

## IN FOCUS

### 2022 HIGHLIGHTS

#### Corporate



22 March

Encorp Development Sdn Bhd, a wholly-owned subsidiary of ENCORP, and Federal Land Development Authority entered into a Joint Venture Agreement to restore and redevelop Perumahan Warga FELDA at FELDA Chuping, Perlis.

#### Corporate Social Responsibility



25 April

ENCORP volunteers treated the children of Rumah Cahaya Kasih to a day-out programme, as well as new festive and muslimah clothing, and a breaking of fast treat, as part of efforts to bring cheer to the children during the festive season.

#### Corporate Social Responsibility



8 April

Through a collective drive, ENCORP employees collected 269 recycled books and set up a reading corner at Strand Mall to reignite the love of reading in the community.

#### Corporate Social Responsibility



12 May

ENCORP, Strand Mall and Alpha IVF & Women's Specialists organised a blood donation drive, resulting in the donation of 49 blood units to the National Blood Centre as an act of kindness to help those in need.

#### Corporate Social Responsibility



21 April

ENCORP demonstrated its commitment to charitable causes by hosting a Ramadhan breaking of fast for the underprivileged children of Rumah Kasih Harmoni.

#### Corporate



18 May

Encorp Development Sdn Bhd, a wholly-owned subsidiary of ENCORP, and Ipmda Properties Sdn Bhd entered into a Joint Venture Agreement to develop a residential development at Bukit Kepayan, Kota Kinabalu, Sabah.

## 2022 HIGHLIGHTS

### Corporate Social Responsibility



13-22 June

ENCORP continued its environmental awareness programme, which has been running since 2020, where employees collectively gathered reusable and recyclable materials and send them to the IPC Recycling & Buy Back Centre.

### Corporate Social Responsibility



26 August

ENCORP donated RM30,000 to the Dewan Bandaraya Kota Kinabalu for the aid of children with cancer and thalassemia at the Sabah Women & Children Hospital (Likas Hospital) through the Miss World Charity Gala.

### Corporate



29 June

ENCORP's 22<sup>nd</sup> Annual General Meeting.

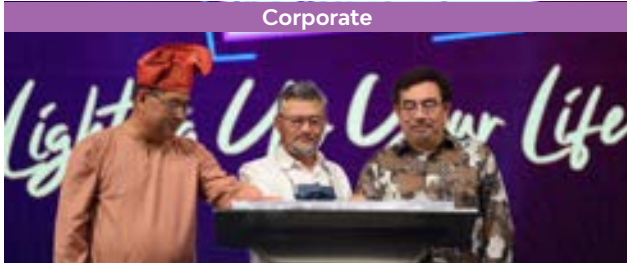
### Corporate



9 September

Encorp Construction & Infrastructure Sdn Bhd, a wholly-owned subsidiary of ENCORP, and Touch Millennium Sdn Bhd entered into a Joint Venture Agreement to develop a commercial mixed development at Teluk Cempedak, Kuantan, Pahang.

### Corporate



17 July

ENCORP renamed the covered pedestrianised Red Carpet Avenue at The Strand development as Warna Avenue, which was announced during the unveiling event Cahaya Baharu @ Strand Mall.

### Corporate



9 September

Encorp Millennium Sdn. Bhd., a joint venture company between a wholly-owned subsidiary of Encorp Berhad and Touch Millennium Sdn Bhd, has been established with registration number 202201033618 (1479315-V).



## IN FOCUS

### 2022 HIGHLIGHTS

#### Corporate Social Responsibility



26 September

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ENCORP sponsored T-shirts worth RM1,480 for the children of Sekolah Kebangsaan Rentam FELDA, Bera, to support their extracurricular activities.

#### Corporate Social Responsibility



13 October

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ENCORP supported Malaysia's football young players by contributing RM2,700 worth of home-away full kit jerseys to the students of Kelab Bola Sepak Sekolah Sukan Negeri Johor.

#### Corporate



30 September

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Encorp Construction & Engineering Sdn Bhd, a wholly-owned subsidiary of ENCORP, and LMC Mining Sdn Bhd entered into a Distribution Agreement to undertake the distribution of silica.

#### Corporate Social Responsibility



7 December

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ENCORP sponsored an on-site instant Photo Booth for the Management and Science University's SHCA Dean's List Award, recognising students' outstanding character and scholastic achievements.

#### Corporate Social Responsibility



16 December

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ENCORP's gift-giving initiative for Pusat Jagaan Kasih Harapan and Telaga Kasih Nur Muhammad orphanage homes included shoe boxes filled with personal hygiene products, stationaries, and toys, as well as household items, while employees spent time with the children.

## ENCORP IN THE NEWS

- 01 ENCORP, FELDA bekerjasama bangunkan perumahan di Perlis, Berita Harian, 22/3/2022
- 02 ENCORP, Jentayu to jointly develop RM68m GDV project in Kota Kinabalu, The Edge Markets, 18/5/2022
- 03 ENCORP to build apartments, retail lots in Kuantan, New Straits Times, 12/9/2022
- 04 ENCORP Partners LMC for Distribution of Mined Silica, Business Today, 30/9/2022



## RECOGNITION OF A GROWING ENCORP

Winner of HR Asia:  
Best Companies to Work for in Asia Awards 2018, 2019, 2021

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

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

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

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

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

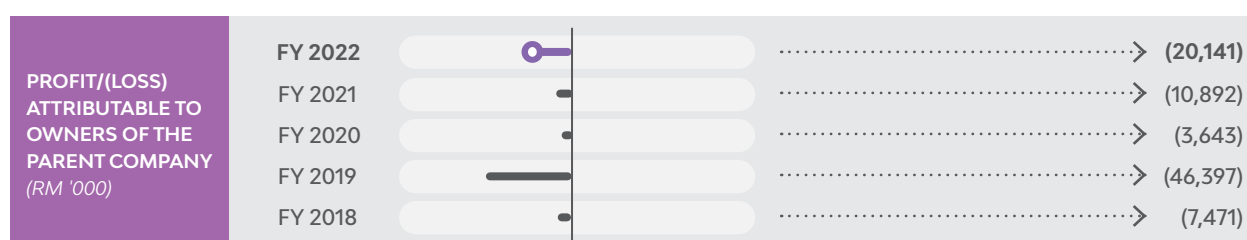
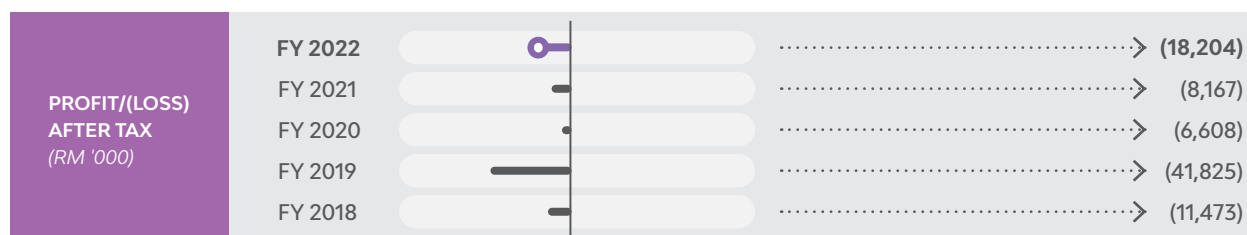
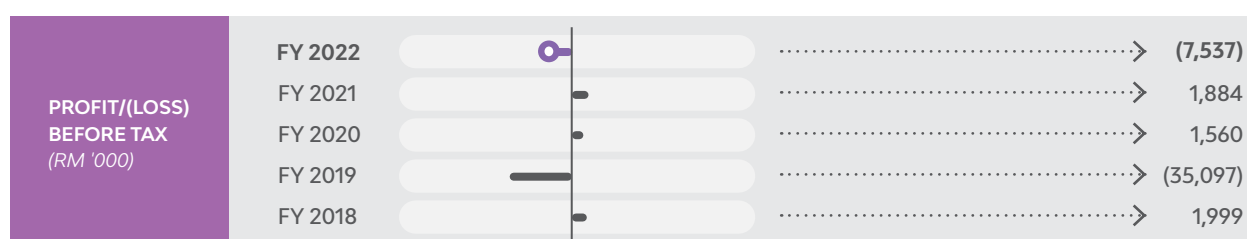
Winner of Property Development,  
Selangor Business Excellence Awards 2017

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

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

## IN FOCUS

### GROUP FINANCIAL HIGHLIGHTS






- N1 There is no margin available due to the loss position for that year.
- N2 The results are attributable to owners of the parent company.
- N3 The net gearing ratio is calculated using the loans and borrowing amount plus trade payables however excluding the Sukuk Murabahah, cash and cash equivalents, fixed deposits and investment securities. The Sukuk Murabahah has been excluded as the Sukuk is secured by the assignment of the contract Concession Payments and the Project Escrow Account and the Sukuk do not have any financial recourse to the Group.
- N4 Includes property development cost.

FINANCIAL RATIOS	2022	2021	2020	2019	2018
Profit before tax margin (%)	N1	1.3%	1.2%	N1	0.8%
Basic loss per share (sen)	(6.37)	(3.44)	(1.18)	(15.30)	(2.54)
Closing share price as at end of year (RM)	0.220	0.330	0.235	0.31	0.43
Price-earning ratio (times)	(0.03)	(0.10)	(0.21)	(0.02)	(0.17)
Return on capital employed (ROCE)	0.06	0.07	0.05	0.06	0.06
Return on equity (ROE) <sup>N2</sup>	(0.060)	(0.031)	(0.010)	(0.13)	(0.02)
Net gearing ratio (%) <sup>N3</sup>	3%	5%	11%	57%	55%
Net assets per share (RM) <sup>N2</sup>	1.06	1.12	1.15	1.13	1.32
Shares ('000)	316,685	316,685	316,685	306,474	293,952

KEY BALANCE SHEET DATA	2022 RM'000	2021 RM'000	2020 RM'000	2019 RM'000	2018 RM'000
Property, plant and equipment	5,523	4,828	5,084	5,298	5,623
Investment properties	291,780	290,290	284,050	303,050	303,620
Land held for property development	26,590	17,034	36,683	501,581	511,739
Trade and other receivables	564,034	650,160	756,225	807,763	906,193
Inventories <sup>N4</sup>	110,234	113,007	144,937	148,122	157,417
Cash & bank balance and Investment Security	175,750	179,301	157,691	173,369	179,858
Other assets	11,390	36,732	11,768	29,465	44,259
Assets of disposal group classified as held for sale	-	-	-	-	100
Lease asset	15,585	17,597	19,622	21,056	-
<b>Total Assets</b>	<b>1,200,886</b>	<b>1,308,949</b>	<b>1,416,060</b>	<b>1,989,704</b>	<b>2,108,809</b>
Loans and borrowings	71,137	90,244	103,191	93,041	136,571
Sukuk Murabahah	574,107	651,860	721,943	785,021	841,275
Trade and other payables	100,407	90,065	87,863	633,292	626,364
Other liabilities	13,594	15,862	33,590	23,121	33,094
Liabilities of disposal group classified as held for sale	-	-	-	-	950
Lease liabilities	18,598	20,074	21,370	22,005	-
<b>Total Liabilities</b>	<b>777,843</b>	<b>868,105</b>	<b>967,957</b>	<b>1,556,480</b>	<b>1,638,254</b>
Total Equity	423,043	440,844	448,103	433,224	470,555
Non-controlling interest	89,107	87,095	84,275	87,335	82,343
Shareholders' equity	333,936	353,749	363,828	345,889	388,212

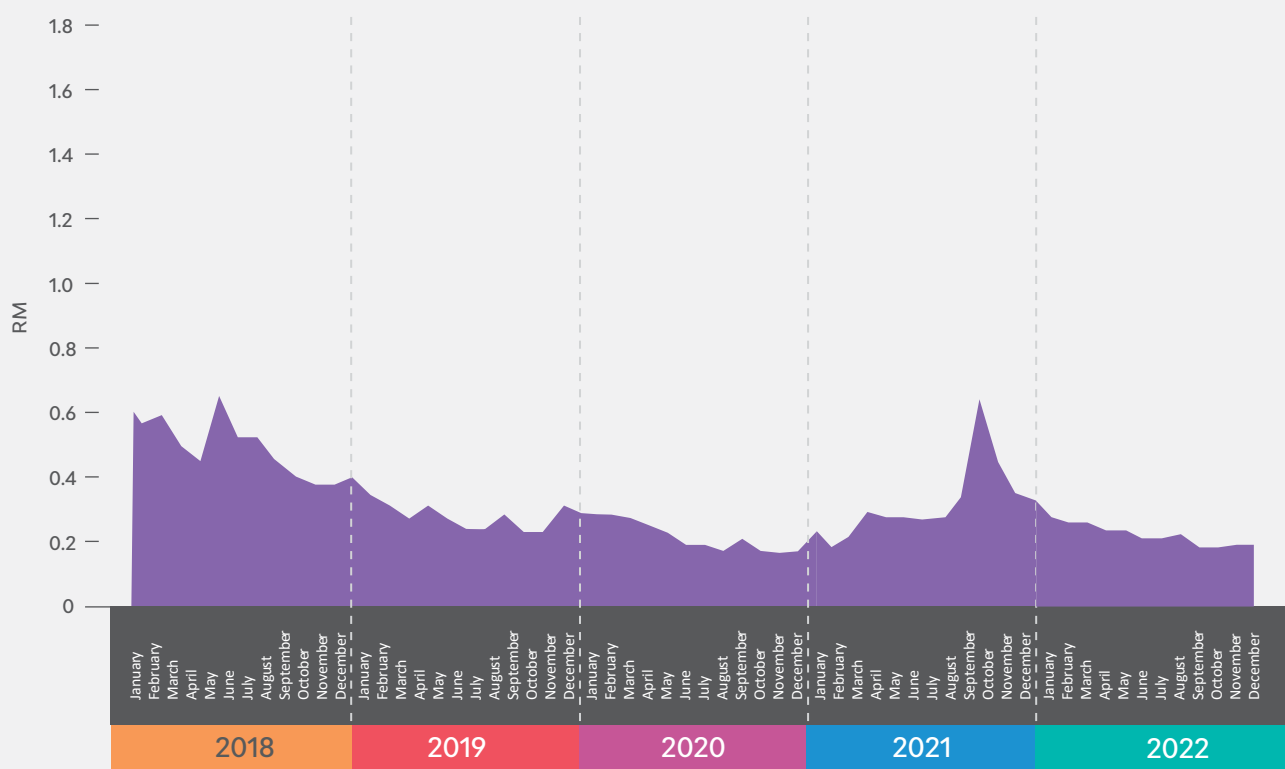
## IN FOCUS

## SHARE PERFORMANCE

 <b>Stock Exchange</b>	 <b>Stock Name</b>	 <b>Stock Code</b>
Bursa Malaysia Securities Berhad	ENCORP	6076

During the year	2018	2019	2020	2021	2022
Highest (RM)	0.83	0.45	0.31	0.70	0.375
Lowest (RM)	0.35	0.27	0.17	0.18	0.20

**SHARE PRICE (BURSA MALAYSIA)**  
Based on month-end closing price







Clover, Encorp Cahaya Alam, Seksyen U12, Selangor



## CORPORATE GOVERNANCE

### CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("the Board") reaffirms its commitment to and supports the best practices of the Malaysian Code on Corporate Governance 2021 ("the Code") which sets out broad principles, intended outcome and guidance to promote and cultivate a strong culture of good corporate governance for listed companies.

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

During the financial year ended 31 December 2022, the Board continued to adhere to the principles and recommendations of the Code. The Board is pleased to report to the shareholders on how the Company has applied each Practice as set out in the Code in the Corporate Governance Overview Statement below, along with certain departures from the Code. For full details in relation to the compliance and/or departure from each Practice set out in the Code during the financial year ended 31 December 2022, please refer to the Corporate Governance Report 2022 on the Company's website at [www.encorp.com.my](http://www.encorp.com.my).

#### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

##### I. Board's Role and Responsibilities

The Board is charged with leading and managing the Company in an effective and responsible manner and is collectively responsible for meeting the objectives and goals of the Company. Each Director has a legal duty to act in good faith and in the best interest of the Company exercising due care and diligence avoiding conflict of interest wherever possible. Directors are to refrain from making improper use of information, property or opportunity gained through the position of Director or engaging in business which is in competition with the Company. The Directors, collectively and individually, are aware of their responsibilities to the shareholders and stakeholders for the manner in which the affairs of the Company are managed.

In line with the Code, the Board has adopted a Board Charter which was last reviewed on 17 January 2023. 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 the highest standards of corporate governance within the Group, so that the interests of the shareholders, customers and other stakeholders are safeguarded.

During the financial year, the Board has approved the adoption of Fit and Proper Policy which is implemented to guide the Board and the Nominating and Remuneration Committee in appointment and re-election of Directors to the Board and the Group. This Policy which was approved by the Board will be reviewed from time to time to remain aligned with MMLR of Bursa Securities taking into consideration the changes in the law and regulatory requirements.

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

More information on the Board Charter, Fit and Proper Policy and the Code of Conduct and Business Ethics can be found on the Company's website at [www.encorp.com.my](http://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:

- Setting, reviewing and approving the business plan and overall strategic plan of the Company that supports long term value creation which includes strategies on environmental, economic, social considerations which underpins sustainability for the Company;
- Review, challenge and decide on Management's proposals or the Company and monitor its implementation by Management;
- Overseeing the conduct of the Company's business to evaluate whether the business is being properly managed;
- Together with Senior Management, promote good Corporate Governance culture within the Company which reinforces ethical, prudent and professional behavior;
- Identifying principal financial and non-financial risks and ensuring the implementation of appropriate risk management framework to identify, analyse, evaluate, manage and monitor these risks and to set the risk appetite;
- Succession planning, includes appointment, training, fixing compensation of and where appropriate, replacing key management;
- Ensure the Senior Management has the necessary skills and experience, and there are measures in place to provide for the orderly succession of Board and Senior 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, prudent and professional behavior and working with Senior Management in promoting a culture of good Corporate Governance and promoting a culture of corporate responsibility.

All the Board Committees are actively engaged and act as oversight committees. They evaluate and recommend matters under their purview for the Board to consider and approve. The Board receives updates from the respective Chairman of the Board Committees on matters that have been discussed and deliberated at the respective meetings.

### Board Balance

The Board comprises a majority of independent directors where the Chairman is an Independent Non-Executive Director. 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 judgements 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 Group Chief Executive Officer ("GCEO") are distinct and separate to ensure that there is a balance of power and authority. The Chairman is responsible for the leadership, effectiveness, conduct and governance of the Board. The GCEO of the Company was appointed on 17 February 2021 to run the day-to-day management of Encorp Group business within the limits of authority delegated by the Board. The GCEO acts as a conduit between the Board and the Management in ensuring the success of the Company's governance and management functions. Notwithstanding that, the GCEO is also responsible to achieve goals and decisions made by the Board, ensure effective operations within the Group, and to explain, clarify and inform the Board on key matters pertaining to the Group.

To further strengthen the Group's Board governance, the Nominating and Remuneration Committee is given the responsibility to review the roles and responsibilities of the Board and the Board Committees.

## CORPORATE GOVERNANCE

The Board is also of the view that the Chairman of the Board should not involve in any Board Committees in order to ensure check and balance as well as objectivity will not be impaired/influenced by the Chairman of the Board.

Detailed description of these roles can be found on the Board Charter inclusive of the Terms of Reference ("TOR") of the Board Committees online at [www.encorp.com.my](http://www.encorp.com.my).

### Role of Company Secretary

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

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

### Access to Information

The Directors have timely, full and unrestricted access to all information pertaining to the Group's business affairs, whether as a full Board or in their individual capacity, to enable them to discharge their duties effectively. The Board is expected to meet at least four (4) times for each financial year, with additional meetings to be convened when necessary to discuss and resolve on urgent basis.

### Board Meetings

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

During the financial year under review, nine (9) Board meetings were held. The summary of attendance of the Board is as follows:

Name of Director	No. of Meetings Attended
Tuan Haji Sr. Mohd Ali Bin Abd Karim	9/9
Datuk Haji Jaafar Bin Abu Bakar	9/9
Mahadzir Bin Mustafa	9/9
Tuan Haji Lukman Bin Abu Bakar	9/9
Dato' Dr Suzana Idayu Wati Binti Osman (Appointed on 3.11.2022)	2/2
Datuk Shireen Ann Zaharah Binti Muhiudeen (Retired on 29.6.2022)	3/5

## Sustainability

Encorp Group acknowledges the importance of sustainability relating to environmental, social and governance ("ESG") including their risks and opportunities to/for our Group. The Company will implement an ESG policy with the objective to priorities health and safety in the Group's business operations.

The Company is committed to communicate the targets and performances of the ESG to all the stakeholders of the Group regardless internally or externally. Detailed information pertaining to the sustainability of the Group can be found in the Sustainability Report of the Annual Report 2022 which is available on Bursa Securities and the Company's website at [www.encorp.com.my](http://www.encorp.com.my).

## II. Board Composition

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

Practice 5.2 of the Code states that at least half (1/2) of the Board should comprise of Independent Directors. During the financial year ended 31 December 2022, there were five (5) members of the Board, comprising one (1) Independent Non-Executive Chairman, two (2) Independent Non-Executive Directors and two (2) Non-Independent Non-Executive Director. The Independent Directors make up the majority of the composition of the Board.

This composition also complies with Paragraph 15.02 of the MMLR of Bursa Securities which requires that at least two (2) Directors or one-third (1/3) of the Board, whichever is higher, must be independent directors.

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

### Board Independence

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

The Board Charter sets outs the restriction that the tenure of an independent director should not exceed a term limit of nine (9) years. Upon completion of nine (9) years, an independent director may continue to serve on the board as a non-independent director. If the board intends to retain an independent director beyond nine years, the Board must justify and seek shareholders' approval at General Meeting through a two-tier voting process. The tenure of an Independent Director shall not exceed a cumulative term of twelve (12) years from the date of his/her first appointment as stipulated under the MMLR.

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

The Board has undertaken an assessment of the Independent Director as per the criteria defined under the MMLR 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.



## CORPORATE GOVERNANCE

### Appointment of Directors

When appointing a Director, the Nominating and Remuneration Committee and the Board will consider the cultural background, experience, skill, age, gender, competency, knowledge and potential contribution of the candidate, whilst the Practice 5.5 of the Code will also be given due consideration for boardroom diversity. The Nominating and Remuneration Committee considers, evaluates and proposes to the Board any new board appointments, whether of executive or non-executive position. The Nominating and Remuneration Committee recommends suitable candidate for appointment to the Board, the appointment of which will be decided upon by the Board as a whole to ensure a balanced mix of experience and expertise amongst its members. Thereafter, the Board carries out its own assessment based on the recommendations made by the Nominating and Remuneration Committee and determines the appointments to be made.

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

The Nominating and Remuneration Committee reviewed and recommended the candidate for Non-Independent Non-Executive Director namely Dato' Dr Suzana Idayu Wati Binti Osman, in replacement of Datuk Shireen Ann Zaharah Binti Muhiudeen who had retired on 29 June 2022. Dato' Dr Suzana Idayu Wati Binti Osman was appointed to our Board on 3 November 2022.

The above appointment was recommended by the Company's major shareholder during candidate selection. The Nominating and Remuneration Committee scrutinised the suitability and qualification of the candidates and recommend the same for the Board's approval. In discharging this duty, the Nominating and Remuneration Committee assessed the suitability of the candidates by taking into account the individual's mix of skill, functional knowledge, expertise, experience, professionalism, integrity and/or other commitments that the candidate can bring to complement the Board.

### Board Diversity

The Board recognises the challenges in achieving the right balance of diversity on the Board. Nevertheless, the Board is committed to provide fair and equal opportunities and nurturing diversity within the Group. The Board has established a Board Diversity Policy to ensure that through the Nominating and Remuneration Committee, selection and appointment of new board members take into account 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 acknowledges the new enhancement under Paragraph 15.02 of the MMLR to appoint at least one woman director on the board by 1 June 2023. With Dato' Dr Suzana Idayu Wati Binti Osman's appointment to the Board on 3 November 2022, Encorp achieved a 20% female representation. The Board is also mindful of the Practice 5.9 of the Code and will ensure that suitable women candidates are sought and considered as part of the recruitment exercise. This will be done over time, taking into account the present size of the Board, the merit and suitability of female candidates and the evolving challenges to the Company from time to time.

### Re-Election and Re-Appointment of Directors

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

To assist the shareholders in their decision, sufficient information such as personal profiles of the Directors standing for re-election can be found in this Annual Report.

### 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 2022, the Directors have attended the following training programmes/seminars/workshops/talks:

Name of Director	Training and Seminars attended
Tuan Haji Sr. Mohd Ali Bin Abd Karim	<ol style="list-style-type: none"> <li>1. Trident Integrity – Corporate Liability, ISO 37001 &amp; Adequate Procedures: Implementing Effective Measures Based On The ISO 37001 Anti-Bribery Management System Trident Integrity</li> <li>2. Boardroom – Duties and Responsibilities of Directors</li> <li>3. Bursa Malaysia – Bursa Malaysia Immersive Experience: The Board "Agender"</li> </ol>
Datuk Haji Jaafar Bin Abu Bakar	<ol style="list-style-type: none"> <li>1. Trident Integrity – Corporate Liability, ISO 37001 &amp; Adequate Procedures: Implementing Effective Measures Based On The ISO 37001 Anti-Bribery Management System Trident Integrity</li> <li>2. Audit Oversight Board – Survey with the Audit Committees on Transparency Reporting by Audit Firms</li> <li>3. Audit Oversight Board – AOB Inspection Results, How Audit Committees can make full use of it</li> <li>4. Boardroom – Duties and Responsibilities of Directors</li> </ol>
Mahadzir Bin Mustafa	<ol style="list-style-type: none"> <li>1. Trident Integrity – Corporate Liability, ISO 37001 &amp; Adequate Procedures: Implementing Effective Measures Based On The ISO 37001 Anti-Bribery Management System Trident Integrity</li> <li>2. Felda – Kursus Berkenaan Tatacara Pentadbiran Syarikat Serta Peranan Ahli Lembaga Pengarah Di Dalam Syarikat Subsidiari Module 1: Dynamics Of A Company Daripada Pihak Suruhanjaya Syarikat Malaysia (SSM)</li> <li>3. Institut Koperasi Malaysia – Bengkel Pengurusan Strategik (Wajib 3)</li> <li>4. Felda – Bengkel KPI 2023</li> <li>5. Felda – Seminar Pengurus 2022</li> <li>6. Boardroom – Duties and Responsibilities of Directors</li> </ol>
Tuan Haji Lukman Bin Abu Bakar	<ol style="list-style-type: none"> <li>1. Trident Integrity – Corporate Liability, Iso 37001 &amp; Adequate Procedures: Implementing Effective Measures Based On The Iso 37001 Anti-Bribery Management System Trident Integrity (11 Januari 2022)</li> <li>2. Audit Oversight Board – Survey with the Audit Committees on Transparency Reporting by Audit Firms</li> <li>3. Audit Oversight Board – AOB Inspection Results, How Audit Committees can make full use of it</li> <li>4. Boardroom – Duties and Responsibilities of Directors</li> </ol>
Dato' Dr Suzana Idayu Wati Binti Osman	<ol style="list-style-type: none"> <li>1. Kursus Berkenaan Tatacara Pentadbiran Syarikat Serta Peranan Ahli Lembaga Pengarah Di Dalam Syarikat Subsidiari, Module 1: Dynamics Of A Company (Suruhanjaya Syarikat Malaysia)</li> <li>2. Khazanah Megatrends Forum 2022</li> <li>3. Bursa Immersive Session: The Board "Agender" (Bursa Malaysia/LeadWomen)</li> <li>4. Bursa – HLIB Stratum Focus Series XIV titled "CyberSecurity: Managing Threat in the Digital Economy".</li> <li>5. Training Programme for ESG, Corporate Governance &amp; Anti Bribery &amp; Anti Corruption ( PPA -Tricor Excelasia)</li> <li>6. Sustainability, Environment, Social and Governance &amp; Anti-Bribery and Anti-Corruption Training Programme (CBIP-Tricor Excelasia)</li> <li>7. Virtual MIA International Accountants Conference 2022 (MIA)</li> <li>8. Cyber Security Awareness (Inforisk360)</li> <li>9. BoardRoom – Duties and Responsibilities of Directors</li> </ol>

## CORPORATE GOVERNANCE

## III. Remuneration

## Board Remuneration

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

The Nominating and Remuneration Committee comprised of two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director as follows:-

Name	Designation	Directorship
Datuk Haji Jaafar Bin Abu Bakar	Chairman	Independent Non-Executive Director
Tuan Haji Lukman Bin Abu Bakar	Member	Independent Non-Executive Director
Dato' Dr Suzana Idayu Wati Binti Osman (Appointed on 29.11.2022)	Member	Non-Independent Non-Executive Director
Datuk Shireen Ann Zaharah Binti Muhiudeen (Retired on 29.6.2022)	Member	Non-Independent Non-Executive Director

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

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

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

## (ii) Evaluation

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

## (iii) Succession planning and training

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

#### (iv) Remuneration

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

#### (v) Additional duties and responsibilities

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

The terms of reference of the Nominating and Remuneration Committee is provided in the Company's website at [www.encorp.com.my](http://www.encorp.com.my).

The Nominating and Remuneration Committee deliberated on the following matters in 2022:

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

#### Policies and Procedures

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

Non-Executive 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 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.



## CORPORATE GOVERNANCE

The remuneration of Directors for the financial year ended 31 December 2022 are as follows:

Group	Fees (RM'000)	Salaries / Allowance & Other Emoluments (RM'000)	Defined contribution plan (RM'000)
Tuan Haji Sr. Mohd Ali Bin Abd Karim	156	35	-
Datuk Haji Jaafar Bin Abu Bakar	120	20	-
Mahadzir Bin Mustafa	92	17	-
Tuan Haji Lukman Bin Abu Bakar	116	22	-
Dato' Dr Suzana Idayu Wati Binti Osman (Appointed on 3.11.2022)	6	2	-
Datuk Shireen Ann Zaharah Binti Muhiudeen (Retired on 29.6.2022)	30	5	-
<b>Total</b>	<b>520</b>	<b>101</b>	<b>-</b>

Company	Fees (RM'000)	Salaries / Allowance & Other Emoluments (RM'000)	Defined contribution plan (RM'000)
Tuan Haji Sr. Mohd Ali Bin Abd Karim	120	24	-
Datuk Haji Jaafar Bin Abu Bakar	120	20	-
Mahadzir Bin Mustafa	72	15	-
Tuan Haji Lukman Bin Abu Bakar	96	20	-
Datuk Shireen Ann Zaharah Binti Muhiudeen (Retired on 29.6.2022)	30	5	-
Dato' Dr Suzana Idayu Wati Binti Osman (Appointed on 3.11.2022)	6	2	-
<b>Total</b>	<b>444</b>	<b>86</b>	<b>-</b>

## Senior Management Remuneration

Practice 8.2 of the Code states that the Company should disclose on a named basis the top (5) Senior Management's remuneration component including salary, bonus, benefits in kind and other emoluments in bands of RM50,000. The Board is of the view that such disclosure will give rise to recruitment and talent retention issues. The remuneration for the top five (5) Senior Management for the financial year ended 31 December 2022, ranged as follows:

Remuneration range (RM)	No. of Senior Management
200,001 – 250,000	0
250,000 – 300,000	1
300,001 – 350,000	0
350,001 – 400,000	2
400,001 – 450,000	0
450,001 – 500,000	1
500,001 – 550,000	0
550,001 – 600,000	0
600,001 – 650,000	0
650,001 – 700,000	0
700,001 – 750,000	0
750,001 – 800,000	1

**PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT****I. Audit, Risk and Governance Committee**

The Audit, Risk and Governance Committee is made up of three (3) members comprising of two (2) Independent Non-Executive Directors and one (1) Non-Independent Director appointed by the Board and it has written terms of reference clearly setting out its authority and duties.

The Audit, Risk and Governance Committee take note of Practice 9.2 of the MCCG 2021 that the cooling-off period shall be at least three (3) years before a former partner is appointed as member of the Audit Committee. During the financial year ended 31 December 2022, none of the Audit, Risk and Governance Committee members were former key audit partners of the Company. The Audit, Risk and Governance Committee have review and recommend to the Board to update its terms of reference on the requirement to observe the cooling-off period of at least three (3) years before appointment of a former partner of the external audit firm of the Company as a member of the Audit, Risk and Governance Committee, as recommended by the Code. The terms of reference of Audit, Risk and Governance Committee was last reviewed on 29 November 2022 to reflect the Code accordingly.

The terms of reference and Report of the Audit, Risk and Governance Committee are also provided in this Annual Report and website at [www.encorp.com.my](http://www.encorp.com.my).

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

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

Name	Designation	Directorship
Datuk Haji Jaafar Bin Abu Bakar	Chairman	Independent Non-Executive Director
Mahadzir Bin Mustafa	Member	Non-Independent Non-Executive Director
Tuan Haji Lukman Bin Abu Bakar	Member	Independent Non-Executive Director

More information on the Audit, Risk and Governance Committee and its activities for year 2022 is also available in this Annual Report.

**Relationship with External Auditors**

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

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

## CORPORATE GOVERNANCE

### II. Risk Management and Internal Control Framework

#### Risk Management Committee

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

#### Internal Control

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

The effectiveness of the Group's system of internal control is reviewed periodically by the Audit, Risk and Governance Committee. The Group's Statement on Risk Management & Internal Control is set out in this Annual Report.

#### Whistle Blowing Policy

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

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

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

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

The Whistle-Blowing Policy is provided on the Company's website at [www.encorp.com.my](http://www.encorp.com.my).

#### Anti-Bribery and Corruption Guideline ("ABAC Guideline")

The Board had also adopted the Anti-Bribery and Corruption Guideline to ensure that it has adequate procedures in place to prevent persons associated with the Group from undertaking corrupt conduct in relation to the business activities.

The ABAC Guideline is provided on the Company's website at [www.encorp.com.my](http://www.encorp.com.my).

#### Internal Audit Function

The Audit, Risk and Governance Committee is supported by an in-house Internal Audit function in the discharge of its duties and responsibilities. The Internal Audit Unit which is under the Risk and Governance Department undertakes regular reviews of the adequacy and effectiveness of the Group's system of internal controls and risk management process, as well as appropriateness and effectiveness of the corporate governance practices based on procedures approved by the respective Audit, Risk and Governance Committees.

Further details of Internal Audit are also available in this Annual Report.

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

### I. Communication with Stakeholders

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

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

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

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

#### Corporate Disclosure Policy

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

### II. Conduct of General Meetings

The AGMs serve as the principal avenue for shareholders to engage the Board and Management in a constructive two-way dialogue. Shareholders are encouraged to actively participate during the AGMs by raising questions and providing feedbacks to the Board and Management Team.

As precautionary measure amid the COVID-19 pandemic, Encorp had successfully convened its Twenty Second Annual General Meeting conducted on a virtual basis through live streaming from the broadcast venue at the Group's premises. All members participated the AGM online and voted electronically using the Securities Services e-Portal. Meanwhile, shareholders and proxies of the Company were also able to submit their questions electronically via the virtual event platform during the AGM.

Proper notices of AGM or any general meeting are at all times dispatched to the shareholders at least 21 days prior to the meetings, unless otherwise required by law, in order to provide sufficient time for shareholders to understand and evaluate the subject matter. Notwithstanding that, the Code strongly advised that the notice of AGM should be given to the shareholders at least 28 days prior to the meeting. The Notice convening the 2022 AGM was issued to shareholders on 28 April 2022, which was more than 28 days prior to the AGM date. Each item of special business included in the notice of the meeting is accompanied by a full explanatory statement for the proposed resolution to facilitate better understanding and evaluation of issues involved.



## CORPORATE GOVERNANCE

During the AGM, the Board encourages participation from shareholders by having question and answer session during the AGM (inclusive of the Chairman of the Board, Audit, Risk and Governance Committee and Nominating and Remuneration Committee) were available to provide meaningful responses to queries raised. Shareholders had direct access to the Board during the AGM proceedings and to participate in the question-and-answer session on the resolutions being proposed or on the Group's operations in general. Shareholders who are unable to participate in the virtual AGM are allowed to appoint proxies to participate and vote on their behalf in accordance with the Company's Constitution. The GCEO, Board members in attendance and the external auditors, if so required, will endeavor to respond to shareholders' questions during the meeting. All questions posed by shareholders during the AGM were well attended by the Board and/or the Management.

Lastly, the AGM minutes and summary of Q&A dialogues had been published on our corporate websites for public viewing following the conclusion of the 22nd AGM. The minutes of the AGM was made available to shareholders within 30 business days after the 22nd AGM of the Company's website at [www.encorp.com.my](http://www.encorp.com.my).

### Future Priorities

The Board will continue to enhance the corporate disclosure requirements in the best interest of the Company's shareholders and stakeholders in the upcoming years. The areas to be prioritised would be those principles which have not adopted by the Company as disclosed in the Corporate Governance Report 2022.

This Corporate Governance Overview Statement was approved by the Board of Directors on 23 February 2023.

## ADDITIONAL COMPLIANCE INFORMATION

### PURSUANT TO MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

#### Audit and Non-Audit Fees

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

	Group (RM)	Company (RM)
Statutory audit services provided by Ernst & Young PLT	263,000	80,000
Non-audit services provided by Ernst & Young PLT	53,000	45,000
Advisory services provided by affiliates of Ernst & Young PLT	N/A	N/A
<b>Total</b>	<b>316,000</b>	<b>125,000</b>

#### 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 Twenty Second Annual General Meeting held on 29 June 2022.

There were no Recurrent Transactions conducted during the financial year ended 31 December 2022.

#### Utilisation of Proceeds

During the financial year ended 31 December 2022, there were no proceeds raised by the Company from corporate proposals.

## CORPORATE GOVERNANCE

### AUDIT, RISK AND GOVERNANCE COMMITTEE REPORT

The Board of Directors is pleased to present the report on the Audit, Risk and Governance Committee ("ARGC") for the financial year ended 31 December 2022.

#### MEMBERSHIP AND MEETINGS OF THE ARGC

During the financial year ended 31 December 2022, the ARGC convened five (5) 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	5/5
Mahadzir Bin Mustafa	Non-Independent Non-Executive Director	5/5
Tuan Haji Lukman Bin Abu Bakar	Independent Non-Executive Director	5/5

The Chief Executive Officer, Head of Finance, the Head of Risk & Governance Management and the representatives from the external auditors and internal auditors and/or advisor also attended the meetings at the invitation of the ARGC. The Company Secretary acts as the secretary of the ARGC.

#### TERMS OF REFERENCE OF ARGC

##### Objective

The objective of the ARGC 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 ARGC members from amongst themselves, comprising no fewer than three (3) non-executive directors. The majority of the ARGC 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 ARGC shall be financially literate and at least one (1) member of the ARGC 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 ARGC. Any former key audit engagement partner of the external auditors of the Company must first observe a cooling-off period of at least three (3) years before he/she is eligible for appointment as a member of the ARGC.

If a member of the ARGC 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 ARGV shall elect a Chairman from amongst their number who shall not be the Chairman of the Board and who is an independent director.

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

## Secretary

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

## Meetings

The ARGV shall meet regularly and hold at least four (4) meetings in a year, with due notice of issues to be discussed, and shall record its conclusions in discharging its duties and responsibilities.

In addition, the Chairman may call for additional meetings at any time at the Chairman's discretion. ARGV meetings may be held at two (2) or more venues within or outside Malaysia using any technology that enables the members as a whole to participate for the entire duration of the meeting.

Upon the request of the external auditors, the Chairman of the ARGV shall convene a meeting of the ARGV to consider any matter the external auditors believe should be brought to the attention of the Directors or Shareholders.

The Chairman of the ARGV 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 ARGV.

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

Questions arising at any meeting of the ARGV shall be decided by a majority of votes of the members present.

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

## Resolution in Writing

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

## Minutes

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

The minutes of the ARGV 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 ARGV meeting, the majority of members present must be independent directors.



## CORPORATE GOVERNANCE

### Authority

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

Where the ARGC 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 ARGC shall promptly report such matter to Bursa Securities.

### Duties

The duties of the ARGC shall be:-

#### (a) oversee all matters relating to external audit

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

#### (b) oversee all matters relating to internal audit

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

### (c) review of financial statements

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

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

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

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

### (e) governance responsibilities

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

### (f) additional duties and responsibilities

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

### Review of Committee

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

The ARGC shall review its terms of reference periodically and recommend any changes it considers necessary.

### TRAINING

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

1. Trident Integrity – Corporate Liability, Iso 37001 & Adequate Procedures: Implementing Effective Measures Based On The ISO 37001 Anti-Bribery Management System Trident Integrity (11 Januari 2022)
2. Boardroom – Duties and Responsibilities of Directors (17 January 2023)
3. Audit Oversight Board – Survey with the Audit Committees on Transparency Reporting by Audit Firms (6 December 2022)
4. Audit Oversight Board – AOB Inspection Results, How Audit Committees can make full use of it (6 December 2022)

## CORPORATE GOVERNANCE

### SUMMARY OF ACTIVITIES OF THE ARGC DURING 2022

In accordance with its Terms of Reference, the following activities were undertaken during the year by the ARGC:

- Reviewed the quarterly unaudited financial statements of the Company and the Group for the financial quarters ended 31 December 2021, 31 March 2022, 30 June 2022 and 30 September 2022 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 2021 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 on quarterly basis by the Risk Management Department.
- Reviewed and discussed the audit report, the extent of assistance rendered by Management, issues and reservations arising from statutory audit with the external auditors.
- Assessed the performance of the external auditors, including their suitability and independence and recommended the same to the Board for re-appointment.
- Met with the external auditors two (2) times without the presence of the Executive Board members and Management and no major issues were highlighted.
- Reviewed the internal audit activities carried out by the Internal Auditors and deliberated on significant audit findings identified, audit recommendations made and management's action plans to ensure that the risks issues were adequately addressed.
- Reviewed and recommended the Corporate Governance Overview Statement, Corporate Governance Report, ARGC Report and Statement on Risk Management & Internal Control and Statement of Sustainability and to the Board for approval.
- Reviewed with the external auditor, the audit plan inclusive of areas of audit emphasis, audit fees, and scope for the year as well as the audit procedures to be followed prior to commencement of annual audit for 2022.
- 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, BDO Governance Advisory Sdn Bhd, which assists the ARGC in discharging its duties and responsibilities until 30 June 2022. The Company then has set-up an in-house Internal Audit Unit effective from 1 July 2022 to take over in assessing the adequacy, effectiveness and integrity of the Group's system of risk management and internal controls. They act independently and with due professional care and report directly to the ARGC.

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

During the financial year ended 31 December 2022, the major activities carried out by the BDO Governance Advisory Sdn. Bhd and Internal Audit Unit of the Company were as follows:

- Performed risk-based internal audits on a quarterly basis as specified in the approved annual audit plan;
- Issued quarterly internal audit reports to the ARGC detailing audit issues and recommendations for corrective actions to be adopted by Management, to overcome the deficiencies or to enhance controls. The identified key internal audit areas performed in 2022 are the following:
  - Sales and Marketing – Internal audit review conducted by outsourced IA service provider – BDO Governance Advisory;
  - Business Development – Internal audit review conducted by outsourced IA service provider – BDO Governance Advisory Sdn. Bhd.;
  - Mall Maintenance- Internal audit review conducted by in-house internal audit unit;
  - One special review and one follow-up audit conducted by in-house internal audit unit;
- Report status of action plans arising from internal audit issues highlighted to ARGC; and
- Conducted follow-up on selected areas upon ARGC's request.

The costs incurred for the internal audit function for the financial year ended 31 December 2022 amounted to RM42,250.00.

## CORPORATE GOVERNANCE

### STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

The Board of Directors ("the Board") of Encorp Berhad ("ENCORP" or the "Company") is highly committed to maintain a sound system of risk management and internal control in the Company and its subsidiaries (collectively referred to as the "Group"). The Board is pleased to present its Statement on Risk Management and Internal Control (the "Statement") which outlines the nature and scope of risk management and internal control systems of the Group for the financial year ended 31 December 2022 ("Financial Year").

This Statement is prepared pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") which calls for the annual report to incorporate "a statement about the state of risk management and internal control of the listed issuer as a group" and Practice 10.2 of the Malaysian Code on Corporate Governance ("MCCG") which stipulates that "the board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework". In preparing this Statement, the Board has taken into consideration the enumerations encapsulated in Bursa Malaysia Berhad's Corporate Governance Guide (4th edition) and the "Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers (the "Guidelines"), a publication endorsed by Bursa Securities pursuant to paragraph 15.26(b) of the MMLR of Bursa Securities.

#### BOARD'S RESPONSIBILITY

The Board recognises the importance of a sound system of risk management and internal control to safeguard shareholders' investment and the Group's businesses and assets through regular reviews. The Board affirms its overall responsibility for the Group's system of risk management and internal control and for reviewing the adequacy and integrity of the system. The system of internal control covers governance, risk management, financial, strategy, organisational, operational, regulatory and compliance control matters. The Board recognises that this system is designed to manage rather than eliminate the risks of not adhering to the Group's policies and achieving goals and objectives within the risk tolerance established by the Board and Management. Therefore, the system provides reasonable, but not absolute assurance against the occurrence of any material misstatement, loss or fraud. Nonetheless, in striving for continuous improvement, the Board will put in place appropriate actions plans, when necessary, to further enhance the Group's systems of risk management and internal control.

In 2022, the adequacy and effectiveness of internal controls were reviewed by the Audit, Risk and Governance Committee ("ARGC") in relation to the audits conducted by Internal Auditors during the year. Audit issues and actions taken by Management to address the issues tabled by Internal Auditors were deliberated on during the ARGC meetings.

The ARGC provides oversight on risk management matters relating to the activities of the Group, to ensure prudent risk management over Group's business and operations. At its meetings in 2022, the ARGC had reviewed, appraised and assessed the efficacy of the controls and progress of action plans taken to mitigate, monitor and manage the overall risk exposure of the Group. The ARGC also reviewed proposals for new products, monitored the progress and status of risk management activities, as well as raised issues of concern and provided feedback for Management's actions. Reviews are conducted by the ARGC on quarterly basis.

The Board continuously evaluates appropriate initiatives to strengthen the transparency and efficiency of its operations, taking into account the requirements for sound and appropriate internal controls and management information systems within the Group.

Internal control and risk-related, matters which warranted the attention of the Board were recommended by the ARGC to the Board for its deliberation and approval and matters or discussions made within the ARGC's purview were escalated to the Board for its notation.

There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group in its achievement of objectives and strategies. The process has been in place during the year up to the date of approval of the annual report and is subject to review by the Board.



## RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The following key features have been implemented by the Board in its effort to maintain an effective and sound system of risk management and internal controls:

### 1. RISK MANAGEMENT

The Board fully supports the contents of Practices 10.1 and 10.2 of the MCCG which call for the establishment of an effective risk management and internal control framework and the disclosure thereof.

The Group has an ongoing process for identifying, evaluating and managing the significant risks faced by the Group throughout the financial year under review. This is to ensure that all high risks are adequately addressed at various levels within the Group. Risk management is embedded in the Group's management system and it is every employee's responsibility. The Group firmly believes that risk management is critical for the Group's continued profitability and the enhancement of shareholder value. For each of the risks identified, a risk owner is assigned to ensure appropriate risk response actions are carried out and the implementation of the actions are being closely monitored.

The Board has formalised a comprehensive ERM Framework and clear governance structure that takes into account all significant aspects of internal control including risks assessment, the control environment and control activities, information and communication and monitoring. Key business risks have been categorised to highlight the source of the risk, and scored to reflect both financial and reputational impact of the risk and the likelihood of its occurrence.

The Board regards risk management as an integral part of the Group's business operations and has oversight over this area through the ARGC. The ARGC provides an independent assessment of the effectiveness of the Group's Enterprise Risk Management ("ERM") framework and reports to the Board. The Group's ERM is consistent with the ERM framework and involves systematically identifying, analysing, measuring, monitoring and reporting on the risks that may affect the achievement of its business objectives. The framework helps to reduce the uncertainties surrounding the Group's internal and external environment.

The ERM process is based on the following principles:

- Consider and manage risks enterprise-wide;
- Integrate risk management into business activities;
- Manage risk in accordance with the Risk Management framework;
- Tailor responses to business circumstances; and
- Communicate risks and responses to Management.

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

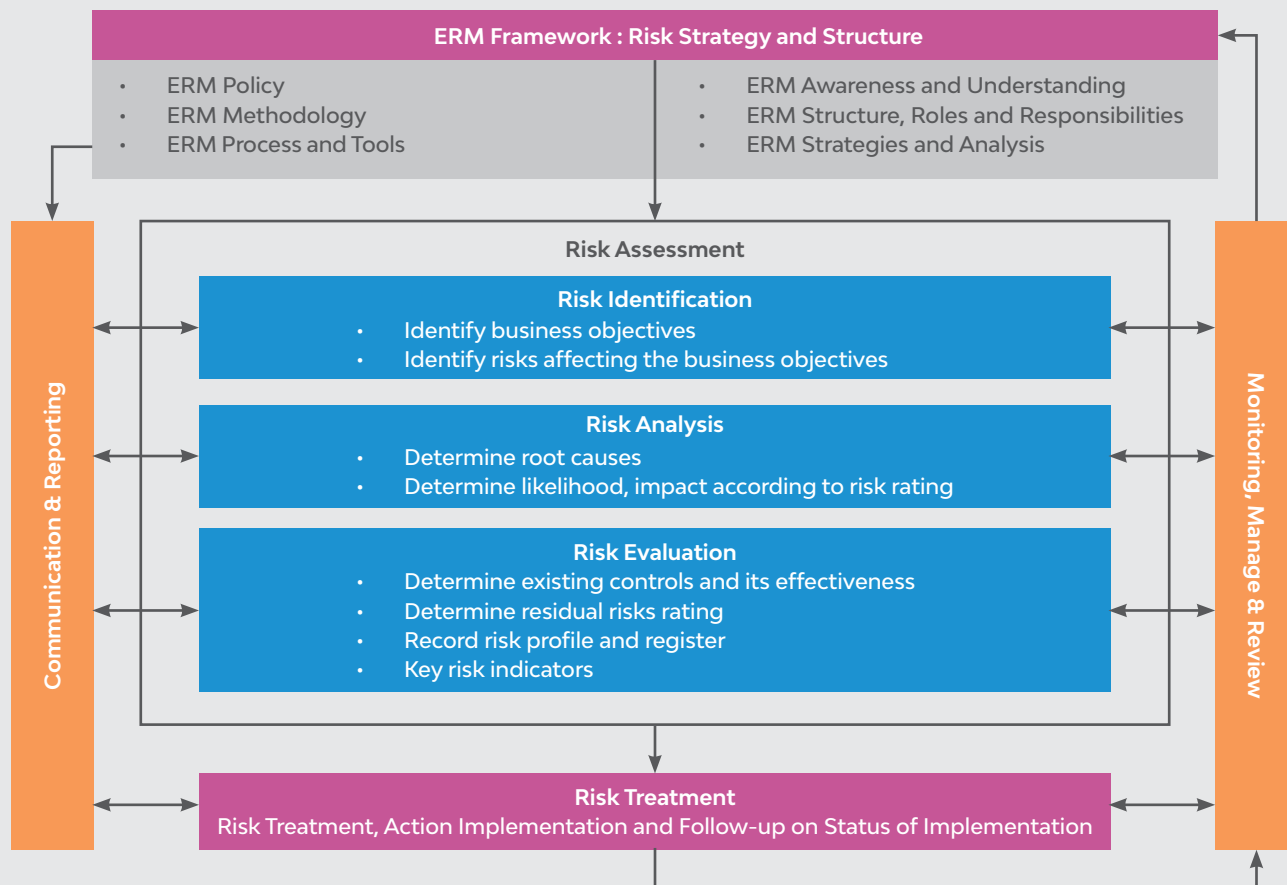
- Conducted mandatory ERM awareness training for new hiring during induction training, in building up and maintaining a strong risk culture in the Group;
- Providing risk advisory and independent assessment as and when necessary, as well as facilitated discussions across the Group;
- Risk review and update by the respective Heads of Departments, where key risks identified were rated in terms of likelihood of the risk occurring and its impact should the risk occur;
- Update of the Group's risk register based on risk review and update; and
- The results of the risk review and update were reported to the ARGC.

The Board recognises the importance of effective ERM in enhancing shareholder value while upholding a high standard of corporate governance. Combining a strong and sustained commitment from the Board and Senior Management with a clear direction and oversight from all levels of leadership, the Group embraces a holistic risk management approach to achieve its business targets with minimal surprises. The abovementioned risk management practices of the Group serve as the ongoing process used to identify, evaluate and manage significant risks of the Group for the Financial Year under review and up to the date of approval of the Statement.

The Board, ARGC, Risk Management Committee ("RMC"), and Heads of Department / Operating units of the Group play an important role in ensuring the effective management of risks.

## CORPORATE GOVERNANCE

The ERM process adopted is as follows: -



The ERM policy is mandatory for all operating units and forms an integral part of good management practice for the Group. Its purpose is to foster a proactive risk management culture within the Group's companies and department.

## 2. AUDIT

### • Internal Audit Function

The Group's Internal Audit Function assists the Board and ARGC by providing an independent assessment of the adequacy and effectiveness of the Group's internal control system. Further details of the Internal Audit Function are set out in the Audit, Risk and Governance Committee Report included in this Annual Report.

During the financial year ended 31 December 2022, internal audit function of the Group has been undertaken via an in-house internal audit team together with an independent, external consulting firm, namely BDO Governance Advisory Sdn Bhd (collectively known as "Internal Auditors") to assist the ARGC and the Board primarily in formalising the Internal Audit Plan based on the established risk profile of the Group.

The in-house internal audit team comprises of an Assistant Manager and an Executive whereas BDO Governance Advisory Sdn Bhd assigns at least three (3) team members during each audit assignment, thus providing overall support and back up to the entire internal audit team.

The Internal Audit team continues to be independent, free from any relationships or conflict of interest, objectively and regularly review key processes, check compliance with policies and procedures, value the adequacy and effectiveness of internal control, risk management and governance measures in respect of any non-compliance.

The annual audit plan, established primarily on a risk-based approach, is reviewed and approved by the ARGC annually and takes into consideration feedback from the Management. The ARGC oversees the Internal Audit team's functions, its independence, scope of work and resources. The Internal Auditors, which report directly to the ARGC, assesses the selected areas under the internal audit scope in relation to risk exposures, compliance with the approved policies and procedures and relevant laws and regulations and where relevant, benchmarked against available best practices. The Internal Audit Function carries out the audit on rotational basis to cover selected areas and companies in every audit. For any significant gaps identified in the governance, risk management and internal control processes during the engagements, Internal Auditors provides recommendations to Management on how to improve the design and effectiveness of the processes where applicable. The ARGC has full access to the service and advice of the Internal Auditors and the ARGC, together with the Management, reviewed the issues identified by the Internal Auditors and External Auditors and ensured that all practical recommendations, agreed to by the Management, are implemented.

The Internal Audit team also reports on the control issues observed to the ARGC in order to preserve its independence. The ARGC reviews and approves Internal Audit's annual budget, audit plan and monitors the progress of the audit periodically.

In the financial year ended 31 December 2022, reviews in various areas involving Property Development operation was conducted. Key coverage areas included:

- Project Management of Project Cahaya Alam;
- Sales and Marketing Operation;
- Business Development of Encorp Berhad;
- Encorp Strand Mall – Maintenance; and
- Placement of Deposits with PMM Perth for Encorp Development Pty. Ltd.

Following the completion of its work, the internal audit function reported directly to the ARGC on improvement measures pertaining to internal controls, including a follow-up on the status of Management's implementation of recommendations raised in previous reports. Internal audit reports were submitted to the ARGC, which reviewed the observations with Management, including Management's action plans to address the concerns raised. The Management as a whole is responsible for ensuring that the necessary corrective actions on reported weaknesses are promptly taken. The ARGC presents its findings regularly to the Board.

#### • External Auditors

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

#### • Quality Management System

The Group takes continuous efforts in maintaining the quality of its products and services. Accordingly, the Group has processes to enable timely adherence to safety and health regulations, environmental requirements and relevant legislations affecting the Group's operations. The Property Division of the Group has been accorded with full ISO 9001:2015 accreditation, i.e. an international standard that specifies requirements for a quality management system. This underscores the Group's drive to consistently improve the strength of its internal control system.

### INTERNAL CONTROL

The internal control system complements the risk management process, effected by the Board and ARGC, and designed to provide reasonable assurance regarding the achievement of the Group's objectives, and safeguard the shareholders' investment and the assets of the Group.

Establishing an appropriate control environment is the responsibility of the Board and ARGC, which comprises the overall attitude, awareness and actions of Directors regarding the internal control system and its importance in the Group.

## CORPORATE GOVERNANCE

Key elements of the Group's control environment are set out below: -

### 1. INTEGRITY AND ETHICAL VALUES

The Board acknowledges that tone at the top is a prerequisite for an ethical corporate culture that shapes the Company's values and forms the bedrock for sustainable growth of the business. The Board is cognisant that ethical leadership has been made even more imperative with the operationalisation of corporate liability provision [vide the Malaysian Anti-Corruption Commission (Amendment) Act 2018] on 1 June 2020 which places the onus on Directors and Management to proactively avert corrupt practices through the establishment of adequate procedures and exercise of due diligence.

- **Code of Conduct and Business Ethics Guideline ("the Code")**

The Code sets out the policy stand on the conduct of business and the standards of behavior / ethical conduct expected of the Group employees. The Group is committed to upholding a strong culture of integrity and ethical values, as emphasised in the Code which shall be observed by Directors and Employees of the Group. The Group's Code was approved on 31 July 2019. The Code will be reviewed as and when necessary to ensure that it remains current and relevant in addressing any ethical issues that may arise within the organisation.

This covers commitment to the Group's workplace, preservation and protection of the Group's assets and information, fostering open and honest communication, ethical conduct, interaction with counterparties, business partners, customers, environment and communities, working with joint venture partners and business alliances and when the Group deal with the Government, regulators, political parties, and non-governmental organisations ("NGOs"). All employees of the Group are called upon to adhere to the Code in guiding them to observe high standards of personal and corporate integrity in their dealings with internal and external stakeholders. In addition, the Group has an Employee Handbook that guides the Group's employees in their day-to-day conduct, conducting themselves with integrity and objectivity and not be placed in a position of conflict of interest.

- **Whistleblowing Policy and Guideline ("WPG")**

The Group has put in place WPG which provides an avenues for any persons namely employees, directors or external parties to report any improper conduct as defined in the WPG against any employee or director, in a safe and confidential manner related to possible illegal actions, improprieties in relation to financial reporting, unethical conduct, potential breaches of business conduct, non-compliance with legal and regulatory requirements as well as other malpractices without fear of retaliation to the Risk and Governance Department or directly to Chairman of ARG, especially if the report pertains to a member of ENCORP's Management team. An employee who makes a report of improper conduct in good faith shall not be subject to unfair dismissal, victimisation, demotion, suspension, intimidation or harassment, discrimination, any action causing injury, loss or damage or any other retaliatory actions by the Group. The Whistleblowing Policy and Guideline document is made available on ENCORP's website at [www.encorp.com.my](http://www.encorp.com.my).

- **Anti-Bribery and Corruption Guideline ("ABC")**

Anti-Bribery and Corruption is a material matter to the Group. The Board has taken steps to direct the establishment of adequate procedures to prevent the commission of corrupt acts by persons associated to the Group through the institution of the ABC. The ABC, amongst others, covers areas pertaining to gifts, donations and sponsorship; support letters' facilitation payments; conflict of interest; and sanctions for non-compliance. The ABC is premised on a supply-chain wide perspective covering dealings with third parties such as agents, suppliers and vendors, contractors, sub-contractors and distributors. Compliance and Sustainability Unit as the owner of the Anti-Bribery and Corruption Guideline is responsible for implementing Adequate Procedures initiatives. The Guideline set out the Group's stance on areas relevant to anti-bribery and corruption; expected conduct by employees in adhering to the highest levels of integrity and ethics; and guidelines pertaining to governance, risk assessment, prevention, detection, incident reporting, investigation and corrective action, and monitoring. Employees are also provided with training on anti-bribery and corruption guidelines. All employees are required to declare that they have read, understood and will abide by the ABC via the Corporate Integrity Pledge Form.

- **Anti-Bribery Policy and Procedures**

The Board and Management has also approved and introduced the Anti-Bribery Policy and Procedures in order to sets out the limitations to prevent the risks of bribery and corrupt practices in relation to the businesses of ENCORP Group.

## 2. AUTHORITY AND RESPONSIBILITY

### • Organisation Structure

The Group has in place an organisational structure with clearly demarcated lines of responsibilities and segregated reporting lines to the Board and Board Committees to ensure operational efficiency and independent stewardship, permeating through every facet of the Group's operations.

### • Board Charter

A Board Charter is established to ensure that all Board members acting collectively on behalf of the Company are aware of their duties and responsibilities as Board members with an emphasis of applying high standards of corporate governance throughout the Group in safeguarding the interest of all stakeholders as well as enhancing shareholders' value and financial performance of the Group.

### • Terms of Reference

Clear definition of the terms of reference, i.e. functions, authorities and responsibilities of the various Board committees have been established.

### • Board Committees

The Board has two (2) Board Committees:

#### • Audit, Risk and Governance Committee ("ARGC")

The ARGC is established to assist the Board in identifying, assessing and monitoring key business risks (including environment, social and governance risks) and recommending the risk management as well as sustainability policies and strategies for the Company. The primary function of the ARGC is to review quarterly and annual financial statements before submission to the Board, external and internal audit plans, systems of internal controls and related party transactions as well as other responsibilities as may be agreed to by the ARGC and the Board. Further details of the ARGC are outlined in the Terms of Reference available on ENCORP's website at [www.encorp.com.my](http://www.encorp.com.my).

#### • Nomination and Remuneration Committee ("NRC")

The NRC is established to assist in identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise, making recommendations to the Board on the Directors to fill seats of Board Committees, assessing annually the eligibility of the Directors who are subjected for re-appointment, the effectiveness of the Board and the independence of individual Directors. The NRC primary duties include reviewing the annual remuneration package of each individual Director, recommending to the Board the remuneration packages of the Directors. Further details of the NRC are outlined in the Terms of Reference available on ENCORP's website at [www.encorp.com.my](http://www.encorp.com.my).

### • Risk Management Committee ("RMC")

The RMC is responsible for monitoring and performing regular reviews on the Group's risk management processes and for ascertaining if the enterprise-wide risk management framework approved by the Board is properly implemented throughout the Group's business operations. The RMC reports directly to the ARGC. The RMC is chaired by the Group Chief Executive Officer ("GCEO") and includes representatives from all departments.

### • Management Committee ("MC")

The MC comprising key senior management personnel reports to the Board and is responsible for the development and effective implementation of strategic business plans for the Group in line with the strategic directions approved by the Board. The MC reports regularly to the Board on the progress of the execution of the strategic business plans approved by the Board with periodic financial and operational performance of the various business departments as well as other strategic, financial and operational matters.



## CORPORATE GOVERNANCE

### • Project Committee ("PC")

The PC was established on 26 May 2022 and the roles and responsibilities of the Committee include:

- (a) Monitoring the progress in the implementation of projects.
- (b) Examining from time to time the development of project proposals and make recommendations to the Board on the implementation of such proposals.
- (c) Keeping under review on an ongoing basis the in-house procedural framework related to the implementation of contracts and make recommendations on adjustment mechanisms to facilitate speedier and smoother implementation of project.
- (d) Developing of strategies to address delays in the implementation of projects.
- (e) Reviewing development projects.
- (f) Making such recommendations as relevant with a view to enhancing the operations and performance of the operations departments.

### 3. LIMITS OF AUTHORITY ("LOA")

Clearly defined and documented lines and limits of authority, responsibility and accountability have been established through the relevant terms of references, organisational structures and appropriate authority limits, including matters requiring the Board's approval. Its key objectives are to provide a holistic view of the authority limits set, to encourage delegation, empowerment and accountability, and to eliminate guesswork, confusion hence providing clarity. The corporate structure further enhances the ability of each subsidiary or division, as the case may be, to focus on its assigned core or support functions within the Group. In designing and implementing these policies, structures and systems the Group is guided by the dictum that no single individual should be accorded with unfettered powers. The LOA document is subject to periodical review to incorporate any changes that affect the authority limits.

### 4. PLANNING, MONITORING AND REPORTING

The following internal control processes have been deployed by the Group:

- a. An annual planning and budgetary exercise which performance is monitored on an ongoing basis is undertaken requiring all departments to prepare business plans in which the Group's business objectives, strategies and targets are articulated, and budgets for the forthcoming year. These are deliberated and approved by the Board before being implemented.
- b. The Board is updated on the Group's performance at the scheduled meetings where the Group's business plan and actual versus budget performance for the year are reviewed and deliberated by the Board on a half-yearly basis. However, financial performance variances are presented to the Board on a quarterly basis on significant changes in the business and external environment in which the Company operates and overall status of key initiatives are updated to the Board in the GCEO's report at every ARGC and the Board of Directors meeting.
- c. There is a regular and comprehensive flow of information to the Board and Management on all aspects of the Group's operations to facilitate the monitoring of performance against the Group's corporate strategy and business. The Group has established processes and procedures to ensure that Quarterly and Annual Reports, which cover the Group's performance, are submitted to Bursa Securities for release to shareholders and stakeholders on a timely basis. The preparation of quarterly and annual results and the state of affairs of the Group are reviewed and approved by the Board before a release of the same to the stakeholders and regulators whilst the full year financial statements are audited by the external auditor before their issuance to regulators and stakeholders. All quarterly results are reviewed by the Board prior to their announcements. The Annual Report of the Group is issued to the shareholders within the stipulated time as prescribed under the MMLR of Bursa Securities.
- d. The Board has also delegated the oversight of the Group's sustainability practice and management and ethical conduct of the Group's business including anti-corruption controls to the ARGC, which forms part of the Group's Sustainability Governance Structure (as detailed in the Sustainability Statement included in this Annual Report). Sustainability is one of the important value creation drivers to ensure business resilience and future organisational success. It is integrated into the Group long-term corporate strategies, policies and planning processes as the Group aim to translate sustainability aspirations into business practices. The Group constantly evaluate the Group sustainability efforts through regular engagements with the stakeholders. The Group Sustainability Report is aligned with the MMLR and relevant international standards and guidelines to enable the Group to effectively communicate the sustainability progress and strive for higher levels of transparency.

## 5. POLICIES AND PROCEDURES

### • Documented Policies and Procedures

Clearly defined operating policies and Standard Operating Procedures ("SOPs") have been established to meet changing business, operational needs and regulatory requirements to reflect changing risks or to address operational deficiencies. These policies and procedures ensure that processes adequately mitigate risks with appropriate internal controls. Regular reviews are performed to ensure that documentations remains current and relevant. Operating policies and procedures are made available on ENCORP's intranet for easy access by employees to guide them in their-day-to-day work processes.

### • Human Resource Policy

There are proper guidelines within the Group for recruitment and selection, compensation and benefits, performance management, conduct of employment, and other relevant procedures in line with its brand promise and core values. The Group, being in a competitive industry, recognises the importance of sustainable investment in improving the skills and competencies of its Management and other employees. This is achieved through facilitating various training and development programmes, seminars and workshops are identified and scheduled for employees to acquire the necessary knowledge and competency to meet their job expectations and to multi task when necessary, which is a step-in succession planning and continuous learning initiatives.

### • Information Technology Equipment, Data Integrity and Security

Information technology ("IT") equipment, data integrity and security are integral part of the Group's operation and are necessary to achieve the Group's business objectives.

The Group's IT function is responsible for continuously monitoring and resolving both internal and external security threats to the Group. This includes conducting security awareness initiatives on cyber risks, compliance audits on the Group's IT networks and systems and vulnerability assessments to mitigate the impact of security attacks, negligence and malware. The IT policies and procedures are established to proactively manage current and potential security threats to the Group's data and content arising from physical and logical access.

The Group continuously review the adequacy of its IT equipment, network infrastructure, data integrity and security and takes necessary actions to mitigate the risks on internet connectivity, data loss and protection of its assets and systems.

Investment are also channeled for information technology infrastructure with a view of facilitating the impetus towards digitalisation.

### • Business Continuity Management

Business Continuity Plan and Disaster Recovery Plan are in place with daily backup and system vendors' support to provide assurance for business continuity. There are also offline procedures to implement in case of system failure.

### • Safety and Security

Management has always placed importance in complying with the Occupational Safety and Health Act, 1994 to ensure that all the employees are aware of the safety procedures that are in place for their own safety during any emergencies and that the Group's assets and resources are well protected from any accident or mishap. Furthermore, all staff are provided with face mask, hand sanitisers, and all required to adhere to the Group's Guideline on Business Continuity Planning for Covid-19.

## INSURANCE COVERAGE AND SAFEGUARDING OF MAJOR ASSETS

Adequate insurance of the major assets and resources of the Group are in place to ensure that these are sufficiently covered against any mishap, calamities and thefts that may result in material losses to the Group. The insurance coverage is reviewed at regular intervals to ensure its adequacy vis-à-vis the Group's risk appetite. At the same time, physical security measures are taken to safeguard these major assets. Information technology-based assets (software and hardware) are upgraded from time to time to mitigate the possibility of security breaches.

## CORPORATE GOVERNANCE

### MATERIAL JOINT VENTURES AND ASSOCIATES

The Group's risk management process, internal control systems and internal audit review do not apply to associate and jointly controlled entities where the Group does not have full management control over them. However, the Group's interest in these companies is served through representation on their respective Joint Management Committees or Boards. This representation provides the Board with access to review and monitor the performance of these investments. The Board is provided with periodic reports and information on their performances.

### ASSURANCE FROM MANAGEMENT

In line with the Guidelines, the Board has also received assurance from the management that the Group's risk management and internal control systems are operating adequately and effectively, in all material aspects to meet the Group's objectives during the financial year under review, based on the risk management framework adopted by the Group. All internal control weaknesses identified during the period under review have been or are being addressed. There were no major internal control weaknesses that require disclosure in the Annual Report. The Management has also committed to continuously review and take measures to strengthen the risk management and internal control system to ensure its adequacy and robustness.

### REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

Pursuant to paragraph 15.23 of the MMLR of Bursa Securities, the External Auditors, Messrs. Ernst & Young PLT has reviewed this Statement for inclusion in the 2022 Annual Report.

Their limited assurance review was performed in accordance with Malaysian Approved Standard on Assurance Engagements, ISAE3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and Audit and Assurance Practice Guide ("AAPG") 3: Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report, issued by the Malaysian Institute of Accountants ("MIA"), and reported to the Board that nothing has come to their attention that caused them to believe that the Statement intended to be included in the annual report of the Group, in all material respects:

- a. has not prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or
- b. is factually inaccurate.

AAPG does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

### CONCLUSION

The Board is of the view that the existing internal control and risk management systems in place for the year under review, and up to the date of approval of this Statement, is sound and sufficient to safeguard the Group's businesses and assets, as well as the shareholders' investments, and the interests of employees and other stakeholders. Notwithstanding this, reviews of all control procedures will be continuously improved and enhancement of the existing system of risk management and internal controls will be made, taking into consideration the changing business environment.

The Board has received assurance from the management that the Group's risk management and internal control systems have operated adequately and effectively for the Financial Year under review, in all material aspects based on the framework adopted by the Group.

The assurance has been given based on the internal controls established and maintained by the Group, work performed and reports provided by the internal audit function, management letters provided by External Auditors and reviews performed by ARGC.

This Statement was approved by the Board on 29 March 2023.

## 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 2022, the Directors ensured that the Management has:

- 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 fraud and other irregularities.

**FINANCIALS****DIRECTORS' REPORT &  
AUDITED FINANCIAL STATEMENTS**

Contents	Pages
Directors' report	106 - 109
Statement by directors	110
Statutory declaration	110
Independent auditors' report	111 - 116
Statements of comprehensive income	117
Statements of financial position	118 - 1119
Consolidated statement of changes in equity	120 - 121
Company statement of changes in equity	122
Statements of cash flows	123 - 126
Notes to the financial statements	127 - 204



**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 2022.

**Principal activities**

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

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

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

**Results**

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

	Group RM'000	Company RM'000
Loss, net of tax	(18,204)	(8,733)
Loss attributable to:		
Owners of the parent	(20,141)	(8,733)
Non-controlling interest	1,937	-
	(18,204)	(8,733)

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than as disclosed in Note 8 and 11 to the financial statements.

**Reserves and provisions**

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

**Dividends**

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

## FINANCIALS

### 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:

Datuk Haji Jaafar Bin Abu Bakar  
Haji Lukman Bin Abu Bakar  
Mahadzir Bin Mustafa  
Haji Sr. Mohd Ali Bin Abd Karim  
Dato' Dr Suzana Idayu Wati Binti Osman (Appointed on 3 November 2022)  
Datuk Shireen Ann Zaharah Binti Muhiudeen (Retired on 29 June 2022)

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

Raja Dato' Idris Bin Raja Halid (Appointed on 9 September 2022)  
Hajah Nor Azlina Binti Haji Amran  
Hazurin Bin Harun  
Ir. Ts. Haji Ahmad Feruz Bin Izharuddin  
Ezzuddin Bin Hassan  
Mazlee Bin Muhammad Junid

### Directors' benefits

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

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

The Directors' benefits are as follows:

	<b>Group</b>	<b>Company</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Non-executive:</b>		
Fees	560	444
Allowances and other emoluments	115	86
	<u>675</u>	<u>530</u>

### Directors' interests

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

### Holding company and body

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

## Other statutory information

- (a) Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts have been written off and that adequate allowance had been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which the Group and the Company might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances:
- (i) the amount written off for any bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
  - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) At the date of this report, there does not exist:
- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
  - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

## Indemnity and insurance for directors and officers

The Company maintains directors' liability insurance for purpose of Section 289 of the Companies Act 2016, throughout the year, which provides appropriate insurance cover of the directors of the Company. The amount of insurance premium paid during the year amounted to RM42,000.

## Significant events

In addition to the significant events disclosed elsewhere in this report, other significant events are disclosed in Note 11, 15(a), 15(b), 16(a) and 36 to the financial statements.

## FINANCIALS

### Auditors and auditors' remuneration

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

Auditors' remuneration is as follows:

	Group RM'000	Company RM'000
Ernst & Young PLT	316	125

### Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young PLT, as part of the terms of its audit engagement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young PLT for the financial year ended 31 December 2022.

Signed on behalf of the Board in accordance with a resolution of the directors dated on 29 March 2023.

Haji Sr. Mohd Ali Bin Abd Karim  
Director

Datuk Haji Jaafar Bin Abu Bakar  
Director

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

We, Haji Sr. Mohd Ali Bin Abd Karim 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 117 to 204 are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2022 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated on 29 March 2023.

Haji Sr. Mohd Ali Bin Abd Karim  
Director

Datuk Haji Jaafar Bin Abu Bakar  
Director

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

I, Seow Yoke Wei @ Seow Yoke Loong, being the officer primarily responsible for the financial management of Encorp Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 117 to 204 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared  
by the abovenamed Seow Yoke Wei @ Seow Yoke Loong  
at Petaling Jaya in the Selangor Darul Ehsan  
on 29 March 2023

Seow Yoke Wei @  
Seow Yoke Loong  
CA 21381

Before me,  
Ahmad Zaidi Bin Ahmad (No. B805)  
Commissioner of Oaths

## FINANCIALS

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

#### Report on the audit of the financial statements

##### *Opinion*

We have audited the financial statements of Encorp Berhad, which comprise the statements of financial position as at 31 December 2022 of the Group and of the Company, and statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 117 to 204.

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 2022, and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

##### *Basis for opinion*

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

##### *Independence and other ethical responsibilities*

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

##### *Key audit matters*

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

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



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

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

**Key audit matters (cont'd.)**

**a) Revenue and cost of sales from property development activities**

For the financial year ended 31 December 2022, revenue of RM73,388,000 and cost of sales of RM34,600,000 from property development activities (including sale of completed properties) account for approximately 53% and 80% of the total Group's revenue and cost of sales respectively.

The Group recognises revenue and profit from its property development activities by reference to the progress towards completion of a performance obligation that is satisfied over time. The amount of revenue and profit recognised are dependent on, amongst others, the extent of costs incurred to the total estimated costs of construction to derive at the percentage of completion, the actual number of units sold and the estimated total revenue for each of the respective projects.

We identified revenue and cost of sales from property development activities recognised by reference to the progress towards completion as matters requiring audit focus as these are areas which involved significant management's judgement and estimates in estimating the total property development costs (which is used to determine the progress towards completion and gross profit margin of property development activities undertaken by the Group).

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

- Reviewed samples of sales and purchase agreements entered into with customers to obtain an understanding of the significant performance obligations, terms and conditions to be satisfied;
- Obtained an understanding of management's internal control over the revenue recognition process, including controls over the timing of revenue recognition and the estimation of property development costs, profit margin and progress towards completion of property development activities;
- Evaluated the assumptions applied in estimating the property development costs for property development phases on a sampling basis by examining documentary evidence such as letter of award issued to contractors to support the budgeted costs;
- Evaluated the actual property development costs incurred by examining documentary evidence such as contractors' progress claims and suppliers' invoices; and
- Assessed the mathematical accuracy of the calculation of progress towards completion in respect of revenue and profit recognised.

The Group's accounting policies and disclosures on property development activities based on percentage of completion method, are disclosed in Notes 2.15, 2.16, 2.21(a), 3(a), 4, 5, and 15(b) respectively to the financial statements.

## FINANCIALS

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

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

#### Key audit matters (cont'd.)

##### b) Valuation of investment properties

As at 31 December 2022, the carrying amount of investment properties amounted to RM291,780,000 representing approximately 37% and 24% of the Group's total non-current assets and total assets respectively.

Investment properties are stated at fair value and any gain or loss arising from changes in the fair value are included in profit or loss in the year in which they arise. The Group has appointed independent professional valuers to perform valuations on its investment properties. The valuations are based on assumptions including, amongst others, estimated rental value per square feet, expected market rental growth, void rate and discount rate.

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

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

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

The Group's accounting policies, significant judgement and estimates and disclosures on investment properties are disclosed in Notes 2.9, 3(c), 6, 14 and 32 respectively to the financial statements.

##### c) Impairment of amount due from a subsidiary

MFRS 9 Financial Instruments requires an entity to recognise a loss allowance for expected credit losses on financial assets that are measured at amortised cost, including amounts due from subsidiaries. Included in the amounts due from subsidiaries of the Company as at 31 December 2022 is an amount due from Encorp Development Pty. Ltd. ("EDPL") of RM50,814,000, net of accumulated impairment loss of RM35,483,000, resulting in a net carrying amount of RM15,331,000.

The Company performed an impairment review in respect of the amount due from EDPL by comparing the carrying amount of the asset and the present value of estimated future cash flows receivable from EDPL.

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

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

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

**Key audit matters (cont'd.)**

**c) Impairment of amount due from a subsidiary (cont'd.)**

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

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

We also reviewed and assessed the adequacy of the disclosures in the financial statements relating to the impairment of the amount due from EDPL in Notes 8 and 18(c) to the financial statements.

**Information other than the financial statements and auditors' report thereon**

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

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

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

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

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

**Responsibilities of the directors for the financial statements**

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

## FINANCIALS

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

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

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

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

#### ***Auditors' responsibilities for the audit of the financial statements***

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

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

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

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

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

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

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

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

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

***Report on other legal and regulatory requirements***

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

***Other matters***

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

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

Chuan Yee Yang  
No. 03489/03/2024 J  
Chartered Accountant

Kuala Lumpur, Malaysia  
Date: 29 March 2023

## FINANCIALS

Statements of comprehensive income  
For the year ended 31 December 2022

		Group		Company	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Revenue	4	137,494	146,704	3,840	3,840
Cost of sales	5	(43,268)	(43,617)	-	-
Gross profit		94,226	103,087	3,840	3,840
Other operating income	6	7,152	4,657	3,259	3,385
Selling and marketing expenses		(6,650)	(688)	-	-
Administrative expenses		(19,796)	(17,814)	(11,331)	(7,746)
Finance costs	7	(65,942)	(73,161)	(2,329)	(2,407)
Other operating expenses		(16,527)	(14,197)	(2,172)	(2,451)
(Loss)/Profit before tax	8	(7,537)	1,884	(8,733)	(5,379)
Income tax expense	11	(10,667)	(10,051)	-	-
Loss for the year		(18,204)	(8,167)	(8,733)	(5,379)
<b>Other comprehensive income</b>					
Foreign currency translation	26	328	908	-	-
<b>Total comprehensive loss for the year</b>		<b>(17,876)</b>	<b>(7,259)</b>	<b>(8,733)</b>	<b>(5,379)</b>
<b>(Loss)/Profit for the year attributable to:</b>					
Owners of the parent		(20,141)	(10,892)	(8,733)	(5,379)
Non-controlling interests		1,937	2,725	-	-
		<b>(18,204)</b>	<b>(8,167)</b>	<b>(8,733)</b>	<b>(5,379)</b>
<b>Total comprehensive income/(loss) attributable to:</b>					
Owners of the parent		(19,813)	(9,984)	(8,733)	(5,379)
Non-controlling interests		1,937	2,725	-	-
		<b>(17,876)</b>	<b>(7,259)</b>	<b>(8,733)</b>	<b>(5,379)</b>
<b>Loss per share attributable to owners of the parent (sen per share)</b>					
Basic/Diluted	12	(6.37)	(3.44)		

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



**Statements of financial position**  
**As at 31 December 2022**

		Group		Company	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	13	5,523	4,828	261	188
Investment properties	14	291,780	290,290	-	-
Land held for property development	15 (a)	26,590	17,034	-	-
Investment in subsidiaries	16	-	-	129,960	130,197
Intangible assets	17	152	79	131	78
Trade and other receivables	18	457,023	543,349	23,117	18,202
Right-of-use assets	19 (a)	15,585	17,597	15,540	17,368
Deferred tax assets	20	2,040	5,653	-	-
		<u>798,693</u>	<u>878,830</u>	<u>169,009</u>	<u>166,033</u>
<b>Current assets</b>					
Property development costs	15 (b)	31,681	5,553	-	-
Inventories	15 (c)	78,553	107,454	-	-
Trade and other receivables	18	107,011	106,811	48,396	72,078
Contract assets	22	7,558	29,031	-	-
Tax recoverable		1,242	1,227	-	-
Other investments	21	139,680	134,350	5,575	553
Other current assets	23	398	742	173	261
Cash and cash equivalents	24	36,070	44,951	90	237
		<u>402,193</u>	<u>430,119</u>	<u>54,234</u>	<u>73,129</u>
<b>Total assets</b>		<u>1,200,886</u>	<u>1,308,949</u>	<u>223,243</u>	<u>239,162</u>
<b>Equity and liabilities</b>					
<b>Equity attributable to owners of the parent</b>					
Share capital	25	399,016	399,016	399,016	399,016
Treasury shares	25	(327)	(327)	(327)	(327)
Other reserves	26	23,889	23,561	-	-
Accumulated losses		(88,642)	(68,501)	(261,390)	(252,657)
<b>Owners' equity</b>		<u>333,936</u>	<u>353,749</u>	<u>137,299</u>	<u>146,032</u>
Non-controlling interests		89,107	87,095	-	-
<b>Total equity</b>		<u>423,043</u>	<u>440,844</u>	<u>137,299</u>	<u>146,032</u>

## FINANCIALS

### Statements of financial position As at 31 December 2022 (cont'd.)

		Group		Company	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Non-current liabilities</b>					
Trade and other payables	27	30,867	18,387	-	-
Loans and borrowings	28	526,524	618,394	17,066	18,548
Deferred tax liabilities	20	4,942	4,664	-	-
		<u>562,333</u>	<u>641,445</u>	<u>17,066</u>	<u>18,548</u>
<b>Current liabilities</b>					
Trade and other payables	27	69,540	71,678	52,396	53,297
Other current liabilities	29	3,823	4,655	-	-
Contract liabilities	22	3,923	4,650	-	-
Loans and borrowings	28	137,318	143,784	16,482	21,285
Income tax payable		906	1,893	-	-
		<u>215,510</u>	<u>226,660</u>	<u>68,878</u>	<u>74,582</u>
<b>Total liabilities</b>		<u>777,843</u>	<u>868,105</u>	<u>85,944</u>	<u>93,130</u>
<b>Total equity and liabilities</b>		<u>1,200,886</u>	<u>1,308,949</u>	<u>223,243</u>	<u>239,162</u>

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

Consolidated statement of changes in equity  
For the year ended 31 December 2022

	Attributable to owners of the parent						
	Non-distributable						
	Share capital (Note 25) RM'000	Treasury shares (Note 25) RM'000	Other reserves (Note 26) RM'000	Accumulated losses RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2022	399,016	(327)	23,561	(68,501)	353,749	87,095	440,844
(Loss)/Profit for the year	-	-	-	(20,141)	(20,141)	1,937	(18,204)
Other comprehensive income	-	-	328	-	328	-	328
Total comprehensive income/(loss)	-	-	328	(20,141)	(19,813)	1,937	(17,876)
Transaction with owners:							
Incorporation and issuance of shares by a subsidiary (Note 16)	-	-	-	-	-	75	75
At 31 December 2022	399,016	(327)	23,889	(88,642)	333,936	89,107	423,043

## FINANCIALS

### Consolidated statement of changes in equity For the year ended 31 December 2022 (cont'd.)

	Attributable to owners of the parent					
	Non-distributable					
	Share capital (Note 25) RM'000	Treasury shares (Note 25) RM'000	Other reserves (Note 26) RM'000	Accumulated losses RM'000	Total RM'000	Non-controlling interests RM'000
						Total equity RM'000
At 1 January 2021	399,016	(327)	22,653	(57,609)	363,733	84,370
(Loss)/Profit for the year	-	-	-	(10,892)	(10,892)	2,725
Other comprehensive income	-	-	908	-	908	-
Total comprehensive income/(loss)	-	-	908	(10,892)	(9,984)	2,725
At 31 December 2021	399,016	(327)	23,561	(68,501)	353,749	87,095
						440,844

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 2022

	-----Non-distributable-----			
	Share capital (Note 25) RM'000	Treasury shares (Note 25) RM'000	Accumulated losses RM'000	Total RM'000
At 1 January 2022	399,016	(327)	(252,657)	146,032
Loss for the year	-	-	(8,733)	(8,733)
At 31 December 2022	399,016	(327)	(261,390)	137,299
At 1 January 2021	399,016	(327)	(247,278)	151,411
Loss for the year	-	-	(5,379)	(5,379)
At 31 December 2021	399,016	(327)	(252,657)	146,032

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

## FINANCIALS

Statements of cash flows  
For the year ended 31 December 2022

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Cash flows from operating activities</b>				
(Loss)/Profit before tax	(7,537)	1,884	(8,733)	(5,379)
<u>Adjustments for:</u>				
Depreciation of property, plant and equipment	344	340	72	100
Depreciation of right-of-use assets	2,012	2,025	1,828	1,828
Amortisation of intangible assets	36	13	35	9
Interest expense	65,942	73,161	2,329	2,407
Distribution income from money market investment securities	(195)	(3,157)	(3)	(26)
(Gain)/Loss on fair value adjustment of investment securities	(3,104)	782	(53)	1
Property, plant and equipment written off	2	-	2	-
Gain on disposal of property, plant and equipment	(28)	(50)	(27)	(50)
Interest income	(1,016)	(231)	(3,173)	(3,303)
Deposit forfeited	(228)	(80)	-	-
Provision for short-term accumulating compensated absences	245	237	82	77
(Gain)/Loss on fair value adjustment of investment properties	(1,463)	7,688	-	-
Inventories written down	13,635	4,131	-	-
Expected credit losses on:				
- trade receivables	519	1,388	480	360
- other receivables	500	74	4,741	507
Impairment on investment in subsidiary	-	-	237	513
Unrealised loss on foreign exchange	491	1,272	491	1,272
Effects of modification on liabilities at amortised costs	(8)	(96)	-	-
Reversal of liquidated and ascertained damages	(412)	(51)	-	-
Reversal of expected credit losses on:				
- trade receivables	(504)	(973)	-	(419)
- other receivables	-	(882)	(1,721)	(885)
<b>Operating cash flows before working capital changes carried forward</b>	<b>69,231</b>	<b>87,475</b>	<b>(3,413)</b>	<b>(2,988)</b>



**Statements of cash flows**  
**For the year ended 31 December 2022 (cont'd.)**

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Cash flows from operating activities (cont'd.)</b>				
Operating cash flows before working capital changes brought forward (cont'd.)	69,231	87,475	(3,413)	(2,988)
Changes in working capital:				
Land held for development and development expenditure	(14,184)	29,349	-	-
Inventories	15,266	4,171	-	-
Trade and other receivables	85,348	105,864	14,776	3,698
Contract assets and contract liabilities	20,746	(32,364)	-	-
Other current assets	344	19	88	(97)
Trade and other payables	(12,329)	2,363	(983)	(3,069)
Other current liabilities	(420)	(16,701)	-	-
Cash generated from/(used in) operations	164,002	180,176	10,468	(2,456)
Interest paid	(41,642)	(47,346)	(1,219)	(1,229)
Income taxes paid	(7,778)	(4,179)	-	-
<b>Net cash flows generated from/ (used in) operating activities</b>	<b>114,582</b>	<b>128,651</b>	<b>9,249</b>	<b>(3,685)</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(1,041)	(84)	(147)	(36)
Purchase of intangible assets	(109)	(78)	(88)	(78)
Additional costs incurred on investment properties	(27)	-	-	-
Proceeds from disposal of property, plant and equipment	28	50	27	50
(Investment in)/Withdrawal of other investments	(2,226)	(7,333)	(4,966)	2,632
Investment in subsidiary	-	-	-	(750)
Distribution income	195	3,157	3	26
Interest received	1,016	231	3,170	3,277
<b>Net cash flows (used in)/generated from investing activities</b>	<b>(2,164)</b>	<b>(4,057)</b>	<b>(2,001)</b>	<b>5,121</b>

## FINANCIALS

### Statements of cash flows

For the year ended 31 December 2022 (cont'd.)

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
<b>Cash flows from financing activities</b>				
Proceeds from issuance of shares to the non-controlling interest of a subsidiary	75	-	-	-
Placement of deposits	(23)	(22)	-	-
Drawdown of loans and borrowings (Note (a))	3,000	11,978	-	-
Repayment of loans and borrowings (Note (a))	(122,025)	(119,700)	(5,000)	-
Repayment of principal and agreed portion of lease liabilities (Note (a))	(2,595)	(2,495)	(2,395)	(2,280)
<b>Net cash flow used in financing activities</b>	<b>(121,568)</b>	<b>(110,239)</b>	<b>(7,395)</b>	<b>(2,280)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(9,150)</b>	<b>14,355</b>	<b>(147)</b>	<b>(844)</b>
Effect of exchange rate changes on cash and cash equivalents	246	682	-	-
<b>Cash and cash equivalents at beginning of year</b>	<b>42,158</b>	<b>27,121</b>	<b>237</b>	<b>1,081</b>
<b>Cash and cash equivalents at end of year (Note 24)</b>	<b>33,254</b>	<b>42,158</b>	<b>90</b>	<b>237</b>

**Statements of cash flows**  
**For the year ended 31 December 2022 (cont'd.)**

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

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

**At 31 December 2022**

Group	As at 1 January 2022 RM'000	Net changes from financing cash flows RM'000	Others/ Non-cash changes RM'000	As at 31 December 2022 RM'000
Loans and borrowings (Note 28)	742,104	(119,025)	22,165	645,244
Lease liabilities (Note 19(b))	20,074	(2,595)	1,119	18,598
Total liabilities from financing activities	<u>762,178</u>	<u>(121,620)</u>	<u>23,284</u>	<u>663,842</u>

**Company**

Loans and borrowings (Note 28)	20,000	(5,000)	-	15,000
Lease liabilities (Note 19(b))	19,833	(2,395)	1,110	18,548
Total liabilities from financing activities	<u>39,833</u>	<u>(7,395)</u>	<u>1,110</u>	<u>33,548</u>

**At 31 December 2021**

Group	As at 1 January 2021 RM'000	Net changes from financing cash flows RM'000	Others/ Non-cash changes RM'000	As at 31 December 2021 RM'000
Loans and borrowings (Note 28)	825,134	(107,722)	24,692	742,104
Lease liabilities (Note 19(b))	21,370	(2,495)	1,199	20,074
Total liabilities from financing activities	<u>846,504</u>	<u>(110,217)</u>	<u>25,891</u>	<u>762,178</u>

**Company**

Loans and borrowings (Note 28)	20,000	-	-	20,000
Lease liabilities (Note 19(b))	20,935	(2,280)	1,178	19,833
Total liabilities from financing activities	<u>40,935</u>	<u>(2,280)</u>	<u>1,178</u>	<u>39,833</u>

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

## FINANCIALS

### Notes to the financial statements 31 December 2022

#### 1. Corporate information

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

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 29 March 2023.

#### 2. Summary of significant accounting policies

##### 2.1 Basis of preparation

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

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

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

The ability of the Company to continue as a going concern is closely related to the ability of the Group as a whole to continue as a going concern. The Company is an investment holding company and its main assets are the investment in subsidiaries which the Company controls. The Company's main source of income is from the management fees charged to subsidiaries and interest income.

The management of the Company monitors the cash flows and utilisation of funds within the Group for the requirements of the Company as well as the subsidiaries on a Group-wide basis. This includes determining the timing and quantum of the repayment of amounts due from and due to the subsidiaries of the Company when required.

As at 31 December 2022, the Group has net current assets and net assets of RM188,683,000 and RM423,043,000 respectively. The directors and the management of the Company have assessed and concluded that the going concern assumption remains appropriate for the Group and the Company.

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

### 2.2 Adoption of new and revised pronouncements

As of 1 January 2022, the Group and the Company have adopted the following pronouncements that are applicable and have been issued by the Malaysian Accounting Standards Board ("MASB") as listed below:

#### Effective for annual periods beginning on or after 1 January 2022

Amendments to MFRS 1	Annual Improvements to MFRS Standards 2018–2020
Amendments to MFRS 3	Reference to the Conceptual Framework (Amendments to MFRS 3 Business Combinations)
Amendments to MFRS 9	Annual Improvements to MFRS Standards 2018–2020
Amendments to MFRS 116	Property, Plant and Equipment—Proceeds before Intended Use (Amendments to MFRS 116 Property, Plant and Equipment)
Amendments to MFRS 137	Onerous Contracts - Cost of Fulfilling a Contract (Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets)
Amendments to MFRS 141	Annual Improvements to MFRS Standards 2018–2020

The application of these amendments did not have any material impact on the financial statements of the Group and the Company.

### 2.3 Standards issued but not yet effective

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

#### Effective for annual periods beginning on or after 1 January 2023:

MFRS 17	Insurance Contracts
Amendments to MFRS 17	Initial Application of MFRS 17 and MFRS 9—Comparative Information (Amendment to MFRS 17 Insurance Contracts)
Amendments to MFRS 101	Disclosure of Accounting Policies (Amendments to MFRS 101 Presentation of Financial Statements)
Amendments to MFRS 108	Definition of Accounting Estimates (Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors)
Amendments to MFRS 112	Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to MFRS 112 Income Taxes)

## FINANCIALS

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

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

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

Effective for annual periods beginning on or after 1 January 2024:

Amendments to MFRS 16	Lease Liability in a Sale and Leaseback (Amendments to MFRS 16 Leases)
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current (Amendments to MFRS 101 Presentation of Financial Statements)
Amendments to MFRS 101	Non-current Liabilities with Covenants (Amendments to MFRS 101 Presentation of Financial Statements)

Deferred:

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

#### 2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary companies as at the reporting date. The financial statements of the subsidiary companies used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

### 2.4 Basis of consolidation (cont'd.)

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

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

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

Profit or loss and each component of 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 in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full upon consolidation.

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

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

### 2.5 Business combinations and goodwill

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

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

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



## FINANCIALS

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

#### 2.5 Business combinations and goodwill (cont'd.)

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

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

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

#### 2.6 Foreign currency

##### (a) Functional and presentation currency

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

##### (b) Transactions and balances

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

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

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

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

### 2.6 Foreign currency (cont'd.)

#### (b) Transactions and balances (cont'd.)

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

#### (c) Group companies

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

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

### 2.7 Property, plant and equipment

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

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

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

Motor vehicles	5 years
Office equipment, furniture and fittings	5 - 10 years
Office renovation	10 years
Buildings	50 years
Plant and machinery	5 years

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

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.11.

**FINANCIALS****2. Summary of significant accounting policies (cont'd.)****2.7 Property, plant and equipment (cont'd.)**

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

**2.8 Leases**

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

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

**As a lessee**

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

**(i) Right-of-use assets**

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

Office premise	15 years
Office equipments	3 years

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

The right-of-use assets are also subject to impairment. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.11.

**(ii) Lease liabilities**

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

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

### 2.8 Leases (cont'd.)

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

##### (ii) Lease liabilities (cont'd.)

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

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

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

#### As a lessor

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

### 2.9 Investment properties

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

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

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

## FINANCIALS

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

#### 2.9 Investment properties (cont'd.)

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment, set out in Note 2.7 up to the date of change in use.

#### 2.10 Intangible assets

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

##### Computer software

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

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

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

Computer software

5 years

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

#### 2.11 Impairment of non-financial assets

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

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

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

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

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

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

### 2.12 Financial assets

#### Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through OCI, and fair value through profit or loss.

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

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

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

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

## FINANCIALS

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

#### 2.12 Financial assets (cont'd.)

##### Subsequent measurement

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

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through profit or loss

##### Financial assets at amortised cost (debt instruments)

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

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

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

The Group's and the Company's financial assets at amortised cost include trade receivables, sundry receivables, contract assets and cash and cash equivalents.

##### Financial assets at fair value through profit or loss

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

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

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



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

### 2.12 Financial assets (cont'd.)

#### Derecognition

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

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

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

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

### 2.13 Impairment of financial assets

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

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

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

## FINANCIALS

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

#### 2.14 Cash and cash equivalents

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

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash on hand and at the banks and short-term deposits.

#### 2.15 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 the cost of unsold properties comprises cost associated with the acquisition of land, direct costs and appropriate proportions of common costs

##### (a) Land held for property development

Land held for property development (classified within non-current assets) comprise land banks which are in the process of being prepared for development but have not been launched, or where development activities are not expected to be completed within the normal operating cycle. Such land is classified within non-current assets and is stated at the lower of cost or net realisable value.

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

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

##### (b) Property development costs

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

Where the financial outcome of a development activity can be estimated reliably, property development revenue and expenses are recognised in profit or loss by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Where the financial outcome of a development activity cannot be estimated reliably, property development revenue is recognised only to the extent of property development costs incurred that are likely to be recoverable. Property development costs are recognised as expenses in the period in which they are incurred.

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

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

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

### 2.15 Inventories (cont'd.)

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

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

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

#### (c) Completed properties

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

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

### 2.16 Contract assets and Contract liabilities

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

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

### 2.17 Provisions

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

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

**FINANCIALS****2. Summary of significant accounting policies (cont'd.)****2.18 Financial liabilities****Initial recognition and measurement**

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

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

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

**Subsequent measurement**

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

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

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

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

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

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

**(b) Other financial liabilities**

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

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

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

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

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

### 2.18 Financial liabilities (cont'd.)

#### Derecognition

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

#### Offsetting of financial instruments

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

### 2.19 Borrowing costs

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

### 2.20 Employee benefits

#### (a) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group and the Company.

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

#### (b) Defined contribution plans

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

## FINANCIALS

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

#### 2.21 Revenue from contracts with customers

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

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

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

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

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

- the Group's and the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's and the Company's performance does not create an asset with an alternative use and the Group and the Company have an enforceable right to payment for performance completed to date.

##### (a) Sale of development properties

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

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

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

Revenue from sale of vacant land is recognised upon delivery of vacant land where the control of the vacant land has been transferred to the buyer.

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

### 2.21 Revenue from contracts with customers (cont'd.)

#### (b) Construction contracts

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

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

#### (c) Sale of completed properties

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

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

#### (d) Concession income

Concession income is recognised when the performance obligation has been performed and fulfilled (i.e. when the ownership has passed upon the completion and handover of each unit of the teachers' quarters to the Government).

Pursuant to the Privatisation Agreement, the concession income is payable by the Government from the completion and handover of each cluster of the teachers' quarters up to the end of the concession period ("the residual concession period").

Accordingly, the Group is compensated with deferred payment income over time in accordance to the Privatisation Agreement. The concession will expire in the year 2028.

#### (e) Rental income

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

### 2.22 Other income recognition

#### (a) Interest income

Interest income is recognised using the effective interest method.

#### (b) Distribution income

Distribution income from money market investment security is recognised when the Group receives the distribution voucher from the investment security.



**FINANCIALS****2. Summary of significant accounting policies (cont'd.)****2.22 Other income recognition (cont'd.)****(c) Dividend income**

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

**(d) Management fees**

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

**2.23 Taxes****(a) Current income tax**

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

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

**(b) Deferred tax**

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

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

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

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

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

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

### 2.23 Taxes (cont'd.)

#### (b) Deferred tax (cont'd.)

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

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

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

### 2.24 Equity instruments

#### (a) Share capital and share issuance expenses

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

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

#### (b) Treasury shares

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

### 2.25 Contingencies

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

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

## FINANCIALS

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

#### 2.26 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group and the Company receive grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

#### 2.27 Fair value measurements

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

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

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

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

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

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

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

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

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

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

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

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

### 2.28 Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Group and the Company classify all other liabilities as non-current.

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

## 3. Significant accounting judgements and estimates

The preparation of the Group's and the Company'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.

### Key sources of estimation uncertainty

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

#### (a) Property development

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

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

## FINANCIALS

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

## Key sources of estimation uncertainty (cont'd.)

## (b) Allowance for expected credit losses of trade and other receivables and contract assets

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

Significant estimate is required in determining the impairment of trade and other receivables and contract assets. Impairment loss measured based on expected credit loss model is based on assumptions on risk of default and expected loss rates. The Group and the Company use judgement in making these assumptions and selecting the inputs to the impairment calculation based on the Group's and the Company's past collection records, existing market conditions as well as forward looking estimates as of the end of the reporting period. Details are disclosed in Note 18(c).

## (c) Fair value adjustments of investment properties

The Group and the Company carry its investment properties at fair value, with changes in fair values being recognised in profit or loss. The Group and the Company engaged independent valuation specialists to determine the fair values as disclosed in Notes 14 and 32. The key assumptions in determining the fair values of investment properties, including the sensitivity analysis of key assumptions are disclosed in Note 32.

## 4. Revenue

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

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
<u>Derived from third parties</u>				
Sale of development properties	55,568	68,719	-	-
Concession income	58,631	66,038	-	-
Sale of completed properties	17,820	7,362	-	-
Revenue from construction contracts	440	-	-	-
Rental income	5,035	4,585	-	-
<u>Derived from related companies</u>				
Management fees from subsidiaries	-	-	3,840	3,840
	<u>137,494</u>	<u>146,704</u>	<u>3,840</u>	<u>3,840</u>
<b>Timing and recognition</b>				
Revenue recognised:				
- At a point in time	17,820	7,362	-	-
- Over time	119,674	139,342	3,840	3,840
	<u>137,494</u>	<u>146,704</u>	<u>3,840</u>	<u>3,840</u>

**4. Revenue (cont'd.)**

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

Group	2022 RM'000	2021 RM'000
Sale of development properties:		
Within one year	20,604	67,383
More than one year and less than two years	-	2,583
	<u>20,604</u>	<u>69,966</u>

**5. Cost of sales**

	Group	
	2022 RM'000	2021 RM'000
Property development costs (Note 15(b))	27,082	42,673
Costs of completed properties *	7,518	(5,145)
Mall operating expenses	6,450	4,380
Construction cost	393	-
Consultancy service	1,825	1,709
	<u>43,268</u>	<u>43,617</u>

\* In the prior year, the provision for affordable housing of RM15,995,000 was derecognised. The net credit in the prior year includes the effects of the reversal of provision for affordable housing amounting to RM9,154,000, while the reversal of the remaining RM6,841,000 is adjusted as a reduction against the property development costs, and reflected in the profit or loss based on the percentage of completion of the related premium housing phases.

**6. Other operating income**

Included in other operating income are as follows:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Gain on fair value adjustment of investment securities	3,104	-	53	-
Rental income	836	752	-	-
Interest income				
- At amortised cost	1,016	231	3,173	3,303
Distribution income from money market investment securities	195	3,157	3	26
Gain on fair value adjustment of investment properties	1,463	-	-	-
Gain on disposal of property, plant and equipment	28	50	27	-
Deposit forfeited	228	80	-	-
Grant income #	5	106	-	1
Effects of modification on other liabilities at amortised costs*	8	96	-	-

# Being amount received pursuant to the wage subsidy program by the Government of Malaysia.

\* The recognition of time value of money of financial liabilities of the Group are measured at amortised cost.

## FINANCIALS

## 7. Finance costs

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Interest expense of financial liabilities that are not at fair value through profit or loss:				
- Sukuk Murabahah	59,917	67,042	-	-
- Bank credit facilities, bank loans and bank overdrafts	3,942	4,509	776	847
- Unwinding of discount on other liabilities at amortised costs*	521	29	-	-
- Interest on advances from immediate holding company	443	382	443	382
Interest expenses on lease liabilities	1,119	1,199	1,110	1,178
	<u>65,942</u>	<u>73,161</u>	<u>2,329</u>	<u>2,407</u>

\* The recognition of time value of money of financial liabilities of the Group are measured at amortised cost.

## 8. (Loss)/Profit before tax

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

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Auditors' remuneration:				
- current year	298	254	115	80
- other service	18	18	10	10
Expected credit losses:				
- trade receivables (Note 18(c))	519	1,388	480	360
- other receivables (Note 18(c))	500	74	4,741	507
Depreciation of:				
- property, plant and equipment (Note 13)	344	340	72	100
- right-of-use assets (Note 19(a))	2,012	2,025	1,828	1,828
Amortisation of intangible assets (Note 17)	36	13	35	9
Property, plant and equipment written off	2	-	2	-



## 8. (Loss)/Profit before tax (cont'd.)

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

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
(Gain)/Loss on fair value adjustment of investment properties (Note 14)	(1,463)	7,688	-	-
(Gain)/Loss on fair value adjustment of investment securities	(3,104)	782	(53)	1
Impairment of investment in subsidiary	-	-	237	513
Inventories written down	13,635	4,131	-	-
Gain on disposal of property, plant and equipment	(28)	(50)	(27)	(50)
Short term lease payments on:				
- premises	-	-	439	450
- equipment	92	84	81	71
- others	7	2	3	1
Reversal of expected credit losses:				
- trade receivables (Note 18(c))	(504)	(973)	-	(419)
- other receivables (Note 18(c))	-	(882)	(1,721)	(885)
Unrealised loss on foreign exchange	491	1,272	491	1,272
Reversal of Liquidated and ascertained damages (Note 29(a))	(412)	(51)	-	-

## 9. Employee benefits expense

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Wages and salaries	7,167	7,231	3,406	3,567
Social security contributions	75	66	33	31
Contributions to defined contribution plan	948	863	448	429
Provision of short term accumulating compensated absences (Note 27(d))	245	237	82	77
Other benefits	2,462	1,372	1,261	885
	10,897	9,769	5,230	4,989

## FINANCIALS

## 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	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
<b>Non-executive:</b>				
Fees	560	644	444	514
Allowances and other emoluments	115	72	86	58
Total directors' remuneration	675	716	530	572

## 11. Income tax expense

The major components of income tax expense for the years ended 31 December 2022 and 2021 are:

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
<b>Statement of profit or loss:</b>				
Current income tax:				
- Malaysian income tax	6,832	4,774	-	-
- Over provision in prior years	(56)	(1,668)	-	-
	6,776	3,106	-	-
Deferred income tax (Note 20):				
- Relating to origination and reversal of temporary differences	3,953	5,783	-	-
- (Over)/Under provision in prior year	(62)	1,162	-	-
	3,891	6,945	-	-
Income tax expense	10,667	10,051	-	-

## 11. Income tax expense (cont'd.)

### Reconciliation between tax and accounting (loss)/profit

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2021: 24%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The reconciliation of income tax expense and the product of accounting (loss)/profit multiplied by the applicable corporate tax rate for the years ended 31 December 2022 and 2021 are as follows:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
(Loss)/Profit before tax	(7,537)	1,884	(8,733)	(5,379)
Tax (credit)/expense at Malaysian statutory tax rate of 24%	(1,809)	452	(2,096)	(1,291)
Different tax rates in other countries	9	(38)	-	-
<u>Adjustments:</u>				
Non-deductible expenses	6,629	6,652	1,178	304
Income not subject to tax	(85)	(997)	(20)	(6)
Deferred tax assets not recognised	6,246	4,270	938	993
(Over)/Under provision of tax expense in prior years:				
- current taxation	(56)	(1,668)	-	-
- deferred tax	(62)	1,162	-	-
Deferred tax recognised at different tax rate	(205)	218	-	-
Income tax expense recognised in profit or loss	10,667	10,051	-	-

On 28 October 2022, a subsidiary of the Group, Must Ehsan Development Sdn. Bhd. ("MEDSB") received notification from the Inland Revenue Board ("IRB") of additional income tax assessment and penalty amounting to RM18,793,000 for the year of assessment 2013.

The additional assessment and penalty were imposed by the IRB on the basis that the loss arising from the disposal of the Encorp Strand Mall and car park units to its subsidiary, Encorp Strand Mall Sdn. Bhd. is to be disregarded pursuant to Section 140(6) of the Income Tax Act, 1967.

In a correspondence letter dated 22 November 2022, the IRB approved MEDSB's request to settle the additional tax payable and penalty in seven monthly instalments of RM313,000, with the remaining balance due on 15 May 2023. On 23 November 2022, MEDSB filed a Notice of Appeal to IRB regarding the assessment.

The appeal is currently assessed by the Dispute Resolution Department of the IRB. Based on consultation with the Group's tax and legal advisors, the management has assessed that it is probable that the Group would be successful in its appeal against the additional income tax assessment and tax penalty.

Consequently, no provision has been made for the additional income tax and penalty of RM18,793,000. The two instalment payments amounting to RM626,000 have been included in the tax recoverable balance as at 31 December 2022.

## FINANCIALS

## 12. Loss per share

## (a) Basic

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

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

	2022 RM'000	2021 RM'000
Loss for the year attributable to owners of the parent used in the computation of basic loss per share	(20,141)	(10,892)
	Number of Shares	
	2022 '000	2021 '000
Weighted average number of ordinary shares for basic loss per share computation*	316,299	316,299

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

	2022 sen	2021 sen
Basic loss per share	(6.37)	(3.44)

## (b) Diluted

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

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

### 13. Property, plant and equipment

Group	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Office renovation RM'000	Buildings RM'000	Plant and machinery RM'000	Total RM'000
<b>At 31 December 2022</b>						
<b>Cost</b>						
At 1 January 2022	432	2,782	3,898	5,070	-	12,182
Additions	183	842	-	-	16	1,041
Disposals	(354)	(82)	-	-	-	(436)
Written-off	-	(3)	-	-	-	(3)
At 31 December 2022	261	3,539	3,898	5,070	16	12,784
<b>Accumulated depreciation</b>						
At 1 January 2022	432	2,209	3,829	884	-	7,354
Recognised in profit or loss (Note 8)	18	199	22	102	3	344
Disposals	(354)	(82)	-	-	-	(436)
Written-off	-	(1)	-	-	-	(1)
At 31 December 2022	96	2,325	3,851	986	3	7,261
<b>Net carrying amount</b>						
At 31 December 2022	165	1,214	47	4,084	13	5,523
<b>At 31 December 2021</b>						
<b>Cost</b>						
At 1 January 2021	720	2,698	3,898	5,070	-	12,386
Additions	-	84	-	-	-	84
Disposals	(288)	-	-	-	-	(288)
At 31 December 2021	432	2,782	3,898	5,070	-	12,182
<b>Accumulated depreciation</b>						
At 1 January 2021	720	2,048	3,751	783	-	7,302
Recognised in profit or loss (Note 8)	-	161	78	101	-	340
Disposals	(288)	-	-	-	-	(288)
At 31 December 2021	432	2,209	3,829	884	-	7,354
<b>Net carrying amount</b>						
At 31 December 2021	-	573	69	4,186	-	4,828

## FINANCIALS

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

Company	Office renovation RM'000	Motor vehicles RM'000	Office equipment RM'000	Total RM'000
<b>At 31 December 2022</b>				
<b>Cost</b>				
At 1 January 2022	2,766	354	1,520	4,640
Additions	-	-	147	147
Disposals	-	(354)	(55)	(409)
Written-off	-	-	(3)	(3)
At 31 December 2022	2,766	-	1,609	4,375
<b>Accumulated depreciation</b>				
At 1 January 2022	2,756	354	1,342	4,452
Recognised in profit or loss (Note 8)	10	-	62	72
Disposals	-	(354)	(55)	(409)
Written-off	-	-	(1)	(1)
At 31 December 2022	2,766	-	1,348	4,114
<b>Net carrying amount</b>				
At 31 December 2022	-	-	261	261
<b>At 31 December 2021</b>				
<b>Cost</b>				
At 1 January 2021	2,766	642	1,484	4,892
Additions	-	-	36	36
Disposals	-	(288)	-	(288)
At 31 December 2021	2,766	354	1,520	4,640
<b>Accumulated depreciation</b>				
At 1 January 2021	2,715	642	1,283	4,640
Recognised in profit or loss (Note 8)	41	-	59	100
Disposals	-	(288)	-	(288)
At 31 December 2021	2,756	354	1,342	4,452
<b>Net carrying amount</b>				
At 31 December 2021	10	-	178	188

Included in property, plant and equipment of the Group are two units of terrace shop offices amounting to RM4,081,000 (2021: RM4,183,000) which have been pledged as a fixed charge for term loans and revolving credit facilities as disclosed in Note 28(b).

#### 14. Investment properties

Investment properties comprising shopping mall, terrace shop office and car park units, are held either to earn rental income or for capital appreciation or for both. The investment properties are classified as Level 3 in the fair value hierarchy as disclosed in Note 32.

At fair value	Shopping Mall RM'000	Terrace Shop office RM'000	Car park RM'000	Total RM'000
<b>Group</b>				
At 1 January 2021	164,000	120,050	-	284,050
Transferred from inventories	-	-	7,800	7,800
Fair value adjustments (Note 8)	-	(1,560)	-	(1,560)
<b>At 31 December 2021 and 1 January 2022</b>	<b>164,000</b>	<b>118,490</b>	<b>7,800</b>	<b>290,290</b>
Fair value adjustments (Note 8)	1,073	390	-	1,463
Capitalised cost	27	-	-	27
<b>At 31 December 2022</b>	<b>165,100</b>	<b>118,880</b>	<b>7,800</b>	<b>291,780</b>
<b>Fair value for financial reporting purposes</b>				
Market value as estimated by the professional external valuers	165,100	118,880	7,800	291,780

#### Transfer from inventories to investment properties

On 20 December 2021, the Group transferred 516 car park units from inventories to investment properties due to the change in use of the car park units for generating investment income for the Group.

A fair value loss of RM6,128,000 was recognised in prior year on the difference between the fair value of the car park units and their previous carrying amount upon the transfer. In arriving the market value of property, the Group has adopted comparison method and investment method. The valuer considered the sales of similar or substitute properties and related market data, and establishes a value estimate by adjustments made for differences in factors that affect value together with the capitalisation of the net annual income stream that is expected to be received from property after deducting annual outgoings and other operating expenses incidental to the property with allowance for void by using an appropriate market derived capitalisation rate.

	2021 RM'000
Cost of car park units transferred from inventories	13,928
Fair value loss on the car park units (Note 8)	(6,128)
Fair value of car park units	7,800

As at 31 December 2022, there was no further change in the fair value of the car park units.



## FINANCIALS

## 14. Investment properties (cont'd.)

The following are recognised in the profit or loss in respect of investment properties:

	Group	
	2022 RM'000	2021 RM'000
Rental income	5,035	4,585
Direct operating expenses (exclude depreciation):		
- income generating investment properties	(6,450)	(4,380)
- non-income generating investment properties	(101)	(108)

The following properties have been pledged as security for borrowings:

- (i) During the year, 22 units of terrace shop offices are charged as security for term loans and revolving credit facilities as disclosed in Note 28(b), 28(e) and 28(f). In the previous year, 9 units of terrace shop offices were charged as security for term loans and revolving credit facilities as disclosed in Note 28(b), 28(d) and 28(e); and
- (ii) Shopping mall included in the investment properties has been pledged as security for bank loan as disclosed in Note 28(b).

## 15. Inventories

		Group	
	Note	2022 RM'000	2021 RM'000
<b>Non-current</b>			
Land held for property development (at lower of cost and net realisable value)	(a)	26,590	17,034
<b>Current</b>			
Property development cost (at cost)	(b)	31,681	5,553
Properties held for sale (at lower of cost and net realisable value)	(c)	78,553	107,454
		110,234	113,007
Total inventories at the lower of cost and net realisable value		136,824	130,041

## 15. Inventories (cont'd.)

### (a) Land held for property development

Group	Freehold land RM'000	Leasehold land RM'000	Development expenditure RM'000	Total RM'000
<b>At 31 December 2022</b>				
<b>Cost</b>				
At 1 January 2022	18,123	3,687	5,041	26,851
Addition (Note (i))	18,360	-	-	18,360
Transfer to property development cost (Note 15(b))	-	(3,687)	(5,041)	(8,728)
Exchange differences	(167)	-	-	(167)
At 31 December 2022	36,316	-	-	36,316
<b>Accumulated write-down to net realisable value</b>				
At 1 January 2022	(9,817)	-	-	(9,817)
Exchange differences	91	-	-	91
At 31 December 2022	(9,726)	-	-	(9,726)
<b>Carrying amount</b>				
At 31 December 2022	26,590	-	-	26,590
<b>At 31 December 2021</b>				
<b>Cost</b>				
At 1 January 2021	21,664	13,867	14,300	49,831
Addition	-	-	405	405
Transfer to property development cost (Note 15(b))	-	(10,180)	(9,664)	(19,844)
Exchange differences	(3,541)	-	-	(3,541)
At 31 December 2021	18,123	3,687	5,041	26,851
<b>Accumulated write-down to net realisable value</b>				
At 1 January 2021	(13,148)	-	-	(13,148)
Exchange differences	3,331	-	-	3,331
At 31 December 2021	(9,817)	-	-	(9,817)
<b>Carrying amount</b>				
At 31 December 2021	8,306	3,687	5,041	17,034

## FINANCIALS

## 15. Inventories (cont'd.)

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

## (i) Acquisition of freehold land in Daerah Kuantan, Pahang

Encorp Millennium Sdn. Bhd. ("EMLSB"), a subsidiary of the Group acquired a piece of freehold land on 9 September 2022 in Daerah Kuantan, Pahang from Touch Millennium Sdn. Bhd. ("TMSB") for a consideration of RM21,500,000. As a result of the deferred payment plan stipulated in the agreement with TMSB, the cost of the land was recorded at its present value of RM18,360,000. Further details are disclosed in Notes 16 and 36.

## (b) Property development costs

Group	Freehold land RM'000	Leasehold land RM'000	Development expenditure (Note (i)) RM'000	Total RM'000
<b>At 31 December 2022</b>				
<b>Cumulative property development costs</b>				
At 1 January 2022	26,127	28,355	551,796	606,278
Addition (Note(ii))	10,348	-	-	10,348
Costs incurred during the year	-	-	36,255	36,255
Transfer from land held for property development (Note 15(a))	-	3,687	5,041	8,728
Unsold unit transferred to inventories	-	-	(2,121)	(2,121)
At 31 December 2022	36,475	32,042	590,971	659,488
<b>Cumulative costs recognised in profit or loss</b>				
At 1 January 2022				(600,725)
Recognised during the year (Note 5)				(27,082)
At 31 December 2022				(627,807)
<b>Property development costs at 31 December 2022</b>				<b>31,681</b>
<b>At 31 December 2021</b>				
<b>Cumulative property development costs</b>				
At 1 January 2021	26,127	18,175	529,003	573,305
Costs incurred during the year	-	-	13,129	13,129
Transfer from land held for property development (Note 15(a))	-	10,180	9,664	19,844
At 31 December 2021	26,127	28,355	551,796	606,278

## 15. Inventories (cont'd.)

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

Group	Total RM'000
<b>At 31 December 2021</b>	
Cumulative costs recognised in profit or loss	
At 1 January 2021	(558,052)
Recognised during the year (Note 5)	(42,673)
At 31 December 2021	(600,725)
<b>Property development costs at 31 December 2021</b>	<b>5,553</b>

## (i) Development expenditure

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

	2022 RM'000	2021 RM'000
As at 1 January	1,193	489
Cost incurred during the year	1,990	2,889
Recognised during the year	(2,518)	(2,185)
At 31 December	665	1,193

## (ii) Acquisition of leasehold land in Kota Kinabalu, Sabah

A subsidiary of the Group, Encorp Development Sdn. Bhd. ("EDSB") had on 18 May 2022 entered into an agreement with Ipmuda Properties Sdn. Bhd. ("IPSB") to acquire a piece of leasehold development land in Kota Kinabalu, Sabah for a consideration of RM10,800,000. As a result of the deferred payment plan for the consideration, the cost of the land was recorded at its present value of RM10,348,000. Further details are disclosed in Note 36.

## (c) Properties held for sale

	Group	
	2022 RM'000	2021 RM'000
At cost	28,417	51,142
At net realisable value	50,136	56,312
	<b>78,553</b>	<b>107,454</b>

Properties held for sale with a carrying amount of RM14,940,000 (2021: RM14,420,000) are charged as security for term loan facilities as disclosed in Note 28(c).

During the year, the amount of inventories recognised as an expense in cost of sales of the Group was RM14,558,000 (2021: RM3,925,000).

## FINANCIALS

### 16. Investment in subsidiaries

	Company	
	2022 RM'000	2021 RM'000
Unquoted shares, at cost	296,710	296,710
Impairment loss on investment in subsidiaries	(166,750)	(166,513)
	<u>129,960</u>	<u>130,197</u>

(a) Details of the subsidiaries are as follows:

Name of subsidiaries	Share capital RM'000	Principal place of business/Country of incorporation	Principal activities	Proportion (%) of ownership interest		Proportion (%) of ownership interest held by non-controlling interests	
				2022	2021	2022	2021
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. <sup>^</sup>	+	Australia	Property development	100	100	-	-
Encorp Facilities Management Sdn. Bhd.	750	Malaysia	Facilities management services provider	100	100	-	-

## 16. Investment in subsidiaries (cont'd.)

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

Name of subsidiaries	Share capital RM'000	Principal place of business/Country of incorporation	Principal activities	Proportion (%) of ownership interest		Proportion (%) of ownership interest held by non-controlling interests	
				2022	2021	2022	2021
Subsidiaries of Encorp Construction & Infrastructure Sdn. Bhd.							
Encorp Systembilt Sdn. Bhd.	50,000	Malaysia	Concessionaire to build and transfer teachers' quarters to the Government of Malaysia	100	100	-	-
Encorp Construction & Engineering Sdn. Bhd.	1,000	Malaysia	General trading	100	100	-	-
Encorp Millennium Sdn. Bhd. (Note (i))	250	Malaysia	Investment holding, construction project management and property development	70	-	30	-

## FINANCIALS

### 16. Investment in subsidiaries (cont'd.)

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

Name of subsidiaries	Share capital RM'000	Principal place of business/Country of incorporation	Principal activities	Proportion (%) of ownership interest		Proportion (%) of ownership interest held by non-controlling interests	
				2022	2021	2022	2021
Subsidiaries of Encorp Must Sdn. Bhd.							
Must Ehsan Development Sdn. Bhd.	15,000	Malaysia	Property development	70	70	30	30
Encorp Development Sdn. Bhd.	2,500	Malaysia	Property development	100	100	-	-
Encorp Iskandar Development Sdn. Bhd.	2,750	Malaysia	Property development	100	100	-	-
Encorp Bukit Katil Sdn. Bhd.	@	Malaysia	Property development	100	100	-	-
Subsidiaries of Must Ehsan Development Sdn. Bhd.							
Red Carpet Avenue Sdn. Bhd.	@	Malaysia	Investment holding	100	100	-	-
Encorp Strand Mall Sdn. Bhd.	2,500	Malaysia	Property investment	100	100	-	-
Encorp Parking Sdn. Bhd.	@	Malaysia	Property investment	100	100	-	-



**16. Investment in subsidiaries (cont'd.)****(a) Details of the subsidiaries are as follows: (cont'd.)**

- ^ This entity has no statutory audit requirement  
 + Represents paid-up capital of one hundred (100) ordinary shares of 1 Australian Dollar each  
 @ Represents paid-up capital of two (2) ordinary shares

**(i) Incorporation of a subsidiary - EMLSB**

On 9 September 2022, a subsidiary of the Company, Encorp Construction & Infrastructure Sdn. Bhd. ("ECISB") incorporated a subsidiary, EMLSB.

EMLSB, a 70% subsidiary of the Group, was incorporated during the year with an initial share capital of RM1,000. The share capital of EMLSB was subsequently increased to RM251,000 via the issuance of additional share capital of RM250,000. As at 31 December 2022, the cumulative cost of investment in EMLSB is RM176,000.

**(b) Non-controlling interest in subsidiaries**

Summarised financial information of Must Ehsan Development Sdn. Bhd. ("MEDSB") and its subsidiaries ("MEDSB Group") and EMLSB which have 30% non-controlling interests that are material to the Group are set out below. The summarised financial information presented below is the amount after incorporating the elimination of inter-company transactions and consolidation adjustments.

**(i) Summarised statements of financial position**

<b>At 31 December 2022</b>	<b>MEDSB Group RM'000</b>	<b>EMLSB RM'000</b>	<b>Total RM'000</b>
Non-current assets	296,013	18,360	314,373
Current assets	126,622	234	126,856
<b>Total assets</b>	<b>422,635</b>	<b>18,594</b>	<b>441,229</b>
Current liabilities	96,876	6,531	103,407
Non-current liabilities	28,715	12,084	40,799
<b>Total liabilities</b>	<b>125,591</b>	<b>18,615</b>	<b>144,206</b>
<b>Net assets</b>	<b>297,044</b>	<b>(21)</b>	<b>297,023</b>
Non-controlling interests	89,113	(6)	89,107
<b>At 31 December 2021</b>	<b>MEDSB Group RM'000</b>	<b>EMLSB RM'000</b>	<b>Total RM'000</b>
Non-current assets	306,361	-	306,361
Current assets	163,123	-	163,123
<b>Total assets</b>	<b>469,484</b>	<b>-</b>	<b>469,484</b>
Current liabilities	138,269	-	138,269
Non-current liabilities	40,899	-	40,899
<b>Total liabilities</b>	<b>179,168</b>	<b>-</b>	<b>179,168</b>
<b>Net assets</b>	<b>290,316</b>	<b>-</b>	<b>290,316</b>
Non-controlling interests	87,095	-	87,095

## FINANCIALS

## 16. Investment in subsidiaries (cont'd.)

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

## (ii) Summarised statements of comprehensive income

At 31 December 2022	MEDSB Group RM'000	EMLSB RM'000	Total RM'000
Revenue	65,689	-	65,689
Profit/(Loss) for the year	6,731	(273)	6,458
Profit/(Loss) representing total comprehensive income/(loss) attributable to the non-controlling interests	2,019	(82)	1,937

At 31 December 2021	MEDSB Group RM'000	EMLSB RM'000	Total RM'000
Revenue	79,069	-	79,069
Profit for the year	9,083	-	9,083
Profit representing total comprehensive income attributable to the non-controlling interests	2,725	-	2,725

## (iii) Summarised statements of cash flows

At 31 December 2022	MEDSB Group RM'000	EMLSB RM'000	Total RM'000
Net cash generated from/(used in) operating activities	264	(17)	247
Net cash generated from investing activities	2,564	-	2,564
Net cash (used in)/generated from financing activities	(14,234)	251	(13,983)
Net (decrease)/increase in cash and cash equivalents	(11,406)	234	(11,172)
Cash and cash equivalents at beginning of the year	41,277	-	41,277
	29,871	234	30,105

At 31 December 2021	MEDSB Group RM'000	EMLSB RM'000	Total RM'000
Net cash generated from operating activities	39,635	-	39,635
Net cash used in investing activities	(9,953)	-	(9,953)
Net cash used in financing activities	(12,930)	-	(12,930)
Net increase in cash and cash equivalents	16,752	-	16,752
Cash and cash equivalents at beginning of the year	24,525	-	24,525
	41,277	-	41,277

## 17. Intangible assets

Group	Goodwill on consolidation RM'000	Computer software RM'000	Total RM'000
<b>Cost</b>			
At 1 January 2021	197,003	2,130	199,133
Additions	-	78	78
At 31 December 2021 and 1 January 2022	197,003	2,208	199,211
Additions	-	109	109
At 31 December 2022	197,003	2,317	199,320
<b>Accumulated amortisation</b>			
At 1 January 2021	197,003	2,116	199,119
Amortisation (Note 8)	-	13	13
At 31 December 2021 and 1 January 2022	197,003	2,129	199,132
Amortisation (Note 8)	-	36	36
At 31 December 2022	197,003	2,165	199,168
<b>Net carrying amount:</b>			
At 31 December 2021	-	79	79
At 31 December 2022	-	152	152
<b>Company</b>		<b>Computer software RM'000</b>	
<b>Cost</b>			
At 1 January 2021			1,382
Additions			78
At 31 December 2021 and 1 January 2022			1,460
Additions			88
At 31 December 2022			1,548
<b>Accumulated amortisation:</b>			
At 1 January 2021			1,373
Amortisation (Note 8)			9
At 31 December 2021 and 1 January 2022			1,382
Amortisation (Note 8)			35
At 31 December 2022			1,417
<b>Net carrying amount</b>			
At 31 December 2021			78
At 31 December 2022			131

## FINANCIALS

## 18. Trade and other receivables

Group	Note	2022 RM'000	2021 RM'000
<b>Current</b>			
<b>Trade receivables</b>			
Amount due from third parties	(a)	13,561	20,532
Concession income receivables	(b)	86,332	78,149
		99,893	98,681
Expected credit losses	(c)	(2,191)	(2,176)
Trade receivables, net		97,702	96,505
<b>Other receivables</b>			
Amount due from immediate holding company	(d)	53	53
Deposits		5,257	5,221
Sundry receivables		4,600	5,133
		9,910	10,407
Expected credit losses	(c)	(601)	(101)
Other receivables, net		9,309	10,306
Total current receivables		107,011	106,811
<b>Non-current</b>			
<b>Trade receivables</b>			
Retention sum on construction contracts	(a)	6	-
Concession income receivables	(b)	457,017	543,349
Trade receivables		457,023	543,349
<b>Other receivables</b>			
Long term receivables	(e)	47,579	47,579
Expected credit losses	(c)	(47,579)	(47,579)
Other receivables, net		-	-
Total non-current receivables, net		457,023	543,349
<b>Total trade and other receivables</b>		564,034	650,160

## 18. Trade and other receivables (cont'd.)

Company	Note	2022 RM'000	2021 RM'000
<b>Current</b>			
<b>Trade receivables</b>			
Amount due from:			
- third parties	(a)	70	70
- subsidiaries	(d)	5,012	9,711
		5,082	9,781
Expected credit losses	(c)	(3,449)	(2,969)
Trade receivables, net		1,633	6,812
<b>Other receivables</b>			
Amount due from:			
- subsidiaries	(d)	62,026	80,988
- immediate holding company	(d)	53	53
Deposits		697	690
Sundry receivables		75	37
		62,851	81,768
Expected credit losses	(c)	(16,088)	(16,502)
Other receivables, net		46,763	65,266
Total current receivables		48,396	72,078
<b>Non-current</b>			
<b>Other receivables</b>			
Long term receivables			
- third party	(e)	38,320	38,320
- amount due from subsidiary	(d)	58,601	50,252
		96,921	88,572
Expected credit losses	(c)	(73,804)	(70,370)
Total non-current receivables, net		23,117	18,202
<b>Total trade and other receivables</b>		71,513	90,280

## FINANCIALS

## 18. Trade and other receivables (cont'd.)

## (a) Trade receivables

Ageing analysis of trade receivables

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

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Current	1,071	3,899	-	-
1 to 30 days past due	1,163	677	-	-
31 to 60 days past due	3,083	1,935	-	-
61 days to 90 days past due	362	6,809	-	-
91 days to 120 days past due	88	1,288	-	-
121 days to 365 days past due	5,603	3,748	-	-
	11,370	18,356	-	-
<b>Credit impaired</b>				
Individually impaired	2,191	2,176	70	70
	13,561	20,532	70	70

Trade receivables are non-interest bearing and are generally on 7 to 60 days (2021: 7 to 60 days) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

## (b) Concession income receivables

Group	2022 RM'000	2021 RM'000
Concession income receivables:		
Within 1 year	136,779	136,779
More than 1 year and less than 2 years	136,779	136,779
More than 2 years and less than 5 years	410,338	410,338
More than 5 years	11,412	148,193
	695,308	832,089
Unearned income	(151,959)	(210,591)
	543,349	621,498
Concession income receivables analysed as:		
Due within one year	86,332	78,149
Due after one year	457,017	543,349
	543,349	621,498

The Group's normal trade credit term on concession income receivables is 21 days (2021: 21 days). The entire concession income receivables are pledged to the holders of the Sukuk Murabahah as disclosed in Note 28(a).

The entire concession income receivables are due from the Government of Malaysia.

## 18. Trade and other receivables (cont'd.)

### (c) Allowance for expected credit losses

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

There has been no change in the estimation techniques or significant assumptions made during the year.

#### Movement in allowance accounts for trade receivables:

Group	2022 RM'000	2021 RM'000
At 1 January	2,176	2,226
Expected credit losses (Note 8)		
- Individually assessed	519	1,388
- Reversal of expected credit losses	(504)	(973)
Written-off	-	(465)
At 31 December	2,191	2,176
<b>Company</b>		
At 1 January	2,969	3,028
Expected credit losses (Note 8)		
- Individually assessed	480	360
- Reversal of expected credit losses	-	(419)
At 31 December	3,449	2,969

## FINANCIALS

## 18. Trade and other receivables (cont'd.)

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

## Movement in allowance accounts for other receivables:

Group	2022 RM'000	2021 RM'000
At 1 January	47,680	48,488
Expected credit losses (Note 8)		
- Individually assessed	500	74
- Reversal of expected credit losses	-	(882)
At 31 December	48,180	47,680
Company		
At 1 January	86,872	87,250
Expected credit losses (Note 8)		
- Individually assessed (Note (i))	4,741	507
- Reversal of expected credit losses	(1,721)	(885)
At 31 December	89,892	86,872

- (i) Included in the amounts due from subsidiaries of the Company as at 31 December 2022 is an amount due from Encorp Development Pty. Ltd. ("EDPL") with a net carrying amount of RM15,331,000 (2021: RM18,202,000). The Company performed an impairment review in respect of the amount due from EDPL by comparing the carrying amount of the assets and the present value of estimated future cash flows receivable from EDPL. The accumulated expected credit losses was RM35,483,000 (2021: RM32,050,000).

## (d) Amounts due from subsidiaries and holding company

The amounts due from subsidiaries and holding company are unsecured, repayable on demand, and non-interest bearing except for an amount due from subsidiaries of RM45,817,000 (2021: RM56,027,000) which bears interest at rates ranging from 4.37% to 6.00% (2021: 4.34% to 6.00%).

The management of the Group monitors the cash flows and funding requirements of the Company and its subsidiaries on a Group-wide basis. This includes determining the timing and quantum of the repayment of amounts due from and due to subsidiaries and related companies of the Company when required.

As at 31 December 2022 and 31 December 2021, no demand for repayment has been made by the Company for any of the balances due from the subsidiaries or holding company. Considering the nature and terms of these balances, the Company has assessed that there are no amounts which are regarded as past due and no ageing analysis has been presented for these balances.

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



**19. Leases****Group as a lessee**

The Group and the Company lease 20 units office premise until June 2031. Lease payments to be increased every 3 years from July 2016 to reflect current market rentals. The Group has also leased office equipment until March 2023.

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

**(a) Right-of-use assets**

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

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
At 1 January	17,597	19,622	17,368	19,196
Depreciation (Note 8)	(2,012)	(2,025)	(1,828)	(1,828)
At 31 December	15,585	17,597	15,540	17,368

**(b) Lease liabilities**

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowing (Note 28)) and the movements during the year:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
At 1 January	20,074	21,370	19,833	20,935
Accretion of interest (Note 7)	1,119	1,199	1,110	1,178
Payments	(2,595)	(2,495)	(2,395)	(2,280)
At 31 December	18,598	20,074	18,548	19,833

**FINANCIALS****19. Leases (cont'd.)****Group as a lessee (cont'd.)****(b) Lease liabilities (cont'd.)**

Leases liabilities are payables as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Current</b>				
Less than one year	1,532	1,476	1,482	1,285
<b>Non-current</b>				
More than 1 year and less than 2 years	1,571	1,532	1,571	1,482
More than 2 years and less than 5 years	5,981	5,397	5,981	5,397
5 years or more	9,514	11,669	9,514	11,669
<b>Total non-current lease liabilities</b>	<b>17,066</b>	<b>18,598</b>	<b>17,066</b>	<b>18,548</b>
<b>Total lease liabilities</b>	<b>18,598</b>	<b>20,074</b>	<b>18,548</b>	<b>19,833</b>

The maturity analysis of lease liabilities is disclosed in Note 33(b).

**Group as a lessor****Operating lease commitments**

The Group has entered into commercial property leases on its investment properties. These non-cancellable leases have remaining lease terms of between six months to five 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:

	<b>Group</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
Not later than 1 year	3,377	3,484
Later than 1 year but not later than 5 years	3,084	1,926
	<b>6,461</b>	<b>5,410</b>

## 20. Deferred tax

Deferred tax as at 31 December relates to the following:

### Group

#### Deferred tax liabilities:

	As at 1 January 2021 RM'000	Recognised in profit or loss (Note 11) RM'000	As at 31 December 2021 RM'000	Recognised in profit or loss (Note 11) RM'000	As at 31 December 2022 RM'000
Property, plant and equipment	10	-	10	2	12
Contract assets	166,206	(16,978)	149,228	(18,823)	130,405
Investment properties	3,139	(156)	2,983	146	3,129
	169,355	(17,134)	152,221	(18,675)	133,546

#### Deferred tax assets:

Tax losses and capital allowances	(126,539)	19,951	(106,588)	17,182	(89,406)
Loans and borrowings	(41,925)	323	(41,602)	1,843	(39,759)
Provisions and others	(8,825)	3,805	(5,020)	3,541	(1,479)
	(177,289)	24,079	(153,210)	22,566	(130,644)
	(7,934)	6,945	(989)	3,891	2,902

## FINANCIALS

## 20. Deferred tax (cont'd.)

Presented after appropriate offsetting as follows:

Group	2022 RM'000	2021 RM'000
Deferred tax assets	(2,040)	(5,653)
Deferred tax liabilities	4,942	4,664
	<u>2,902</u>	<u>(989)</u>

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

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Unutilised tax losses	173,680	134,524	19,108	16,168
Unabsorbed capital allowances	4,648	4,230	3,316	3,145
Other deductible temporary differences	12,926	26,475	3,581	2,783
	<u>191,254</u>	<u>165,229</u>	<u>26,005</u>	<u>22,096</u>

Effective from Year of Assessment 2019, the unutilised tax losses of the Group as at 31 December 2020 and thereafter will only be available for carry forward for a period of 7 consecutive years. Upon expiry of the 7 years, the unutilised tax losses will be disregarded. The carry forward period for such losses was extended to 10 years based on Finance Act 2021 which was gazetted on 31 December 2021.

The unutilised tax losses and unabsorbed capital allowances of the Group and the Company are available for offsetting against future taxable profits of the respective entities within the Group and the Company, subject to no substantial changes in shareholdings of those entities under Income Tax Act, 1967 and guidelines issued by the tax authority, as follows:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Utilisation period</b>				
Indefinite	4,648	4,230	3,316	3,145
Within 6 years from recognition	61,304	-	11,071	-
Within 7 years from recognition	39,616	61,304	2,155	11,071
Within 8 years from recognition	15,939	39,616	1,062	2,155
Within 9 years from recognition	17,665	15,939	1,880	1,062
Within 10 years from recognition	39,156	17,665	2,940	1,880
	<u>178,328</u>	<u>138,754</u>	<u>22,424</u>	<u>19,313</u>

## 21. Other investments

		Group		Company	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Current</b>					
<i>Amortised cost</i>					
Amount placed with a financial services advisory firm	(a)	4,645	4,645	-	-
Provision for impairment	(a)	(4,645)	(4,645)	-	-
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fair value through profit or loss</i>					
Money market investment securities	(b)	139,680	134,350	5,575	553
		<u>139,680</u>	<u>134,350</u>	<u>5,575</u>	<u>553</u>

- (a) This was related to a principal amount of AUD1.5 million placed by a foreign subsidiary of the Group for a period of 24 months, which matured in 2021. The investment was expected to earn an interest at a fixed rate of 15% per annum.

This balance has been impaired in the year 2020 as the Group had not recovered this amount despite having submitted the request for the liquidation and redemption of this balance. The Group has also initiated legal proceedings against the financial advisory services firm involved for the recovery of this balance. The legal proceedings for the recovery of this balance are ongoing.

- (b) The investment securities are restricted investment scheme in short-term money market instruments and deposit placements with an option to roll over the investments placed with licensed fund managers.

The income received from the investment securities shall where necessary, be remitted into the Escrow Account to meet the payment obligations arising from the Sukuk Murabahah as disclosed in Note 28(a).

## 22. Contract assets/(liabilities)

		Group	
	Note	2022 RM'000	2021 RM'000
<b>Contract assets</b>			
Property development	(a)	7,435	29,031
Construction contract	(b)	123	-
		<u>7,558</u>	<u>29,031</u>
<b>Contract liabilities</b>			
Property development	(a)	(3,923)	(4,650)

**FINANCIALS****22. Contract assets/(liabilities) (cont'd.)****(a) Contract assets/(liabilities) from property development**

Group	2022 RM'000	2021 RM'000
<b>Contract assets</b>		
Accrued billings	7,435	29,031
<b>Contract liabilities</b>		
Progress billings	(3,923)	(4,650)
	<u>3,512</u>	<u>24,381</u>

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

Group	2022 RM'000	2021 RM'000
<b>Contract assets</b>		
At 1 January	24,381	(7,983)
Revenue recognised during the year	73,477	72,825
Progress billings during the year	(94,346)	(40,461)
At 31 December	<u>3,512</u>	<u>24,381</u>

**(b) Contract assets from construction contract**

Group	2022 RM'000	2021 RM'000
<b>Contract assets</b>		
Accrued billings	<u>123</u>	<u>-</u>

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

Group	2022 RM'000	2021 RM'000
At 1 January	-	-
Revenue recognised during the year	275	-
Progress billings during the year	(152)	-
At 31 December	<u>123</u>	<u>-</u>

Retention sum on construction contracts included in:

- Trade payable	<u>309</u>	<u>-</u>
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The directors of the Group measure the loss allowance on amounts due from customers at an amount equal to lifetime ECL, taking into account the historical default experience and the future prospects of the respective industry. There was no impairment loss recognised on contract asset at the end of the reporting period.

The management monitors the movement of the contracts assets balance and there is no balance which is assessed as past due or is to be impaired.

## 23. Other current assets

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Prepayments	317	514	173	261
Consideration payable to customers	81	228	-	-
	<u>398</u>	<u>742</u>	<u>173</u>	<u>261</u>

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

## 24. Cash and cash equivalents

		Group		Company	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Cash and bank balances	(a)	33,254	42,158	90	237
Deposits with licensed banks	(b)	<u>2,816</u>	<u>2,793</u>	<u>-</u>	<u>-</u>
Deposits, cash and bank balances	(c)	36,070	44,951	90	237
Less: Deposits with tenure of more than 3 months		<u>(2,816)</u>	<u>(2,793)</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents		<u>33,254</u>	<u>42,158</u>	<u>90</u>	<u>237</u>

- (a) Included in cash at bank of the Group is an amount of RM24,727,000 (2021: RM39,594,000) held pursuant to Section 7A of the Housing and Development (Control & Licensing) Act, 1966 and restricted from use in other operations.
- (b) The deposits with licensed banks of the Group and of the Company which are pledged are as follows:
- (i) Deposits of RM970,000 (2021: RM483,000) pledged to banks as securities for credit facilities granted to subsidiaries.
  - (ii) Deposits of RM2,247,000 were pledged to a bank as collateral for credit facilities that were granted to a subsidiary in the prior year. The collateral has been discharged in the current financial year.
- (c) Cash at bank and on hand of the Group include an amount of RM186,000 (2021: RM58,000) maintained in Escrow Account and Finance Service Reserve Account to meet the payment obligations arising from the Sukuk Murabahah as disclosed in Note 28(a).

Cash at banks earns interest at floating rates based on daily bank deposit rates. Deposits are made for varying periods of between 1 month to 12 months, depending on the immediate cash requirements of the Group and of 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 1.75% to 2.75% (2021: 1.25% to 3.5%) per annum respectively.

## 25. Share capital and treasury shares

-----Group and Company-----				
-----Number of ordinary-----		-----Amount-----		
Share capital (Issued and fully paid)	Treasury shares	Share capital (Issued and fully paid) RM'000	Treasury shares RM'000	
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022		<u>316,684,717</u>	<u>(386,000)</u>	<u>399,016</u> <u>(327)</u>

## FINANCIALS

## 25. Share capital and treasury shares (cont'd.)

## (a) Share capital

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

## (b) Treasury shares

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

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

As at 31 December 2022, the Company held as treasury shares a total of 386,000 of its 316,684,717 (2021: 316,684,717) issued ordinary shares. Such treasury shares are held at a carrying amount of RM326,731.

## 26. Other reserves

		2022 RM'000	2021 RM'000
	Note		
Foreign translation reserve	(a)	717	389
Capital contribution reserve	(b)	23,172	23,172
		<u>23,889</u>	<u>23,561</u>

## (a) Foreign currency translation reserve

	Group RM'000
At 1 January 2021	(519)
Foreign currency translation	908
At 31 December 2021 and 1 January 2022	<u>389</u>
Foreign currency translation	328
At 31 December 2022	<u>717</u>

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

## (b) Capital contribution reserve

A subsidiary of the Group, Encorp Bukit Katil Sdn. Bhd. ("EBKSB") had on 20 January 2016 entered into a Master Development Agreement with FELDA, the ultimate holding body, in which EBKSB accepts the development rights for the development of one (1) plot of leasehold land measuring approximately 640.98 acres held at Mukim Bukit Katil, District of Melaka Tengah in Melaka for a total cash consideration of RM583,600,000.

The capital contribution reserve represents the amount waived by FELDA of RM23,172,000 pursuant to a settlement agreement entered into between FELDA and EBKSB to discharge EBKSB's obligation on the land to FELDA for the Master Development Agreement.



## 27. Trade and other payables

Group	Note	2022 RM'000	2021 RM'000
<b>Current</b>			
<b>Trade payables</b>			
Amount due to:			
- third parties	(a)	9,627	13,557
Land proprietor	(b)	6,480	-
Total trade payables		16,107	13,557
<b>Other payables</b>			
Amount due to:			
- immediate holding company	(c)	6,060	6,867
Sundry payables		15,066	15,349
Provision for short-term accumulating compensated absences	(d)	245	237
Other accruals		32,062	35,668
Total other payables		53,433	58,121
Total current trade and other payables		69,540	71,678
<b>Non-current</b>			
<b>Trade payables</b>			
Retention sum on construction contracts		15,961	18,387
Land proprietor	(b)	2,822	-
Non-controlling interest of a subsidiary	(f)	12,084	-
Total non-current trade payables		30,867	18,387
<b>Total trade and other payables</b>		100,407	90,065
<b>Company</b>			
<b>Current</b>			
<b>Trade payables</b>			
Amount due to third party	(a)	8	12
<b>Other payables</b>			
Amount due to:			
- subsidiaries	(e)	37,569	38,883
- immediate holding company	(c)	6,060	6,867
Sundry payables		2,937	1,638
Provision for short-term accumulating compensated absences	(d)	82	77
Other accruals		5,740	5,820
Total other payables		52,388	53,285
<b>Total trade and other payables</b>		52,396	53,297

## FINANCIALS

## 27. Trade and other payables (cont'd.)

- (a) The trade payables are non-interest bearing and the normal trade credit terms granted to the Group and the Company range from 14 to 60 days (2021: 14 to 60 days).

In the prior years, certain subsidiaries of the Group had commenced arbitration proceedings in relation to claims made against certain contractors which were involved in the property development projects of the Group. These contingent assets have not yet been recognised in the financial statements as at 31 December 2022, pending the outcome of the arbitration proceedings.

In addition, no incremental provisions have been recognised in relation to counter-claims by these contractors, as the Group has assessed, in consultation with its legal advisors that it is probable that the Group would be successful in its defense against these claims.

- (b) These are amounts due to IPSB in relation to the purchase of 1.6 acres of land at Bukit Kepayan, Kota Kinabalu. The outstanding amount is repayable to IPSB progressively in tandem with the progress of construction work or drawdown of financing facility. Further details are disclosed in Note 15(b)(ii) and 36.
- (c) Amount due to immediate holding company is unsecured, repayable on demand and bears interest rate of 5.08% (2021: 5.08%) except for an amount of RM5,725,000 (2021: RM5,725,000) which bears interest rate range of 6.00% (2021: 6.00%).
- (d) The movement of provision for short-term accumulating compensated absences is as follows:

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
At beginning of financial year	237	243	77	98
Recognised in profit or loss (Note 9)	245	237	82	77
Utilised during the year	(237)	(243)	(77)	(98)
At end of financial year	245	237	82	77

- (e) The amounts due to subsidiaries are unsecured, non-interest bearing and are repayable on demand.
- (f) These are amounts due to TMSB in relation to the purchase of a piece of 4.97 acres freehold development land in Daerah Kuantan, Pahang. The outstanding amount is repayable to TMSB progressively in tandem with the sales collection of properties from the said land. Further details are disclosed in Note 15(a)(i) and 36.

## 28. Loans and borrowings

		Group		Company	
		2022	2021	2022	2021
	Note	RM'000	RM'000	RM'000	RM'000
<b>Current</b>					
<b>Secured:</b>					
Sukuk Murabahah	(a)	79,936	77,476	-	-
Term loan 1	(b)	13,502	13,502	-	-
Term loan 2	(c)	8,848	8,930	-	-
Revolving credit 1	(d)	-	2,500	-	-
Revolving credit 2	(b)	12,500	12,500	-	-
Revolving credit 3	(e)	15,000	15,000	15,000	15,000
Revolving credit 4	(f)	6,000	7,400	-	-
Revolving credit 5	(g)	-	5,000	-	5,000
		135,786	142,308	15,000	20,000

## 28. Loans and borrowings (cont'd)

		Group		Company	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Current (cont'd.)</b>					
<b>Unsecured:</b>					
Lease liabilities	(h)	1,532	1,476	1,482	1,285
Total current loans and borrowings		137,318	143,784	16,482	21,285
<b>Non-current</b>					
<b>Secured:</b>					
Sukuk Murabahah	(a)	494,171	574,384	-	-
Term loan 1	(b)	15,287	25,412	-	-
		509,458	599,796	-	-
<b>Unsecured:</b>					
Lease liabilities	(h)	17,066	18,598	17,066	18,548
Total non-current loans and borrowings		526,524	618,394	17,066	18,548
<b>Total loans and borrowings</b>		<b>663,842</b>	<b>762,178</b>	<b>33,548</b>	<b>39,833</b>

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

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
On demand or within one year	137,318	143,784	16,482	21,285
More than 1 year and less than 2 years	107,885	95,246	1,570	1,482
More than 2 years and less than 5 years	334,783	322,253	5,981	5,397
5 years or more	83,856	200,895	9,515	11,669
	663,842	762,178	33,548	39,833

**FINANCIALS****28. Loans and borrowings (cont'd)****(a) Sukuk Murabahah**

The weighted average effective interest rates of borrowings as at the reporting date is 9.72% (2021: 9.72%) per annum.

A subsidiary of the Group, Encorp Systembilt Sdn. Bhd. had on 18 May 2012 issued Islamic Securities of Sukuk Murabahah ("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 10.44% 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) 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 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 of at least 1.20 times throughout the tenure of the Sukuk Murabahah to be duly confirmed by the external auditors based on the latest audited financial statements on an annual basis; and
- (ii) to maintain an amount equivalent to the next immediate profit payment in the Finance Service Reserve Account at least three (3) months prior to such profit payment due date.

## 28. Loans and borrowings (cont'd.)

### (b) Term loan 1 and revolving credit 2

Term loan 1 is at bank's one-month effective cost of funds + 3.50% (2021: cost of funds + 3.50%) per annum. Revolving credit 2 of RM12.5 million is at effective cost of funds + 2.75% (2021: cost of funds + 2.75%) per annum.

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

### (c) Term loan 2

The term loan 2 has been renewed in current year at 5.61% (2021: 3.09%) per annum. The loan is secured by a fixed deposit as disclosed in Note 24(b)(i), three penthouse units located at Western Australia as disclosed in Note 15(c), freehold land as disclosed in Note 15(a) and corporate guarantee provided by the Company and a deed of subordination. During the year, the security over the freehold land as disclosed in Note 15(a) has been discharged.

### (d) Revolving credit 1

The revolving credit 1 has been fully repaid in current year. In the prior year, the revolving credit 1 is at effective cost of funds + 1.25% per annum.

In prior year, the facility was secured with two units terrace shop offices as disclosed in Note 14 together with the assignment of rental proceeds and corporate guarantee provided by the Company. During the year, the securities for the facility have been discharged.

### (e) Revolving credit 3

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

### (f) Revolving credit 4

Revolving credit 4 is at cost of funds + 1.25% per annum. In prior year, the facility was secured via the legal charge and assignment over the FSRA. During the current year, the bank has increased the facility and secured with fifteen units of terrace shop offices as disclosed in Note 14 and assignment over the sales proceeds of the Housing Development Account.

### (g) Revolving credit 5

The revolving credit 5 has been fully repaid in current year. In the prior year, the revolving credit is at cost of funds + 1.50% per annum. Six units of terrace shop offices as disclosed in Note 15(c) have been discharged for the revolving credit 5 facility.

### (h) Lease liabilities

The incremental borrowing rate of the lease liabilities are 5.82% - 6.32% (2021: 5.50% - 6.32%).

## FINANCIALS

## 29. Other current liabilities

Current	Note	Group	
		2022 RM'000	2021 RM'000
Provision for Liquidated and Ascertained Damages	(a)	3,823	4,655

## (a) Provision for liability - Liquidated and Ascertained Damages

The provision is in respect of the estimated liquidated and ascertained damages payable arising from the property development projects undertaken by the Group.

	Group	
	2022 RM'000	2021 RM'000
At 1 January	4,655	5,412
Reversal to profit or loss	(412)	(51)
Payments made	(420)	(706)
At 31 December	3,823	4,655

The Group is involved in certain legal cases involving claims for compensation for the late delivery and the specific performance for the construction of certain public infrastructure relating to a completed property development project of the Group. No incremental provisions have been made in relation to these claims in the current and prior years, as the Group has assessed, in consultation with its legal advisors, that it is probable that the Group would be successful in defending these claims.

## 30. Financial guarantees

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

Corporate guarantees given to banks of RM8,848,000 (2021: RM11,448,000) for credit facilities granted to subsidiaries.

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

## 31. Significant related party transactions

## (a) Sales and purchases of goods and services

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

Group	2022 RM'000	2021 RM'000
Interest charged on advances from immediate holding company	443	382

**31. Significant related party transactions (cont'd.)****(a) Sales and purchases of goods and services (cont'd.)**

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

	Note	2022 RM'000	2021 RM'000
<b>Company</b>			
Management fees charged to subsidiaries	(i)	(3,840)	(3,840)
Rental payable to subsidiary	(ii)	439	450
Interest charged to subsidiaries		(127)	(174)
Coupon payable on Redeemable Convertible Secured Loan Stocks ("RCSLS") charged to subsidiary	(iii)	<u>(3,035)</u>	<u>(3,122)</u>

(i) The rendering of services to subsidiaries have been entered into in the normal course of business and are repayable at negotiated terms.

(ii) The rental payable to the subsidiary has been entered into in the normal course of business and is repayable at negotiated term.

(iii) 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 2022 and 31 December 2021 are disclosed in Notes 18 and 27.

**(b) Compensation of key management personnel**

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

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

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Salaries and other emoluments	660	754	660	754
Contributions to defined contribution plans	93	92	93	92
Other staff related expenses	116	171	116	171
	<u>869</u>	<u>1,017</u>	<u>869</u>	<u>1,017</u>

## FINANCIALS

## 32. Fair value measurements

## Fair value hierarchy

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

Level 1

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

Level 2

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

Level 3

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

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

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>At 31 December 2022</b>				
Investment properties (Note 14):				
- Shopping mall	-	-	165,100	165,100
- Terrace shop office	-	-	118,880	118,880
- Car park units	-	-	7,800	7,800
Financial assets:				
- Investment securities carried at fair value through profit or loss (Note 21)	-	139,680	-	139,680
	-	139,680	291,780	431,460
<b>At 31 December 2021</b>				
Investment properties (Note 14):				
- Shopping mall	-	-	164,000	164,000
- Terrace shop office	-	-	118,490	118,490
- Car park units	-	-	7,800	7,800
Financial assets:				
- Investment securities carried at fair value through profit or loss (Note 21)	-	134,350	-	134,350
	-	134,350	290,290	424,640
<b>Company</b>				
<b>At 31 December 2022</b>				
Financial assets:				
- Investment securities carried at fair value through profit or loss (Note 21)	-	5,575	-	5,575
<b>At 31 December 2021</b>				
Financial assets:				
- Investment securities carried at fair value through profit or loss (Note 21)	-	553	-	553



### 32. Fair value measurements (cont'd.)

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
<b>At 31 December 2022</b>			
Terrace Shop office	Market comparable approach	Difference in location, time factor, size, land usage, tenure and main road frontage	2.5%-5%
Shopping mall	Investment method	Estimated rental rates Outgoings Allowance for void Reversionary yield rates Term yield rates	RM1.80 to RM8.50 psf RM2.00 psf 15% 4.5% 4.25%
Car park units	Market comparable approach	Difference in location, time factor, size, land usage, tenure and main road frontage	Adjusted range of RM15,328 – RM18,879 per bay
	Investment method	Estimated rental rates Outgoings Allowance for void Capitalisation rate	RM105 per bay/month 25% 10% 6.50%
<b>At 31 December 2021</b>			
Terrace Shop office	Market comparable approach	Difference in location, time factor, size, land usage, tenure and main road frontage	2.5%-5%
Shopping mall	Investment method	Estimated rental rates Outgoings Allowance for void Reversionary yield rates Term yield rates	RM1.80 to RM9.00 psf RM1.50 psf 15% 5.3% 5%
Car park units	Market comparable approach	Difference in location, time factor, size, land usage, tenure and main road frontage	Adjusted range of RM15,328 – RM18,879 per bay
	Investment method	Estimated rental rates Outgoings Allowance for void Capitalisation rate	RM105 per bay/month 25% 10% 6.50%

## FINANCIALS

### 32. Fair value measurements (cont'd.)

#### Terrace shop offices

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

#### Shopping mall

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

#### Car park units

In arriving at the market value, the valuer adopted comparison approach and income approach by investment method.

The comparison approach considers the sales of similar or substitute properties and related market data, and establishes a value estimate by adjustments made for differences in factors that affect value.

Income approach by investment method involved capitalisation of the net annual income stream that is expected to be received from the property after deducting the annual outgoings and other operating expenses incidental to the property with allowance for void by using an appropriate market derived capitalisation rate.

#### Sensitivity analysis for fair value of the shopping mall

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

		2022 Increase/(Decrease) Loss net of tax RM'000	2021 Increase/(Decrease) Loss net of tax RM'000
Estimated rental rates	+ 10%	16,600	23,000
	- 10%	(16,600)	(23,000)
Outgoings	+ 10%	(10,000)	(7,000)
	- 10%	10,000	7,000
Allowance for void	+ 10%	(7,900)	(10,000)
	- 10%	7,900	10,000
Reversionary yield rates	+ 1%	(27,900)	(25,000)
	- 1%	40,300	35,000
Term yield rates	+ 1%	(31)	(21)
	- 1%	31	21

### 32. Fair value measurements (cont'd.)

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

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

	Note
Trade and other receivables (non-current and current)	18
Other investments	21
Cash and cash equivalents	24
Trade and other payables (non-current and current)	27
Loans and borrowings (non-current and current)	28

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

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

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

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

#### Financial guarantees

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

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

Detail is as disclosed in Note 30.

#### **Categories of financial instrument:**

Group	Note	2022 RM'000	2021 RM'000
<b>Financial assets</b>			
At amortised costs:			
Trade and other receivables	18	564,034	650,160
Cash and cash equivalents	24	36,070	44,951
At fair value through profit or loss:			
Other investment	21	139,680	134,350

## FINANCIALS

### 32. Fair value measurements (cont'd.)

#### Categories of financial instrument: (cont'd.)

Group (cont'd.)	Note	2022 RM'000	2021 RM'000
<b>Financial liabilities</b>			
At amortised costs:			
Trade and other payables	27	100,407	90,065
Loans and borrowings	28	663,842	762,178
<b>Company</b>			
<b>Financial assets</b>			
At amortised costs:			
Trade and other receivables	18	71,513	90,280
Cash and cash equivalents	24	90	237
At fair value through profit or loss:			
Other investment	21	5,575	553
<b>Financial liabilities</b>			
At amortised costs:			
Trade and other payables	27	52,396	53,297
Loans and borrowings	28	33,548	39,833

### 33. Financial risk management objectives and policies

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

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

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

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

#### (a) Credit risk management

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

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

All trade and other receivables and contract assets are subject to impairment review at the end of the reporting period. The collateral mitigates credit risk and would reduce the extent of impairment allowance for the assets subject to impairment review.

**33. Financial risk management objectives and policies (cont'd.)****(a) Credit risk management (cont'd.)**Exposure to credit risk

As at the reporting date, the Group has a concentration of credit risk as disclosed in Note 18. Apart from this, the Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial assets.

The details of the financial guarantees provided by the Company to its subsidiaries and the assessment of the expected credit loss and fair values are disclosed in Note 30.

Credit risk concentration profile

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

Group	2022		2021	
	RM'000	% of total	RM'000	% of total
<u>By industry sectors</u>				
Concessionaire sector	543,349	98%	621,498	97%
Property development sector	10,454	2%	17,292	3%
Investment property *	2,822	0%	2,954	0%
Other sector *	291	0%	286	0%
	<u>556,916</u>	<u>100%</u>	<u>642,030</u>	<u>100%</u>

\* Less than 1% of total receivables

Financial assets that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired as disclosed in Note 18. Deposits with banks that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

**(b) Liquidity risk management**

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from the 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.

**Analysis of financial instruments by remaining contractual maturities**

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 and the Company aim at maintaining flexibility in funding by keeping committed credit lines available.

## FINANCIALS

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

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

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

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

Group	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
<b>At 31 December 2022</b>				
<b>Financial liabilities</b>				
Trade and other payables	75,630	28,882	-	104,512
Loans and borrowings	198,871	568,762	216,582	984,215
Total undiscounted financial liabilities	<u>274,501</u>	<u>597,644</u>	<u>216,582</u>	<u>1,088,727</u>
<b>At 31 December 2021</b>				
<b>Financial liabilities</b>				
Trade and other payables	77,548	13,641	-	91,189
Loans and borrowings	204,185	580,259	219,346	1,003,790
Total undiscounted financial liabilities	<u>281,733</u>	<u>593,900</u>	<u>219,346</u>	<u>1,094,979</u>
<b>Company</b>				
<b>At 31 December 2022</b>				
<b>Financial liabilities</b>				
Trade and other payables	52,396	-	-	52,396
Loans and borrowings	18,163	10,674	10,501	39,338
Total undiscounted financial liabilities	<u>70,559</u>	<u>10,674</u>	<u>10,501</u>	<u>91,734</u>
<b>At 31 December 2021</b>				
<b>Financial liabilities</b>				
Trade and other payables	53,220	-	-	53,220
Loans and borrowings	23,240	10,421	13,265	46,926
Total undiscounted financial liabilities	<u>76,460</u>	<u>10,421</u>	<u>13,265</u>	<u>100,146</u>

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

#### (c) Interest rate risk management

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

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's debt obligations. The Group adopts a policy of constantly monitoring movements in interest rates. Presently, it does not use derivative financial instruments to hedge its interest rate risk.

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

##### Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 10 basis points lower/higher, with all other variables held constant, the Group's loss net of tax would have been RM38,000 (2021: RM18,060) lower/higher, arising mainly as a result of lower/higher net of interest received from the floating rate other investment and deposit with loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

#### (d) Foreign currency exchange risk management

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

The Group holds cash and cash equivalents and other investments denominated in foreign currency for working capital purposes. At the reporting date, such foreign currency balances (mainly in Australian Dollar ("AUD")) amounted to RM981,000 (2021: RM557,000) for the Group.

There is no impact on the equity of the Group and the Company arising from a reasonably possible change in the interest rate.

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

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

##### Sensitivity analysis for foreign currency risk

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

	Group	
	2022	2021
	Increase/(Decrease)	Increase/(Decrease)
	Loss net of Tax	Loss net of Tax
	RM'000	RM'000
AUD/RM		
- strengthened 1% (2021: 2%)	(1)	(15)
- weakened 1% (2021: 2%)	1	15

There is no impact on the equity of the Group and the Company arising from a reasonably possible change in the interest rate.

## FINANCIALS

## 34. 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 shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the return of capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2022 and 31 December 2021.

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

		Group		Company	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Loans and borrowings	28	663,842	762,178	33,548	39,833
Trade and other payables	27	100,407	90,065	52,396	53,297
Less:					
Sukuk Murabahah	28	(574,107)	(651,860)	-	-
Other investments	21	(139,680)	(134,350)	(5,575)	(553)
Cash and cash equivalents	24	(36,070)	(44,951)	(90)	(237)
Net debt		<u>14,392</u>	<u>21,082</u>	<u>80,279</u>	<u>92,340</u>
Equity attributable to the owners of the parent		333,936	353,749	137,299	146,032
Non-controlling interest		89,107	87,095	-	-
Total capital		<u>423,043</u>	<u>440,844</u>	<u>137,299</u>	<u>146,032</u>
Capital and net debt		<u>437,435</u>	<u>461,926</u>	<u>217,578</u>	<u>238,372</u>
Gearing ratio		<u>3%</u>	<u>5%</u>	<u>37%</u>	<u>39%</u>

The Sukuk Murabahah has been excluded from the computation above as the Sukuk is secured over security as disclosed in Note 28(a) and the Sukuk do not have any financial recourse to the Group.



### 35. Segment information

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

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

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

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

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

## FINANCIALS

### 35. Segment information (cont'd.)

	Investment and the provision of management services RM'000	Concessionaire RM'000	Property development RM'000	Investment property RM'000	Construction project management RM'000	Others* RM'000	Adjustment and eliminations RM'000	Notes	Per consolidated financial statements RM'000
<b>Revenue</b>									
External customers	-	58,631	73,388	5,035	-	440	-		137,494
Inter-segment	4,549	-	-	866	-	5,546	(10,961)	A	-
Total revenue	4,549	58,631	73,388	5,901	-	5,986	(10,961)		137,494
<b>Results:</b>									
Interest income and distribution income	3,238	3,001	10,340	1	3	2	(12,270)		4,315
Interest expense	(2,329)	(59,917)	(6,889)	(9,058)	(15)	(17)	12,283		(65,942)
Depreciation and amortisation	(1,944)	(2)	(60)	(283)	-	(2)	(101)		(2,392)
Rental income	-	-	830	6	-	-	-		836
Grant income	-	-	5	-	-	-	-		5
Other non-cash income	31	155	336	17	-	8	(14)	B	533
Fair value gain on investment property	-	-	-	1,913	-	-	(450)		1,463

At 31 December 2022

### 35. Segment information (cont'd.)

	Investment and the provision of management services RM'000	Concessionaire RM'000	Property development RM'000	Investment property RM'000	Construction project management RM'000	Others * RM'000	Adjustment and eliminations RM'000	Notes	Per consolidated financial statements RM'000
<b>At 31 December 2022 (cont'd.)</b>									
<b>Results: (cont'd.)</b>									
Inventories written down	-	-	(13,663)	-	-	-	28		(13,635)
Segment (loss)/profit	(15,270)	284	(18,453)	(9,412)	(1,592)	(1,343)	27,582		(18,204)
<b>Assets:</b>									
Additions to non-current assets	158	4	18,598	692	-	4	(28)	C	19,428
Segment assets	256,283	676,666	538,023	317,558	56,683	2,342	(646,669)	D	1,200,886
<b>Segment liabilities</b>	95,003	575,081	270,841	374,005	15,185	13,939	(566,211)	E	777,843

\* Inclusive entities in facilities management, general trading and property investment.

## FINANCIALS

### 35. Segment information (cont'd.)

	Investment and the provision of management services RM'000	Concessionaire RM'000	Property development RM'000	Investment property RM'000	Construction project management RM'000	Others* RM'000	Adjustment and eliminations RM'000	Notes	Per consolidated financial statements RM'000
<b>Revenue</b>									
External customers	-	66,038	76,081	4,585	-	-	-		146,704
Inter-segment	5,896	-	-	829	-	-	(6,725)	A	-
Total revenue	5,896	66,038	76,081	5,414	-	-	(6,725)		146,704
<b>Results:</b>									
Interest income and distribution income	3,330	3,048	8,929	-	1	2	(11,927)		3,383
Interest expense	(2,407)	(67,042)	(6,951)	(8,669)	(14)	(5)	11,927		(73,161)
Depreciation and amortisation	(1,945)	(1)	(80)	(248)	-	(4)	(100)		(2,378)
Rental income	-	-	752	-	-	-	-		752
Grant income	33	-	15	58	-	-	-		106
Other non-cash income	56	133	146	81	-	-	-	B	416
Fair value loss on investment property	-	-	(6,128)	(2,130)	-	-	570		(7,688)

At 31 December 2021

### 35. Segment information (cont'd.)

	Investment and the provision of management services RM'000	Concessionaire RM'000	Property development RM'000	Investment property RM'000	Construction project management RM'000	Others * RM'000	Adjustment and eliminations RM'000	Notes	Per consolidated financial statements RM'000
<b>At 31 December 2021 (cont'd.)</b>									
<b>Results: (cont'd.)</b>									
Inventories written down	-	-	(4,148)	-	-	-	17		(4,131)
Segment (loss)/profit	(8,123)	404	1,615	(11,618)	(563)	(668)	10,786		(8,167)
<b>Assets:</b>									
Additions to non-current assets	47	3	426	13	-	-	-	C	489
Segment assets	275,307	753,698	567,969	305,469	50,339	496	(644,329)	D	1,308,949
<b>Segment liabilities</b>	95,332	652,479	287,701	352,696	7,249	9,913	(537,265)	E	868,105

\* Inclusive entities in facilities management, general trading and property investment.

## FINANCIALS

### 35. Segment information (cont'd.)

A Inter-segment revenues were eliminated on consolidation.

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

	Note	2022 RM'000	2021 RM'000
Other Income-Purchasers related income		301	125
Other income		204	241
Gain on disposal of assets	6	28	50
		<u>533</u>	<u>416</u>

C Additions to non-current assets consist of:

	Note	2022 RM'000	2021 RM'000
Property, plant and equipment	13	1,041	84
Investment properties	14	27	-
Land held for property development	15(a)	18,360	405
		<u>19,428</u>	<u>489</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	2022 RM'000	2021 RM'000
Deferred tax assets	20	2,040	5,653
Tax recoverable		1,242	1,227
Inter-segment assets		(649,951)	(651,209)
		<u>(646,669)</u>	<u>(644,329)</u>

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

	Note	2022 RM'000	2021 RM'000
Current tax payable		906	1,893
Deferred tax liabilities	20	4,942	4,664
Inter-segment liabilities		(572,059)	(543,822)
		<u>(566,211)</u>	<u>(537,265)</u>

## 35. Segment information (cont'd.)

Geographical information

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

	Revenue		Non-current assets	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Malaysia	137,494	146,704	315,815	303,925
Australia	-	-	8,230	8,306
	<u>137,494</u>	<u>146,704</u>	<u>324,045</u>	<u>312,231</u>

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

	Note	2022 RM'000	2021 RM'000
Property, plant and equipment	13	5,523	4,828
Intangible assets	17	152	79
Investment properties	14	291,780	290,290
Land held for property development	15(a)	<u>26,590</u>	<u>17,034</u>
		<u>324,045</u>	<u>312,231</u>

## 36. Significant events

During the year, the Group entered into the following arrangements:

- (i) A subsidiary of the Group, EDSB had on 22 March 2022 signed an agreement with FELDA to develop a mixed-development project on a 46-acre land at FELDA Chuping. The project comprises Phase 1 and 2 of low cost and medium cost houses, shop houses and semi-detached houses. Phase 1 of the project is currently under development.
- (ii) On 18 May 2022, EDSB had signed a conditional agreement with IPSB to acquire a piece of leasehold land measuring 1.60 acres located at Bukit Kepayan, District of Kota Kinabalu, State of Sabah for a consideration of RM10,800,000. The land is payable by instalment based on the sales collection. The agreement became unconditional on 16 December 2022 following the fulfillment of all conditions listed on the agreement. As a result of the deferred payment plan offered for the land, the Group has recorded the land costs at a discounted consideration of RM10,348,000. The project is under the planning stage as at 31 December 2022. Construction work and the launching of the sale of the project is expected to begin in 2023.
- (iii) On 9 September 2022, ECISB had signed a conditional agreement with TMSB to acquire and jointly develop a land measuring approximately 4.97 acres held under HS(D) 9832 Lot PT 30854 at Mukim Kuala Kuantan, Daerah Kuantan, Negeri Pahang. The consideration of the land is RM21,500,000. The agreement became unconditional on 30 September 2022 upon the fulfillment of all conditions stated in the agreement.

For this arrangement, a subsidiary, EMLSB, which the Group has a 70% equity interest was incorporated as disclosed in Note 16.

## FINANCIALS

### LIST OF PROPERTIES

LOCATION LAND	DESCRIPTION AND EXISTING USE	AREA (sq. m)	NET CARRYING AMOUNTS * AS AT 31.12.2022 (RM'000)	YEAR OF ACQUISITION
Completed Investment Properties				
Warna Avenue	29 units terrace shop offices	18,124	135,400	2013
Strand Mall	4 storey retail podium including a basement car park and 4 levels of car park located above the retail podium	122,445	165,100	2013
Garden Office, Kota Damansara, Selangor Darul Ehsan on PN 96661, Lot 53635, Pekan Baru Sungai Buloh, Daerah Petaling, Selangor Darul Ehsan	516 units of car park bay (99 years lease expiring on 14/11/2107)	6,136	7,800	2021
LOCATION LAND	DESCRIPTION AND EXISTING USE	AREA (sq. m)	NET CARRYING AMOUNTS * AS AT 31.12.2022 (RM'000)	YEAR OF ACQUISITION
Inventories - Properties Held For Sale				
Garden Office, Kota Damansara, Selangor Darul Ehsan on PN 96661, Lot 53635, Pekan Baru Sungai Buloh, Daerah Petaling, Selangor Darul Ehsan	15 units of office suites (99 years lease expiring on 14/11/2107)	1,590	4,964	2000
PN 83285 Lot 5354, PN 83359 Lot 5427 & PN 83360 Lot 5428, Bandar Shah Alam, Daerah Petaling, Selangor Darul Ehsan	Residential properties (99 years lease expiring on 28/03/2104)	1,490	120	2000
PN 117612 Lot 53634, Pekan Baru Sungai Buloh, Daerah Petaling, Selangor Darul Ehsan	29 units of residential apartment & 71 units of car park bay (99 years lease expiring on 14/11/2107)	4,942	25,187	2000
PN 82706 Lot 4775, Bandar Shah Alam, Daerah Petaling, Selangor Darul Ehsan	1 unit of residential properties (99 years lease expiring on 30/03/2104)	178	582	2000
PN 81957 Lot 4093, PN 82016 Lot 4149, PN 82046 Lot 4183 & PN 82052 Lot 4190, Bandar Shah Alam, Daerah Petaling, Selangor Darul Ehsan	4 units of residential properties (99 years lease expiring on 22/03/2104)	923	2,121	2000
No Hakmilik 509608, Lot 194438, Mukim Pulai, Daerah Johor Bahru, Johor	32 units of residential apartment, 16 units of retail & 316 units of car park bay (freehold land)	9,447	31,747	2012



LOCATION LAND	DESCRIPTION AND EXISTING USE	AREA (sq. m)	NET CARRYING AMOUNTS * AS AT 31.12.2022 (RM'000)	YEAR OF ACQUISITION
Inventories - Properties Under Development & Land Held for Development				
PN 83361 - 83425 Lot 5432 - 5496, PN 83426 - 83434 Lot 5499 - 5507 & PN 83435 - 83452 Lot 5509 - 5526 Bandar Shah Alam, Daerah Petaling, Selangor Darul Ehsan	Residential properties under construction (99 years lease expiring on 31/03/2104)	16,195	1,730	2000
PN 82612 - 82624 Lot 4694 - Lot 4706, PN 82644 - 82651 Lot 4707 - 4714, PN 82653 - 82664 Lot 4718 - 4729, PN 82669 - 82670 Lot 4730 - 4731, PN 82671 - 82675 Lot 4744 - 4748, PN 82677 - 82683 Lot 4749 - 4755 & PN 83748 - 83759 Lot 4732 - 4743, Bandar Shah Alam, Daerah Petaling, Selangor Darul Ehsan	Residential properties under construction (99 years lease expiring on 28/03/2104 & 30/03/2104)	11,910	8,603	2000
H.S.(D) No.10717, PT 398, Mukim Padang Siding, Daerah Perlis, Perlis	270 units of residential properties and 13 units shoplot under construction and land held for property development (99 years lease expiring on 17/06/2113)	84,984	5,061	2022
PN 82833 - 82852 Lot 4902 - 4921, PN 82854 - 82925 Lot 4924 - 4995 & PN 82927 - 82946 Lot 4997 - 5016, Bandar Shah Alam, Daerah Petaling, Selangor Darul Ehsan	Land held for property development (99 years lease expiring on 31/03/2104)	22,989	8,983	2000
H.S.(D) 9832 PT 30854, Mukim Kuala Kuantan, Daerah Kuantan, Pahang	Freehold land held for property development	20,097	18,360	2022
Town Lease Lot No.017549665, Plan No.01126047, Bukit Kepayan, Daerah Kota Kinabalu, Sabah	Land held for property development (99 years lease expiring on 31/12/2097)	6,475	10,427	2022

LOCATION LAND	DESCRIPTION AND EXISTING USE	AREA (sq. m)	NET CARRYING AMOUNTS * AS AT 31.12.2022 (RM'000)	YEAR OF ACQUISITION
Overseas Inventories				
67 McCallum Lane, Victoria Park, Australia being Lots 26, 27 & 28 on Strata Title Plan 63339	3 units of residential apartment (freehold)	1,187	14,940	2010

LOCATION LAND	DESCRIPTION AND EXISTING USE	AREA (sq. m)	NET CARRYING AMOUNTS * AS AT 31.12.2022 (RM'000)	YEAR OF ACQUISITION
Inventories - Overseas Properties Under Development & Land Held for Development				
880 North Lake Road, Cockburn Central, Australia	Freehold land held for property development	11,002	8,230	2012

\* The figures are based on the net carrying amounts recorded by the respective subsidiaries of the Group.

## SHAREHOLDINGS' INFORMATION

## SHAREHOLDINGS' INFORMATION

## ANALYSIS OF SHAREHOLDINGS AS AT 21 MARCH 2023

Issued Share Capital : RM 399,016,243.65 comprising 316,684,717 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	164	5.92	1,528	0.00
100 - 1,000	392	14.14	243,111	0.08
1,001 - 10,000	1,471	53.07	6,940,322	2.19
10,001 - 100,000	626	22.58	22,928,229	7.25
100,001 - less than 5% of issued shares	117	4.22	49,118,001	15.53
5% and above of issued shares	2	0.07	237,067,526	74.95
<b>Total</b>	<b>2,772</b>	<b>100.00</b>	<b>316,298,717</b>	<b>100.00</b>

## INFORMATION OF SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholders	Direct		Indirect	
	Direct No. of Shares	%	Indirect No. of Shares	%
Felda Investment Corporation Sdn. Bhd.	197,067,526	62.30	-	-
Federal Land Development Authority	-	-	197,067,526 <sup>①</sup>	62.30
Anjakan Masyhur Sdn. Bhd.	40,000,000	12.65	-	-
Azman Hanafi bin Abdullah	-	-	40,000,000 <sup>②</sup>	12.65
Ahmad Zaed bin Saleh Hamdi	-	-	40,000,000 <sup>②</sup>	12.65

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

<sup>②</sup> Deemed interest by virtue of their substantial shareholdings in Anjakan Masyhur Sdn. Bhd.

## LIST OF DIRECTORS' SHAREHOLDINGS

Directors	Shareholdings			
	Direct No. of Shares	%	Indirect No. of Shares	%
Tuan Haji Sr. Mohd Ali Bin Abd Karim	-	-	-	-
Datuk Haji Jaafar Bin Abu Bakar	-	-	-	-
Mahadzir Bin Mustafa	-	-	-	-
Tuan Haji Lukman Bin Abu Bakar	-	-	-	-
Dato' Dr Suzana Idayu Wati Binti Osman	-	-	-	-

LIST OF 30 LARGEST SHAREHOLDERS  
(as at 21 March 2023)

No.	Name	No. of Shares	%
1.	Felda Investment Corporation Sdn. Bhd.	197,067,526	62.30
2.	Anjakan Masyhur Sdn. Bhd.	40,000,000	12.65
3.	Kamaruzzaman Bin Abu Kassim	7,026,700	2.22
4.	CGS-CIMB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Teh Swee Heng (MM1118)	5,952,000	1.88
5.	Ting Ding Ing	1,924,500	0.61
6.	Lee Min Huat	1,500,000	0.47
7.	Rosnah Binti Abd Majid	1,354,401	0.43
8.	Wee Huey Chin	1,200,000	0.38
9.	Affin Hwang Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tan Kian Aik	1,064,100	0.34
10.	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Chew Pok Oi	1,060,800	0.34
11.	Abdul Aziz Bin Abdul Kadir	1,000,000	0.32
12.	Ang Choon Leng	998,500	0.32
13.	Boon Jit Fan	970,000	0.31
14.	Er Ka Yong	847,600	0.27

## SHAREHOLDINGS' INFORMATION

No.	Name	No. of Shares	%
15.	Cartaban Nominees (Asing) Sdn. Bhd. The Bank of New York Mellon for Acadian Emerging Markets Micro-Cap Equity Master Fund	774,000	0.24
16.	Low Lay Ping	768,100	0.24
17.	CGS-CIMB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Khor Kim Hock (B B Klang-CL)	752,200	0.24
18.	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Stuart Saw Teik Siew	659,500	0.21
19.	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Hii Sui Cheng (E-JCL)	598,500	0.19
20.	Kenanga Nominees (Tempatan) Sdn. Bhd. Rakuten Trade Sdn Bhd for Eow Dick Yen	550,000	0.17
21.	Cheng Kok Sang	543,500	0.17
22.	Eng Kim Liong	500,000	0.16
23.	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tio Tian Teck (E-KTN)	486,700	0.15
24.	Lim Geok Eng Mary	468,500	0.15
25.	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tan Kian Aik	452,800	0.14
26.	Olive Lim Swee Lian	410,000	0.13
27.	Lim Geok Eng Mary	360,000	0.11
28.	Tin Tong Joo	360,000	0.11
29.	Maybank Nominees (Tempatan) Sdn. Bhd. Chua Eng Ho Wa'a @ Chua Eng Wah	339,400	0.11
30.	Lee Kek Fook	338,000	0.11
Total		270,327,327	85.47

## STATEMENT OF SHARE BUY-BACK

### STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING PURSUANT TO PARAGRAPH 12.06(1) OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

#### 1. Disclaimer Statement

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

Bursa Malaysia Securities Berhad ("Bursa Securities") has not perused the Share Buy-Back Statement ("Statement") prior to its issuance as it is an exempt document. Bursa Securities takes no responsibility for the contents of this Statement, makes no representation as to its accuracy or completeness and expressly disclaims any liability, whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Statement.

#### 2. Introduction

The Company had on 23 February 2023, announced that it will be seeking shareholders' approval at the 23rd 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 ten per centum (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 23rd AGM of the Company to be held at the Broadcast Venue at Executive Lounge, Third Floor, Encorp Berhad, No 46-3, Jalan PJU 5/22, Pusat Perdagangan Kota Damansara, Kota Damansara PJU 5, 47810 Petaling Jaya, Selangor Darul Ehsan.

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

At the 22nd AGM of the Company held on 29 June 2022, the shareholders had approved the renewal of the authority for the Company to purchase its own shares of up to ten per centum (10%) of the total number of issued shares of the Company. The said approval will expire at the conclusion of the 23rd 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 23rd AGM and will expire at:

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

whichever occurs first.

The Company may only purchase its own shares at a price which is not more than fifteen per centum (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 five per centum (5%) to the weighted average market price of the Encorp Shares for the five (5) market days immediately before the resale provided that:
  - (a) the resale takes place not earlier than thirty (30) days from the date of purchase; and
  - (b) the resale price is not less than the cost of purchase of the Encorp Shares being resold.

In accordance with Paragraph 12.26 of the Listing Requirements, Encorp may purchase its own shares in odd lots, i.e. any number of its own shares which is less than the number of shares prescribed by Bursa Securities as a board lot through Direct Business Transaction or in any other manner as may be approved by Bursa Securities in accordance with such requirements as may be prescribed or imposed by Bursa Securities.

To date, the Company has yet to determine the manner of which the purchased shares are to be treated.

#### 4. Rationale for the Proposed Renewal of Authority for Share Buy-Back

The proposed share buy-back, if exercised, is expected to potentially benefit the Company and its shareholders in the following manners:

- (a) The proposed share buy-back will provide the Company the option to return its surplus financial resources to its shareholders;
- (b) Depending on the effective cost of funding of the shares to be purchased, the earnings per share of the Group may be enhanced (in the case where the shares so purchased are cancelled), and thereby long term investors are expected to enjoy a corresponding increase in the value of their investments in the Company;
- (c) If the shares purchased are kept as treasury shares, the treasury shares may be realised with potential gain without affecting the total number of issued shares of the Company. Alternatively, the shares purchased can be distributed as share dividends to reward the shareholders of the Company; and
- (d) The Company may be able to stabilise the supply and demand of its shares in the open market and thereby supporting its fundamental value.

#### 5. Retained Profits

The proposed share buy-back must be made wholly-out of the company's retained profits. The maximum amount of funds to be utilised must not exceed the retained profit of the Company.

Based on the Audited Financial Statements of the Company for the financial year ended 31 December 2022, the accumulated loss of the Company stood at RM261,390,000.

#### 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.

## 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 2023 on the assumption that shares purchased from shareholders other than the Directors are set out below:

	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	%
<b>Directors</b>								
Tuan Haji Sr. Mohd Ali Bin Abd Karim	-	-	-	-	-	-	-	-
YBhg Datuk Haji Jaafar Bin Abu Bakar	-	-	-	-	-	-	-	-
Mahadzir Bin Mustafa	-	-	-	-	-	-	-	-
Tuan Haji Lukman Bin Abu Bakar	-	-	-	-	-	-	-	-
Dato' Dr. Suzana Idayu Wati Binti Osman	-	-	-	-	-	-	-	-

① Assuming that ten per centum (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 2023 on the assumption that shares are purchased from shareholders other than the substantial shareholders are set out below:

	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	%
<b>Substantial Shareholders</b>								
Felda Investment Corporation Sdn. Bhd.	197,067,526	62.30	-	-	197,067,526	69.14	-	-
Federal Land Development Authority	-	-	197,067,526 ①	62.30	-	-	197,067,526 ①	69.14
Anjakan Masyhur Sdn. Bhd.	40,000,000	12.65	-	-	40,000,000	14.03	-	-
Ahmad Zaed Bin Saleh Hamdi	-	-	40,000,000 ②	12.65	-	-	40,000,000 ②	14.03
Azman Hanafi Bin Abdullah	-	-	40,000,000 ②	12.65	-	-	40,000,000 ②	14.03

# Assuming that ten per centum (10%) of the existing total number of issued shares capital of Encorp are bought and retained as treasury shares in total

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

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



## 8. Potential Advantages and Disadvantages of the Proposed Renewal of Authority for Share Buy-Back

Potential advantages of the Proposed Renewal of Authority for Share Buy-Back to the Company and its shareholders are stated in Section 4 above.

Potential disadvantages of the Proposed Renewal of Authority for Share Buy-Back to the Company and its shareholders are as follow:

- (a) it will reduce the financial resources of the Group and may result in the Group foregoing better investment opportunities in future or, at least deprive Encorp Group of interest income that can be derived from the funds utilised for the Share Buy-Back; and
- (b) As the Share Buy-Back can only be made out of retained profits of the Company, it may result in the reduction of financial resources available for distribution to shareholders in the immediate future.

The Proposed Renewal of Authority for Share Buy-Back is not expected to have any potential material disadvantages to the Company and its shareholders, as it will be exercised only after in depth consideration of the financial resources of the Company and of the resultant impact on its shareholders. The Board of Directors in exercising any decision on the share buy-back will be mindful of the interest of the Company and its shareholders.

## 9. Financial Effects of the Proposed Renewal of Authority for Share Buy-Back

On the assumption that the share buy-back is carried out in full, the effects of the Proposed Renewal of Authority for Share Buy-Back on the share capital, net assets (NA) per share, working capital and earnings per share (EPS) of the Company are set out below:

### (a) Share Capital

The effects of any purchase of the Company's own shares will depend on whether the Encorp Shares so purchased are cancelled or retained as treasury shares.

The proposed share buy-back will not have any effect on the total number of issued shares if all the Encorp Shares purchased are to be retained as treasury shares, re-sold or distributed to our shareholders.

The proposed share buy-back will however, result in the reduction of the total number of issued shares if the Encorp Shares so purchased are cancelled. The proforma effects of the proposed share buy-back based on the issued and paid-up share capital as at 21 March 2023 and assuming the Encorp Shares so purchased are cancelled are set out below:

	No. of Encorp Shares
Existing issued and paid-up share capital as at 21 March 2023	316,684,717
Treasury shares as at 21 March 2023	(386,000)
If maximum number of shares are purchased pursuant to the proposed share buy-back	(31,282,472)
Issued and paid-up share capital as diminished, if the treasury shares are cancelled	285,016,245

**(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 2023 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 the Directors and substantial shareholders of the Company.

**10. Implication Under the Rules on Take Overs, Mergers and Compulsory Acquisitions (the "Rules")**

In the event the proposed share buy-back results in any director(s), substantial shareholder(s) and/or parties acting in concert with him/them triggering a mandatory offer obligation under the Rules, the affected director(s) or substantial shareholder(s) will be obliged to make a mandatory offer for the remaining Encorp Shares not held by him/them.

However, an approval may be sought from the Securities Commission by the affected director(s) or substantial shareholder(s) for exemption under the Rules before a mandatory offer obligation is triggered.

**11. Purchase, Resale, Transfer and/or Cancellation of shares made in the previous twelve (12) months**

As per the Record of Depositors as at 21 March 2023, a total of 386,000 shares were held as treasury shares.

None of the 386,000 shares bought back has been resold, transferred, cancelled and/or distributed as share dividend.

**12. Public Shareholding Spread**

As at 21 March 2023, the public shareholding spread of Encorp was 25.05%. The Company will not undertake any share buy-back if that will result in further breach of paragraph 8.02(1) of the Main Market Listing Requirements of Bursa Securities, which requires the Company to maintain a shareholding spread of at least 25% of its total listed shares (excluding treasury shares) are in the hands of public shareholders. The Board is mindful of the shareholding spread requirement and will continue to be mindful of the requirement when making any purchase of Encorp Shares by the Company.

**13. Share Prices**

The monthly highest and lowest prices of the shares traded on the Bursa Securities for the last twelve (12) months from April 2022 to March 2023 are as follows:

Year/ Month	2022 April	2022 May	2022 June	2022 Jul	2022 Aug	2022 Sept	2022 Oct	2022 Nov	2022 Dec	2023 Jan	2023 Feb	2023 Mar
(RM) HIGH	0.275	0.255	0.260	0.265	0.270	0.255	0.220	0.230	0.255	0.305	0.330	0.310
(RM) LOW	0.255	0.235	0.225	0.220	0.225	0.210	0.200	0.200	0.220	0.215	0.270	0.245

The last transacted price of Encorp shares on 21 March 2023 being the last practicable date prior to the printing of this statement was RM0.250.

**14. Directors' Statement**

This Statement has been seen and approved by the Board of Directors and they individually and collectively accept full responsibility for the accuracy of the information given in this Statement and confirm that, after making all reasonable enquiries, to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

Having considered all aspects of the proposed share buy-back, the Board of Directors is of the opinion that the Proposed Renewal of Authority for Share Buy-Back is fair, reasonable and in the best interest of the Company.

## 15. Directors' Recommendation

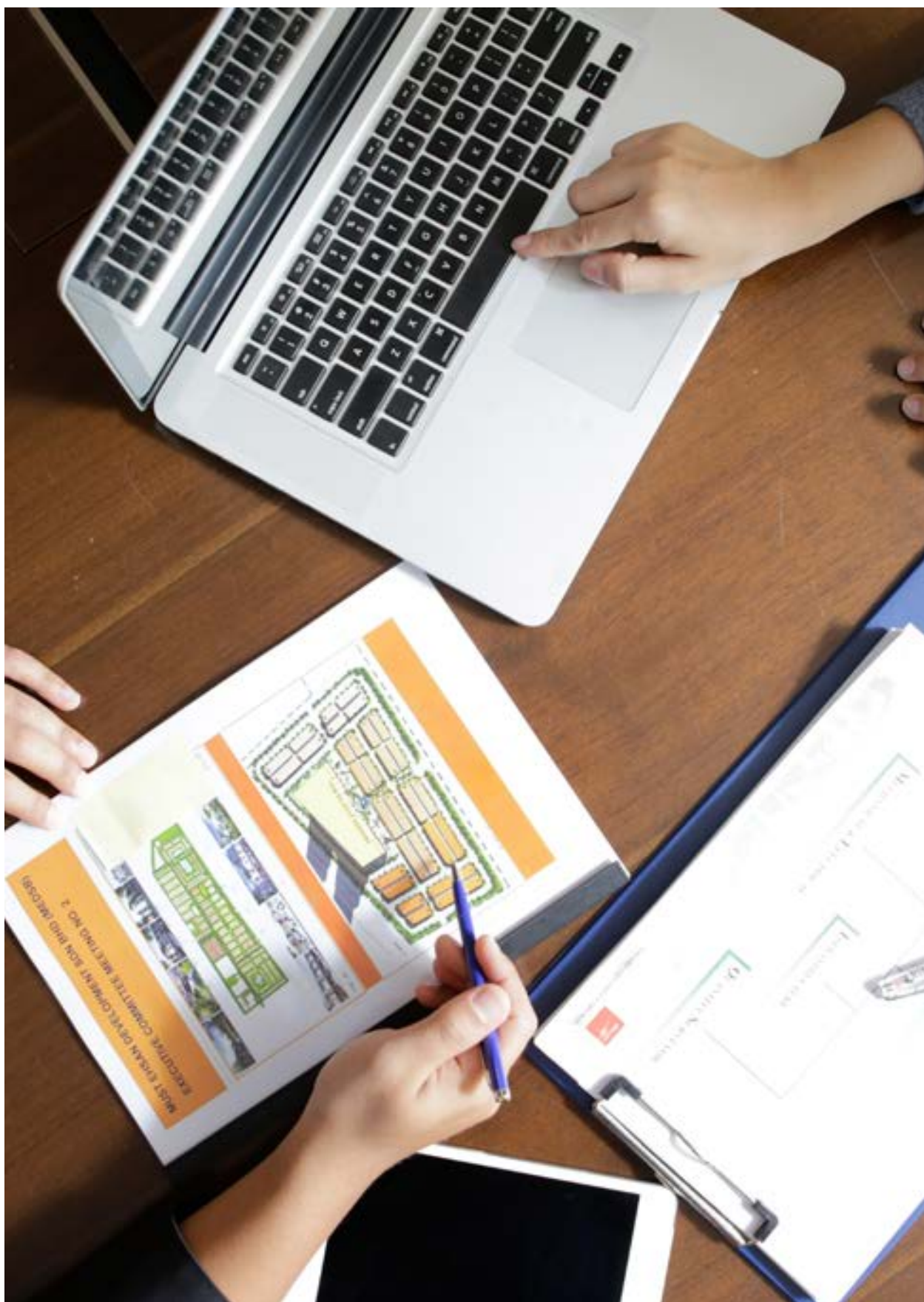
The Board of Directors recommends that you vote in favour of the Ordinary Resolution for the Proposed Renewal of Authority for Share Buy-Back to be tabled at the forthcoming 23rd AGM.

## 16. Other Information

Copies of the following documents will be available for inspection at the registered office of Encorp at No.45-1, Jalan PJU 5/21, Pusat Perdagangan Kota Damansara, Kota Damansara PJU 5, 47810 Petaling Jaya, Selangor Darul Ehsan, during normal office hours on any working day from 18 April 2023 up to and including the date of the 23rd AGM:

- (a) Constitution of Encorp;
- (b) Unaudited Quarterly Financial Report on the Consolidated Results of the Encorp Berhad Group of Companies for the Fourth Quarter ended 31 December 2022; and
- (c) Audited financial statements for the financial years ended 31 December 2021 and 31 December 2022.

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.



**ANNUAL GENERAL MEETINGS****NOTICE OF 23<sup>RD</sup> ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN THAT the 23rd Annual General Meeting ("AGM") of ENCORP BERHAD will be conducted as a virtual AGM at the Broadcast Venue at Executive Lounge, Third Floor, Encorp Berhad, No 46-3, Jalan PJU 5/22, Pusat Perdagangan Kota Damansara, Kota Damansara PJU 5, 47810 Petaling Jaya, Selangor Darul Ehsan, on Thursday, 22 June 2023 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 2022 together with the Reports of the Directors and Auditors thereon.	(Please refer to Explanatory Note 1)
2	To approve the Directors' fees of up to RM700,000 from the conclusion of 23rd AGM until the next AGM of the Company, to be payable on a quarterly basis in arrears.	(Ordinary Resolution 1)
3	To approve the payment of Directors' benefits of up to RM170,000 being meeting attendance allowances and up to RM85,000 for each Director being the medical benefits, from the conclusion of 23rd AGM until the next AGM of the Company.	(Ordinary Resolution 2)
4	To re-elect Datuk Haji Jaafar Bin Abu Bakar who retires by rotation in accordance with Clause 99 of the Constitution of the Company and who being eligible offers himself for re-election.	(Ordinary Resolution 3)
5	To re-elect Dato' Dr Suzana Idayu Wati Binti Osman who retires in accordance with Clause 106 of the Constitution of the Company and who being eligible offers herself for re-election.	(Ordinary Resolution 4)
6	To re-appoint Messrs Ernst & Young PLT as Auditors of the Company until the conclusion of the next AGM and to authorise the Directors to fix the Auditors' remuneration.	(Ordinary Resolution 5)

**As Special Business**

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

7	<b>Proposed Renewal of Authority for Share Buy-Back</b>  "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: <ul style="list-style-type: none"> <li>(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;</li> <li>(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</li> </ul>	
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(c) the authority conferred by this resolution will commence immediately upon passing of this ordinary resolution and shall continue to be in force until:

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

whichever is earlier.

AND THAT the Directors of the Company be and are hereby authorised to deal with the shares purchased in their absolute discretion in the following manner:

- (i) cancel all the shares so purchased;
- (ii) retain the shares so purchased as treasury shares; or
- (iii) retain part of the shares so purchased as treasury shares and cancel the remainder of the shares.

AND FURTHER THAT the Directors of the Company be and are hereby authorised to take all such steps as are necessary and/or enter into any and all agreements, arrangements and guarantees with any party or parties to implement, finalise and give full effect to the aforesaid purchase with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities from time to time to implement or to effect the purchase of its own shares."

(Ordinary Resolution 6)

**8 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 18 April 2023.**

"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 18 April 2023) which are necessary for the day-to-day operations in the ordinary course of business and are carried out at arms' length basis on normal commercial terms of the Encorp Group, on terms not more favourable to the related parties than those generally available to the public and are not detrimental to minority shareholders of the Company and such approval shall continue to be in force until:

- (a) the conclusion of the next AGM of the Company at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;

## ANNUAL GENERAL MEETINGS

	<p>(b) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 340(2) of the Companies Act 2016, (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016); or</p> <p>(c) revoked or varied by resolution passed by the shareholders in a general meeting;</p> <p>whichever is 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 7)
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  
SSM PC No. 201908002088  
Company Secretary

Selangor Darul Ehsan  
18 April 2023



## Notes:

1. The 23rd AGM of the Company will be conducted on a virtual basis by way of live streaming and online remote voting via Remote Participation and Voting ("RPV") facilities available on Securities Services e-Portal of SS E Solutions Sdn. Bhd. at <https://sshsb.net.my/>. Please follow the procedures in the Administrative Guide in order to participate remotely via RPV.
2. The broadcast venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the meeting to be present at the main venue of the meeting. **NO MEMBERS/PROXIES** from the public shall be physically present at the broadcast venue on the day of the 23rd AGM.
3. In respect of deposited securities, only members whose names appear in the Record of Depositors on 15 June 2023 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at this 23rd AGM.
4. A proxy may but need not be a member of the Company.
5. If the appointer is a corporation, the form of proxy must be given under its common seal or under the hand of an officer or attorney of the corporation duly authorised.
6. A member shall be entitled to appoint more than one (1) proxy subject always to a maximum of two (2) proxies to attend and vote at the same meeting provided that the provision of Section 294(2) of the Companies Act 2016 is complied with.
7. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
8. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
9. The appointment of proxy may be made in a hardcopy form or by electronic means as follows and must be deposited with the Company's Share Registrar, Securities Services (Holdings) Sdn. Bhd. not less than forty-eight (48) hours before the time for holding this meeting or any adjournment thereof. Otherwise the instrument of proxy should not be treated as valid.
  - (a) By Hardcopy Form  
The Form of Proxy or the Power of Attorney or other authority, if any, must be deposited at the office of the Company's Shares Registrar, Securities Services (Holdings) Sdn. Bhd. at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Malaysia.
  - (b) By Online system  
The instrument appointing a proxy can be electronically submitted to the Share Registrar via Securities Services e-Portal at <https://sshsb.net.my/> (Kindly refer to the Administrative Guide for further information.)

## ANNUAL GENERAL MEETINGS

### Explanatory Notes:

#### 1. Audited Financial Statements

The Audited Financial Statements are laid in accordance with Section 340(1) (a) of the Companies Act 2016 for discussion only under Agenda 1. They do not require shareholders' approval and hence, will not be put for voting.

#### 2. The payment of Directors' fees of up to RM700,000 from the conclusion of the 23rd AGM until the next AGM of the Company, to be payable on a quarterly basis in arrears (Ordinary Resolution 1)

**The payment of Directors' benefits of up to RM170,000 being meeting attendance allowances and up to RM85,000 for each Director being the medical benefits, from the conclusion of the 23rd AGM until the next AGM of the Company (Ordinary Resolution 2)**

Section 230(1) of the Companies Act 2016 provides amongst others, that the fees of the Directors, and any benefits payable to the Directors of a listed company and its subsidiaries shall be approved at a general meeting.

In this respect, the Board wishes to seek shareholders' approval for the payments to the Directors of the Company as below:

- (a) Payment of Directors' fees of up to RM700,000 (no change from the previous AGM).
- (b) The details of the estimated total benefits payable to the Non-Executive Chairman and Non-Executive Directors from the conclusion of the 23rd AGM until the next AGM are as follows:

- (i) Meeting allowance (no change from previous AGM)

Estimated amount of meeting allowance of up to RM170,000 is calculated based on the number of scheduled Board and Board Committees' meetings

- (ii) Medical benefits (no change from previous AGM)

Estimated amount of medical benefits is up to RM85,000 for each Director.

This authority, unless revoked or varied by the Company in a general meeting, will expire at the conclusion of the next AGM of the Company.

#### 3. Retirement by rotation in accordance with Clause 99 and 106 of the Company's Constitution

Clause 99 of the Company's Constitution states that at each AGM one-third (1/3) of the Directors for the time being, or if their number is not a multiple of three, the number nearest to one-third (1/3) with a minimum of one shall retire from office. In addition, each Director shall retire at least once in every three years but shall be eligible for re-election. Datuk Haji Jaafar Bin Abu Bakar, who retires in accordance with Clause 99 and being eligible, has offered himself for re-election.

Clause 106 of the Company's Constitution stipulates that a Director appointed by the Board shall hold office until the conclusion of the Company's next AGM and be eligible for re-election. Dato' Dr Suzana Idayu Wati Binti Osman who retires in accordance with Clause 106 of the Constitution and being eligible, has offered herself for re-election.

For the purpose of determining the eligibility of the Directors to stand for re-election at this 23rd AGM and in line with Practice 5.1 of the Malaysian Code on Corporate Governance, the Nominating and Remuneration Committee ("NRC") has reviewed and assessed each of the retiring Directors for the FY2022. The Board endorsed the recommendation of the NRC on the re-election of the retiring Directors.

#### 4. Proposed Renewal of Authority for Share Buy-Back

The proposed adoption of Ordinary Resolution 6 is intended to renew the authority granted by the shareholders of the Company at the AGM held on 29 June 2022. The proposed renewal of authority for share buy-back will allow the Board of Directors to exercise the power of the Company to purchase not more than ten per centum 10% of the total number of issued shares of the Company at any time within the time period stipulated in the Listing Requirements of Bursa Securities.

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

The proposed Ordinary Resolution 7, if approved, will allow the Company and its subsidiaries to enter into recurrent related party transactions of a revenue and trading nature relating to sale of properties by the Encorp Group to related parties. The details of the proposal are set out in the Circular to Shareholders dated 18 April 2023.

#### 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 23rd Annual General Meeting of the Company.

**ANNUAL GENERAL MEETINGS**

(Company No: 200001004231 (506836-X))

**ADMINISTRATIVE GUIDE FOR THE 23rd ANNUAL GENERAL MEETING**

Date: Wednesday, 22 June 2023  
Time: 3.00 p.m.  
Broadcast Venue: Executive Lounge, Third Floor, Encorp Berhad, No 46-3, Jalan PJU 5/22, Pusat Perdagangan Kota Damansara, Kota Damansara PJU 5, 47810 Petaling Jaya, Selangor Darul Ehsan.

**MODE OF MEETING**

The 23rd AGM of the Company will be conducted on a virtual AGM through live streaming from the broadcast venue and online remote participation via Remote Participation and Voting facilities ("RPV") provided by SS E Solutions Sdn. Bhd. via its Securities Services e-Portal accessible at <https://sshsb.net.my/>.

The broadcast venue is strictly a main venue of the 23rd AGM where the Chairman will be present in compliance with Section 327(2) of the Companies Act, 2016. Thus, **NO MEMBERS/PROXIES** will be physically present at the broadcast venue on the day of the 23rd AGM.

We have provided the broadcast venue address above to comply with Section 327 of the Companies Act 2016. Members/proxies from the public should not be physically present, and will not be admitted, at the broadcast venue on the day of the 23rd AGM.

**ENTITLEMENT TO PARTICIPATE AND VOTE**

In respect of deposited securities, only members whose names appear in the Record of Depositors on 15 June 2023 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at this 23rd AGM.

In view that the 23rd AGM will be conducted on a virtual basis, if you are unable to attend the meeting via RPV on 22 June 2023, you may appoint the Chairman of the 23rd AGM as proxy and indicate the voting instructions in the Form of Proxy.

If you wish to personally participate in the 23rd AGM, please do not submit any Form of Proxy. You will not be allowed to participate in the 23rd AGM together with a proxy appointed by you.

The original Form of Proxy must be deposited at the Company's Share Registrar, Securities Services (Holdings) Sdn. Bhd. at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time for holding this meeting or any adjournment thereof. Otherwise the instrument of proxy should not be treated as valid.

Alternately, you may also submit the Form of Proxy electronically via Securities Services e-Portal at <https://sshsb.net.my/>.

Corporate Shareholder or its authorised representative who wish to participate and vote remotely at the AGM must contact the Share Registrar and will be required to provide the following documents to the Share Registrar not less than forty-eight (48) hours before the time set for holding the meeting:

- (a) original certificate of appointment of its Corporate Representative under the seal of the corporation;
- (b) copy of the Corporate Representative's MyKad (front and back separately) or valid Passport; and
- (c) Corporate Representative's email address and mobile number.

The Share Registrar will respond to your remote participation request upon receipt of these documents.

For the beneficiary who holds shares of the Company under a Nominee Company's Central Depository System ("CDS") account, and who wishes to use the RPV facilities to participate and vote at the AGM remotely, he/she can request his/her Nominee Company to appoint him/her as a proxy. In this respect, he/she must contact the Share Registrar and will be required to provide the following documents to the Share Registrar no later than forty-eight (48) hours before the time set for holding the meeting:

- (a) duly executed Form of Proxy by the Nominee Company;
- (b) copy of the proxy holder's MyKad (front and back separately) or valid Passport; and
- (c) Proxy holder's email address and mobile number.

The Share Registrar will respond to your remote participation request upon receipt of these documents.

### PROCEDURES FOR REMOTE PARTICIPATION AND VOTING (RPV)

Please read and follow the procedures and actions reflected below to engage in remote participation through live streaming and online remote voting at the 23rd AGM using the RPV facilities:

	Procedures	Actions
<b>BEFORE AGM</b>		
1	Sign up for a user account at Securities Services e-Portal	<ul style="list-style-type: none"> <li>Visit <a href="https://sshsb.net.my/">https://sshsb.net.my/</a>.</li> <li>Click on 'SIGN UP' to register. You will be prompted to fill up your information and to submit a copy of your MyKad (front and back separately) or valid Passport for verification purposes.</li> <li>Users must register before 3.00 p.m. on Sunday, 18 June 2023.</li> <li>You will receive a notification email within one (1) working day. Your email address is your user ID.</li> <li>Verify your user account within seven (7) days from receiving the notification email.</li> <li>This is a ONE-TIME registration. If you are already have a user account, you are not required to register again.</li> </ul>
2	Submit your request for RPV registration/ e-Proxy Form	<p>Registration will be opened from 3.00 p.m. on Tuesday, 18 April 2023 until 3.00 p.m. on Tuesday, 20 June 2023.</p> <ul style="list-style-type: none"> <li><b>Registration options:</b> <ul style="list-style-type: none"> <li>(a) RPV registration <ul style="list-style-type: none"> <li>Login with your user ID and password.</li> <li>Select Company name: Encorp Berhad</li> <li>23rd AGM on Thursday, 22 June 2023 at 3.00 p.m.</li> <li>Registration for Remote Participation.</li> <li>Click "&gt;" to register for remote participation at the 23rd AGM.</li> </ul> </li> <li>(b) Submission of e-Proxy Form <ul style="list-style-type: none"> <li>Login in with your user ID and password.</li> <li>Select Company name: Encorp Berhad</li> <li>23rd AGM on Thursday, 22 June 2023 at 3.00 p.m.</li> <li>Submission of Proxy Form.</li> <li>Click "&gt;" to submit your e-Proxy Form for the meeting.</li> <li>Step 1: Select individual shareholder/corporate/authorised representative of a body corporate.</li> <li>Step 2: Insert every CDS account number and indicate the proportion of shares to be represented by your proxy/proxies.</li> <li>Step 3: Submit your remote participation/e-Proxy Form.</li> <li>Appointed proxies need not register for remote participation, but they will need to be registered users of the Securities Services e-Portal before 3.00 p.m. on Sunday, 18 June 2023.</li> <li>The proxy will be given access to remote participation at the meeting to which he/she is appointed for instead of the shareholder, <u>provided the proxy must be a registered user of the e-Portal</u>. Failing which, the proxy will not be able to participate at the meeting as the meeting will be conducted on a fully virtual basis.</li> </ul> </li> </ul> </li> </ul>

## ANNUAL GENERAL MEETINGS

		<ul style="list-style-type: none"> <li>- You will receive a notification email acknowledged receipt your remote participation/e-Proxy Form.</li> <li>- After the General Meeting ROD as at 15 June 2023, you will receive an email that will advise if your registration for remote participation/e-Proxy Form has been approved or rejected.</li> <li>- A copy of your remote participation/e-Proxy Form can be accessed via My Records in the Securities Services e-Portal.</li> <li>- Read and agree to the Terms &amp; Conditions and confirm the Declaration.</li> </ul> <ul style="list-style-type: none"> <li>• <b>Evidence of authority:</b> <ul style="list-style-type: none"> <li>- For body corporates, the appointed corporate /authorised representative must upload the evidence of authority, such as:</li> <li>- Certificate of Appointment of Corporate Representative, Power of Attorney, letter of authority or other documents proving authority.</li> <li>- Documents that are not in English or Bahasa Malaysia must be accompanied by a certified translation in English in one (1) file. For verification, the original evidence of authority and translation thereof, if required, must be submitted to: Securities Services (Holdings) Sdn. Bhd at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Malaysia.</li> </ul> </li> </ul>
<b>ON THE DAY OF 23rd AGM</b>		
3	Login to Securities Services e-Portal	<ul style="list-style-type: none"> <li>• Login with your user ID and password for remote participation.</li> <li>• Login 30 minutes before the commencement of AGM at 3.00 p.m. on Thursday, 22 June 2023.</li> </ul>
4	Submit questions through live streaming	<ul style="list-style-type: none"> <li>• Select "Event".</li> <li>• Select Company name: Encorp Berhad – 23rd AGM on Thursday, 22 June 2023 at 3.00 p.m. – Live Stream Meeting.</li> <li>• Click "&gt;" to join the 23rd AGM remotely.</li> <li>• Read and agree to the Terms &amp; Conditions and confirm the Declaration.</li> <li>• Use the text box to submit a question for the Chairman/Board. Your questions will be responded to during the 23rd AGM. If there is time constraint, the responses will be emailed to you after the meeting.</li> <li>• NOTE: Quality of the live streaming is dependent on the bandwidth and stability of the internet connection of the remote participants' location.</li> </ul>
5	Online remote voting	<ul style="list-style-type: none"> <li>• If you are already accessing the Live Stream Meeting, click <b>Proceed to Vote</b> under the live stream player.</li> <li>OR</li> <li>• Select "Event".</li> <li>• Select Company name: Encorp Berhad – 23rd AGM on Thursday, 22 June 2023 at 3.00 p.m. – Remote Voting.</li> <li>• Click the radio button against each resolution to review and confirm your vote, then click "&gt;" to submit your votes online for the resolutions tabled.</li> <li>• Voting commences at 3.00 p.m. on Thursday, 22 June 2023 and will end at the time announced by the Chairman.</li> <li>• Read and agree to the Terms &amp; Conditions and confirm the Declaration prior to submitting your votes.</li> <li>• Your votes casted will apply throughout ALL the CDS accounts you represent as an individual shareholder, corporate/authorised representative and proxy. Where you are attending as a proxy, we will take the shareholder's indicated votes in the Form of Proxy.</li> <li>• A copy of your submitted remote voting record can be accessed via My Records in the Securities Services e-Portal.</li> </ul>
6	End of remote participation	<ul style="list-style-type: none"> <li>• Upon the announcement by the Chairman on the closure of the 23rd AGM, the live streaming will end.</li> </ul>

## POLL VOTING

The voting at the 23rd AGM will be conducted by poll in accordance with Paragraph 8.29A of Bursa Malaysia Securities Berhad Main Market Listing Requirements. Members can submit votes on the resolutions upon commencement of the 23rd AGM at 3.00 p.m. on Thursday, 22 June 2023 until the end of the voting session which will be announced by the Chairman of the meeting. Upon completion of the voting session, the Scrutineers will verify and announce the poll results followed by the Chairman's declaration on whether the resolutions are duly passed.

## ANNUAL REPORT 2022 AND CIRCULAR TO SHAREHOLDERS

The Annual Report 2022 is available on the Company's website at [www.encorp.com.my](http://www.encorp.com.my).

Please note that printed copies of the Annual Report 2022 will be available only upon request. You may submit your request for a printed copy of the Annual Report by completing the enclosed Requisite Form and either send by post to Company's office address at No. 46-G, Jalan PJU 5/22, Pusat Perdagangan Kota Damansara, Kota Damansara PJU 5, 47810 Petaling Jaya, Selangor or email to [pauline@encorp.com.my](mailto:pauline@encorp.com.my), the printed copy of the Annual Report will be despatched to you by ordinary post within four (4) market days from the date of receipt of your request. However, please consider the environment before you decide to request for the printed copy.

## NO DOOR GIFT/FOOD VOUCHER

There will be **NO** distribution of door gift/food voucher to members/proxies who participate in the 23rd AGM.

## RECORDING OR PHOTOGRAPHY

Strictly **NO** unauthorised recording or photography of the proceedings of the 23rd AGM.

## ENQUIRY

For enquiries prior to the AGM, please contact Company's Share Registrar during office hours on Monday to Friday from 8:30 a.m. to 12:15 p.m. and from 1:15 p.m. to 5:30 p.m. (except public holidays):

Share Registrar	:	Securities Services (Holdings) Sdn. Bhd.	
Contact person	:	Mr Wong Piang Yoong Ms Lee Pei Yeng Ms Rachel Ou En Saiful General Line	+603 2084 9168 +603 2084 9169 +603 2084 9161 +603 2084 9164 +603 2084 9000
Email address	:	<a href="mailto:eservices@sshshb.com.my">eservices@sshshb.com.my</a>	





## FORM OF PROXY



**ENCORP BERHAD**  
(Company No. 200001004231 (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 23rd Annual General Meeting ("AGM") of the Company to be held at the Broadcast Venue at Executive Lounge, Third Floor, Encorp Berhad, No 46-3, Jalan PJU 5/22, Pusat Perdagangan Kota Damansara, Kota Damansara PJU 5, 47810 Petaling Jaya, Selangor Darul Ehsan, on Thursday, 22 June 2023 at 3.00 p.m. and at any adjournment thereof.  
\*My/our proxy is to vote as indicated below:

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

No.	Ordinary Resolutions	For	Against
1.	Approval of Directors' fees of up to RM700,000 from the conclusion of 23rd AGM until the next AGM of the Company, to be payable on a quarterly basis in arrears.		
2.	Approval of Directors' benefits of up to RM170,000 being meeting attendance allowances and up to RM85,000 for each Director being the medical benefits, from the conclusion of 23rd AGM until the next AGM of the Company.		
3.	Re-election of YBhg Datuk Haji Jaafar Bin Abu Bakar as Director.		
4.	Re-election of YBhg Dato' Dr. Suzana Idayu Wati Binti Osman as Director.		
5.	Re-appointment of Messrs Ernst & Young PLT as Auditors and authority to the Directors to fix the Auditors' remuneration.		
6.	Proposed renewal of authority for share buy-back.		
7.	Approval of Proposed Shareholders' Mandate as specified in Section 2.3 of the Circular to Shareholders dated 18 April 2023.		

Dated this ..... day of ..... 2023

\_\_\_\_\_  
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. The 23rd AGM of the Company will be conducted on a virtual basis by way of live streaming and online remote voting via Remote Participation and Voting ("RPV") facilities available on Securities Services e-Portal of S S E Solutions Sdn. Bhd. at <https://sshsb.net.my/>. Please follow the procedures in the Administrative Guide in order to participate remotely via RPV.
2. The broadcast venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the meeting to be present at the main venue of the meeting. NO MEMBERS/PROXIES from the public shall be physically present at the broadcast venue on the day of the 23rd AGM.
3. In respect of deposited securities, only members whose names appear in the Record of Depositors on 15 June 2023 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at this 23rd AGM.
4. A proxy may but need not be a member of the Company.
5. If the appointer is a corporation, the form of proxy must be given under its common seal or under the hand of an officer or attorney of the corporation duly authorised.
6. A member shall be entitled to appoint more than one (1) proxy subject always to a maximum of two (2) proxies to attend and vote at the same meeting provided that the provision of Section 294(2) of the Companies Act 2016 is complied with.
7. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
8. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
9. The appointment of proxy may be made in a hardcopy form or by electronic means as follows and must be deposited with the Company's Share Registrar, Securities Services (Holdings) Sdn. Bhd. not less than forty-eight (48) hours before the time for holding this meeting or any adjournment thereof. Otherwise the instrument of proxy should not be treated as valid.
  - (a) By Hardcopy Form  
The Form of Proxy or the Power of Attorney or other authority, if any, must be deposited at the office of the Company's Shares Registrar, Securities Services (Holdings) Sdn. Bhd. at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Malaysia.
  - (b) By Online system  
The instrument appointing a proxy can be electronically submitted to the Share Registrar via Securities Services e-Portal at <https://sshsb.net.my/> (Kindly refer to the Administrative Guide for further information.)

(Fold here)

PLACE  
STAMP  
HERE

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




(Fold here)



**ENCORP**  
BERHAD

Company No: 200001004231  
(506836-X)

No. 46-G Jalan PJU 5/22, Encorp Strand, Pusat Perdagangan Kota Damansara,  
Kota Damansara PJU 5, 47810 Petaling Jaya, Selangor Darul Ehsan.

 [www.encorp.com.my](http://www.encorp.com.my)  [encorpbhd](https://www.facebook.com/encorpbhd)  [@encorpberhad](https://www.instagram.com/encorpberhad)