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 23 February 2017, announced that it will be seeking shareholders' approval at the 17th 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 17th 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 Wednesday, 14 June 2017 at 3.00 p.m. The Notice of the 17th AGM of the Company and the Form of Proxy are enclosed in the Annual Report 2016 of the Company.

3. Details of the Proposed Renewal of Authority for Share Buy-Back

At the 16th AGM of the Company held on 15 June 2016, 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 17th 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 17th AGM and will expire at:

- (i) the conclusion of the next AGM of the Company following the general meeting at which such resolution was passed at which time it shall lapse unless by an ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions;
- (ii) the expiration of the period within which the next AGM of the Company after the date is required by law to be held; or
- (iii) revoked or varied by an ordinary resolution passed by the shareholders in a general meeting;

whichever occurs first.

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.

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

Based on the Audited Financial Statements of the Company for the financial year ended 31 December 2016, the accumulated loss account of the Company stood at RM37,615,000.

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.

SHAREHOLDINGS' INFORMATION

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 2017 on the assumption that shares purchased from shareholders other than the Directors are set out below:

Directors	Before Proposed Renewal of Authority for Share Buy-Back				After Proposed Renewal of Authority for Share Buy-Back ^①			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
YB Tan Sri Haji Mohd Isa bin Dato' Haji Abdul Samad	-	-	-	-	-	-	-	-
Dato' Haji Zakaria bin Nordin	38,000	0.01	-	-	38,000	0.01	-	-
YB Datuk Noor Ehsanuddin bin Mohd Harun Narrashid	-	-	-	-	-	-	-	-
Datuk Hanapi bin Suhada	-	-	-	-	-	-	-	-
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 2017 on the assumption that shares are purchased from shareholders other than the substantial shareholders are set out below:

Substantial Shareholders	Before Proposed Renewal of Authority for Share Buy-Back				After Proposed Renewal of Authority for Share Buy-Back #			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Felda Investment Corporation Sdn Bhd	197,069,226	70.82	-	-	197,069,226	78.58	-	-
Federal Land Development Authority	-	-	197,069,226 ^①	70.82	-	-	197,069,226 ^①	78.58
Anjakan Masyhur Sdn. Bhd.	40,000,000	14.37	-	-	40,000,000	15.95	-	-
Azhar bin Mohd Awal	-	-	40,000,000 ^②	14.37	-	-	40,000,000 ^②	15.95
Azman Hanafi bin Abdullah	-	-	40,000,000 ^②	14.37	-	-	40,000,000 ^②	15.95

Assuming that 10% of the existing total number of issued shares 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.

SHAREHOLDINGS' INFORMATION

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 2017 and assuming the Encorp Shares so purchased are cancelled are set out below:

	No. of Encorp Shares
Existing total number of issued shares as at 21 March 2017	278,648,016
Treasury shares as at 21 March 2017	(386,000)
If maximum number of shares are purchased pursuant to the proposed share buy-back	(27,478,801)
Total number of issued shares as diminished, if the treasury shares are cancelled	250,783,215

(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 2017 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 directors(s), substantial shareholders(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

Details of Share Buy-Back are as set out in the section titled "Additional Compliance Information Pursuant To Main Market Listing Requirements of Bursa Malaysia Securities Berhad" on page 77 of the Annual Report 2016 of the Company.

12. Public Shareholding Spread

As at 21 March 2017, the public shareholding spread of Encorp was 14.77%. 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. 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.

14. 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.

15. Other Information

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.



Encorp Strand Garden Office is a leasehold luxury garden office in town, incorporating greenery into work life. These gorgeous offices are located in the prime area of Kota Damansara, were designed and built with a host of innovations to create value for purchasers and tenants. The unique sky bridges with individual glass lift adds a touch of class and give natural light to interior spaces. The perfect interpretations of modernist architecture that pay tribute to timeless design and complements the natural environment.



ANNUAL GENERAL MEETING

ANNUAL GENERAL MEETING

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Seventeenth 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 Wednesday, 14 June 2017 at 3.00 p.m., for the following purposes:

Agenda

As Ordinary Business

1.	To receive the Audited Financial Statements for the financial year ended 31 December 2016 together with the Reports of the Directors and Auditors thereon.	(Ordinary Resolution 1)
2.	To approve the Directors' fees of up to RM1,200,000.00 for the financial year ending 31 December 2017, to be payable on a quarterly basis in arrears.	(Ordinary Resolution 2)
3.	To approve the Directors' benefits of up to RM130,000.00 from 1 January 2017 until the next Annual General Meeting of the Company.	(Ordinary Resolution 3)
4.	To re-elect the following Directors who retire in accordance with Article 81 of the Constitution of the Company: (a) YB Datuk Noor Ehsanuddin Bin Mohd Harun Narrashid (b) YBhg Dato' Haji Zakaria Bin Nordin	(Ordinary Resolution 4) (Ordinary Resolution 5)
5.	To appoint Auditors and to authorise the Directors to fix their remuneration. Special Notice pursuant to Sections 280(2)(b)(ii) and 322 of the Companies Act, 2016, a copy of which is set out and marked "Annexure A", has been received by the Company to propose the following Ordinary Resolution: "THAT Messrs Deloitte PLT, be hereby appointed as Auditors of the Company in place of the outgoing Auditors, Messrs Ernst & Young, to hold office until the conclusion of the next Annual General Meeting and that authority be hereby given to the Directors of the Company to determine their remuneration."	(Ordinary Resolution 6)

As Special Business

To consider and, if thought fit, to pass the following resolutions:

6.	<p>Authority to Allot Shares pursuant to Sections 75 and 76 of the Companies Act, 2016</p> <p>"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."</p>	(Ordinary Resolution 7)
7.	<p>Proposed Renewal of Authority for Share Buy-Back</p> <p>"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:</p> <ul style="list-style-type: none"> (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: <ul style="list-style-type: none"> (i) the conclusion of the next 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 the date is required by law to be held; or (iii) revoked or varied by ordinary resolution passed by the shareholders in a general meeting, <p>whichever is earlier.</p> <p>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:</p>	

ANNUAL GENERAL MEETING

	<p>(i) cancel all the shares so purchased;</p> <p>(ii) retain the shares so purchased as treasury shares; or</p> <p>(iii) retain part of the shares so purchased as treasury shares and cancel the remainder of the shares.</p> <p>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."</p>	(Ordinary Resolution 8)
8.	<p>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 28 April 2017</p> <p>"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 28 April 2017) 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:</p> <p>(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;</p> <p>(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</p> <p>(c) revoked or varied by resolution passed by the shareholders in a general meeting, whichever is the earlier.</p> <p>THAT authority be and is hereby given to the Directors of the Company to complete and do all such acts and things as they may consider necessary or expedient in the best interest of the Company (including executing all such documents as may be required) to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution."</p>	(Ordinary Resolution 9)
9.	To transact any other ordinary business of which due notice has been given in accordance with the Companies Act, 2016.	

By Order of the Board

Lee Lay Hong (LS 0008444)
Company Secretary

Selangor Darul Ehsan
28 April 2017

Explanatory Notes :**1. Directors' Benefit**

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 2017 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.

2. Authority to Allot Shares Pursuant to Sections 75 and 76 of the Companies Act, 2016

The above Ordinary Resolution 7 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 7, 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.

As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the Sixteenth Annual General Meeting held on 15 June 2016 and which will lapse at the conclusion of the Seventeenth Annual General Meeting ("17th AGM") to be held on 14 June 2017.

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).

3. Proposed Renewal of Authority for Share Buy-Back

The proposed adoption of Ordinary Resolution 8 is intended to renew the authority granted by the shareholders of the Company at the Annual General Meeting held on 15 June 2016. 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.

4. Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

The proposed Ordinary Resolution 9, 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 28 April 2017 which is circulated together with the Annual Report 2016.

ANNUAL GENERAL MEETING**Notes:**

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 7 June 2017 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at this 17th 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 forty-eight (48) 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 re-election) at the Seventeenth 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 (2) of the Explanatory Notes at page 259.


FIC
FELDA INVESTMENT CORPORATION SDN. BHD.

(Company No. : 1052445-A)

Annexure A

Date: 17 APR 2017

The Board of Directors

Encorp Berhad

No. 45-G Jalan PJU 5/21,

Pusat Perdagangan Kota Damansara,

Kota Damansara PJU 5,

47810 Petaling Jaya, Selangor Darul Ehsan.

Dear Sirs,

SPECIAL NOTICE – NOMINATION OF AUDITORS

We, being a shareholder of Encorp Berhad hereby give notice pursuant to Sections 280(2)(b)(ii) and 322 of the Companies Act, 2016 of our intention to nominate Messrs Deloitte PLT for appointment as Auditors of Encorp Berhad to replace the outgoing Auditors, Messrs Ernst & Young and to propose the following Ordinary Resolution to be tabled at the forthcoming 17th Annual General Meeting of Encorp Berhad:

"THAT Messrs Deloitte PLT, be hereby appointed as Auditors of the Company in place of the outgoing Auditors, Messrs Ernst & Young, to hold office until the conclusion of the next Annual General Meeting and that authority be hereby given to the Directors of the Company to determine their remuneration."

Yours faithfully,

FELDA INVESTMENT CORPORATION SDN BHD
Datuk Nik Azman Bin Mohd Zain
 Director

FORM OF PROXY



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

No. of Shares Held	
CDS Account No.	
Telephone No.	

*I/We _____
(Full name as per NRIC/Certificate of Incorporation in CAPITAL letters)

Company No./NRIC No. (new) _____ (old) _____

of _____
(Full Address)

_____ (Full Address)

being a member of **ENCORP BERHAD**, hereby appoint _____

_____ NRIC No. (new) _____
(Full name as per NRIC in CAPITAL letters)

(old) _____ or failing *him/her _____
(Full name as per NRIC in CAPITAL letters)

NRIC No. (new) _____ (old) _____

or failing *him/her, the Chairman of the Meeting as *my/our proxy to vote for *me/us on *my/our behalf at the Seventeenth Annual General Meeting ("17th 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 Wednesday, 14 June 2017 at 3.00 p.m. and at any adjournment thereof.

*My/our proxy is to vote as indicated below:

(Please indicate with an "X" in the appropriate boxes how you wish your vote to be cast. If you do not indicate how you wish your proxy to vote on any resolution, the proxy shall vote as he/she thinks fit, or at his/her discretion, abstain from voting.)

No.	Ordinary Resolutions	For	Against
1.	Receipt of Audited Financial Statements for the financial year ended 31 December 2016 together with Reports of the Directors and Auditors thereon.		
2.	Approval of Directors' fees of up to RM1,200,000.00 for the financial year ending 31 December 2017, to be payable on quarterly basis in arrears.		
3.	Approval of Directors' benefits of up to RM130,000.00 from 1 January 2017 until the next Annual General Meeting of the Company.		
4.	Re-election of YB Datuk Noor Ehsanuddin Bin Mohd Harun Narrashid as Director.		
5.	Re-election of YBhg Dato' Haji Zakaria Bin Nordin as Director.		
6.	Appointment of Messrs Deloitte PLT as Auditors in place of the outgoing Auditors, Messrs Ernst & Young, and to authorise the Directors to determine their remuneration.		
7.	Authority for Directors to Allot Shares pursuant to Sections 75 and 76 of the Companies Act, 2016.		
8.	Proposed renewal of authority for share buy-back.		
9.	Approval of Proposed Shareholders' Mandate as specified in Section 2.3 of the Circular to Shareholders dated 28 April 2017.		

Dated this day of 2017

Signature(s)/Common Seal of Member(s)

For appointment of two proxies, percentage of shareholdings to be represented by the proxies:		
	No. of shares	Percentage
Proxy 1		
Proxy 2		
Total		100%

Notes:

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 7 June 2017 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at this 17th 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 forty-eight (48) hours before the time set for holding the meeting or any adjournment thereof.

(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

**PLACE
STAMP
HERE**

(Fold here)



45G, Jalan PJU 5/21, The Strand EnCorp, Pusat Perdagangan Kota Damansara,
Kota Damansara PJU 5, 47810 Petaling Jaya, Selangor Darul Ehsan.
www.encorp.com.my