



**MOVING
FORWARD**

ANNUAL REPORT 2018

OUR MISSION

To create genuine sustainable values for our stakeholders.

OUR VISION

To be an internationally formidable builder developer through continuous innovation of our property development business.





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CORPORATE
INFORMATION**BOARD OF DIRECTORS**

| | |
|---------------------------------|----------------------------|
| SU CHUNG JYE | Executive Chairman and CEO |
| WONG PAK KIONG | Executive Director |
| LOW YEW SHEN | Non-Executive Director |
| GOON KOK LOON | Lead Independent Director |
| FRANCIS HWANG HUAT KUONG | Independent Director |

REGISTERED OFFICE

63 Sungei Kadut Loop #02-01
Singapore 729484
Tel: 6532-3383
Fax: 6532-4484
www.regalinternational.com.sg

COMPANY REGISTRATION NUMBER

200508585R

AUDIT COMMITTEE

| | |
|---------------------------------|----------|
| GOON KOK LOON | Chairman |
| FRANCIS HWANG HUAT KUONG | |

REMUNERATION COMMITTEE

| | |
|---------------------------------|----------|
| FRANCIS HWANG HUAT KUONG | Chairman |
| GOON KOK LOON | |
| SU CHUNG JYE | |

NOMINATING COMMITTEE

| | |
|---------------------------------|----------|
| GOON KOK LOON | Chairman |
| FRANCIS HWANG HUAT KUONG | |
| SU CHUNG JYE | |

COMPANY SECRETARY

SIAU KUEI LIAN

REGISTRAR AND SHARE TRANSFER OFFICE**RHT CORPORATE ADVISORY PTE. LTD.**

9 Raffles Place #29-01
Republic Plaza Tower 1
Singapore 048619

AUDITORS**RSM CHIO LIM LLP**

8 Wilkie Road
#03-08 Wilkie Edge
Singapore 228095
Partner-in-charge: Uthaya C Ponnusamy

PRINCIPAL BANKERS**UNITED OVERSEAS BANK LIMITED**

80 Raffles Place
UOB Plaza 1
Singapore 048624

CORPORATE
PROFILE

Dual-listed on the mainboard of Singapore Exchange Securities Trading Limited ("SGX-ST") (Stock code: UV1.SI) and as Taiwan Depository Receipts (TDR) on Taiwan Stock Exchange ("TWSE") (Stock code: 911619), Regal International Group Ltd. ("RIG" or the "Group") is one of the first Sarawak-based companies to list on the mainboard of the SGX-ST. RIG aspires to be the bridging gateway and platform for international partners and investors to access the abundant emerging business opportunities in East Malaysia.

**ACHIEVEMENTS**

Over the past 14 years, the Group has achieved an impressive track record of constructing and completing more than 20 property development projects in Kuching and Kota Samarahan area of East Malaysia. This diverse property portfolio includes shop houses, terrace houses, condominiums, commercial and industrial units. The Group has in recent years added Nilai (Negeri Sembilan, West Malaysia) and Bintulu (Sarawak, East Malaysia) to the geographical coverage of its property development business.

Building on its strong pipeline of property projects, the Group further progresses strategically to manufacture its own building materials and develop related ancillary services. Joint venture companies involved in supplying concrete, painting works and steel fabrication have been established to realize better cost, quality and delivery controls.

STRATEGIES FOR THE FUTURE

RIG adopts a strategy of product innovation and value-chain creation to ultimately heighten new demands and broaden its customer base. The Group is constantly on the lookout to enhance its development projects through value-added services and innovative real estate applications.

Leveraging on RIG's unique positioning as the gateway for international investors into Sarawak, the Group explores strategic ventures and collaboration opportunities in alignment with its vision to evolve as a cross-border platform connector between investors from Singapore, Malaysia and China.

Propelling ahead, RIG is confident that these strategies will enable the Group to attain its business success as a builder developer that integrates real estate products with complementary business ventures of sustainable growth.

EXECUTIVE CHAIRMAN
& CEO'S MESSAGE

In 2019, RIG will focus on reviewing and improving its overall corporate efficiency, to further reduce cost and increase profitability. Fortifying the Group's core business foundations and embarking on new development projects in alignment with market demands will be the core directives of the year.



MR. SU CHUNG JYE
Executive Chairman and CEO

DEAR SHAREHOLDERS,

The financial year ended 31 December 2018 (“**FY2018**”) was a challenging year for Regal International Group Ltd (“**RIG**” or the “**Group**”). Set against the backdrop of the challenging macro environment and the historic conclusion of the Malaysia 14th General Election, the Group strived hard to maintain business performance.

However, as compared to the previous financial year ended 31 December 2017 (“**FY2017**”), FY2018 performance was less than satisfactory. Slowdown continues for the Malaysia property market, and the removal of goods and service tax (GST) with effective from 1 June 2018 yielded a smaller than expected impact on property sales. Stringent bank loan approvals for property purchases continue to restrict growth in terms of sales volume and transacted values.

The shift in Malaysia political landscape has exerted some significant impact on the country's economic outlook. We will work for a better 2019 by focusing on the Group's core business, embarking on new development projects in alignment with

market demands, and emphasising on project saleability. We strive to improve our efficiency, competitiveness, reduce cost and increase profits.

FINANCIAL HIGHLIGHTS

Adoption of the new financial reporting framework, Singapore Financial Reporting Standards (International) (“**SFRS(I)**”) for FY2018 substantially attributed higher cost of sales to RIG's financial reports and consequentially affected the resulting bottom line. For objective comparisons, FY2017 financial results were restated accordingly.

In view of challenging market conditions, the Group's revenue decreased distinctly by 59.8% from RM155.6 million for FY2017, to RM62.6 million in FY2018. Hence, RIG incurred a loss after tax of RM36.9 million in FY2018 as compared to a RM3.6 million loss after tax in FY2017, mainly due to the dip in sale of development properties and revenue from construction contracts.

EXECUTIVE CHAIRMAN & CEO'S MESSAGE

Cost-wise, the Group's administrative expenses as well as marketing and distribution costs were collectively lower by 13.6% at RM29.3 million in FY2018, as compared to the total of RM33.9 million in FY2017. The reductions were mainly due to decrease in depreciation of property, plant and equipment and employee benefits expense.

Overall, the Group recorded a total comprehensive loss of RM37.0 million, and a net loss attributable to owners of the parents at RM35.8 million for FY2018, as compared to RM3.6 million and RM2.6 million respectively in FY2017.

DIVERSIFIED VENTURES

Pursuing its vision to be the international gateway for investors into East Malaysia, RIG has since 2016 ventured into diversified territories in search of new strategic opportunities and growth.

During the year, the Group established connections with several associate partners, such as UniMap Holdings, Bako Development Cooperative, Thyroflex Global (Thyroflex), Malaysia Retail Chain Association (MRCA) and Hainan Kangtai Travel, for varied collaborations.

Concurrently, our RIG's Executive Director, Mr. Wong Pak Kiong and I were appointed as the Deputy Chairman (Kuching Branch) and State Council Advisor of Sarawak Housing and Real Estate Developers' Association ("SHEDA") respectively. Taking on more active roles in the strategic administration and policy-making stage of the local property market, we endeavor to leverage on the Group's corporate reputation as a main-board listed company on the Singapore Exchange Securities Trading Limited ("SGX-ST") and extend the network of possibilities and potentials.

In alignment with its long-term expansion plan, the Group has been active in exploring opportunities to foster innovations and build capabilities for new business growth. Moving forward, RIG will continue to embrace and execute its "3-IN" strategies to:

- Increase market share and customer base;
- Innovate property contents and values to create and stimulate new demands; and
- Initiate strategic alliances with other complementary trade and industries for enhanced value-creation.

Progressing into 2019, the Group will continue to set revenue growth and shareholders' interests as our top priorities.

PROPERTY AND CONSTRUCTION PROJECTS

With RIG's corporate focus largely centred on mega projects such as Tropics City and TreeTops@Kemena Heights, many smaller development projects such as Tondong Heights (phase

2), Million Gifted 1, Summer 28, Pasir Pandak, and Unipark Mall (phase 1), were deferred for completion till 2019.

Stepping into 2019, the Group has already launched 2 new affordable housing projects, Jambusan Heights and Richmond Park, with heartening success. Building on over 20 acres of land located 5-minute away from Bau town in Sarawak, Jambusan Heights will comprise of 206 units of single and double-storey terrace houses each reasonably priced below RM400,000. In addition, RIG will have 96 units of affordable single and double-storey terrace houses built along the Jalan Kuching-Serian highway for the Richmond Park project, in order to help ease the intense market demand for affordable housing.

In 2019, RIG will focus on reviewing and improving its overall corporate efficiency, to further reduce cost and increase profitability. Fortifying the Group's core business foundations and embarking on new development projects in alignment with market demands will be the core directives of the year.

IN APPRECIATION

On behalf of the Board of Directors, I would like to express our utmost gratitude to our staff, management, business partners, and customers for their long-standing support and understanding.

To our shareholders, we would also like to thank you for your unwavering faith in the Company. RIG will continue to work harder in 2019 to create greater sustainable value for all.

Thank you.

Mr Su Chung Jye

Executive Chairman and CEO

OPERATIONS REVIEW

For the financial year ended 31 December 2018 ("**FY2018**"), the Group encountered a sharp decline in terms of overall sales revenue due to decrease in sale of development properties and revenue from construction contracts amidst challenging market conditions.

Changes in accounting treatment according to the new financial reporting framework, Singapore Financial Reporting Standards (International) ("**SFRS(I)**") for the financial period beginning after 1 January 2018, translated into higher cost of sales and resulted in the decrease of the Group's gross profit.

REVENUE

The Group's revenue decreased by RM93.0 million or 59.8% from RM155.6 million for the financial year ended 31 December 2017 ("**FY2017**"), to RM62.6 million in FY2018, mainly due to the dip in sale of development properties and revenue from construction contracts by RM90.4 million against the backdrop of challenging market conditions.

Unprecedented political changes and economic uncertainties in Malaysia during FY2018 were two main macro rationales behind the cautious and withdrawn buying sentiment of property investors and home-buyers. Over supply of high-rise residential units and keen market competitions to clear existing inventory were also key challenges faced by the Group during the year.

GROSS PROFIT

As compared to the gross profit of RM40.6 million in FY2017, the Group recorded a gross profit of RM1.5 million in FY2018, primarily due to the adoption of SFRS(I).

The dip in gross profit was mainly due to the decrease in sales from higher profit yielding development projects and the provision for liquidated and ascertained damages in FY2018.

KEY EXPENSES

In FY2018, the Group's marketing and distribution costs were RM4.2 million, increased by 110% as compared to the RM2.0 million outlay in FY2017. This is mainly due to increase in amortisation of contract costs.

Conversely, the Group's administrative expenses decreased by RM6.7 million, from RM31.9 million in FY2017 to RM25.2 million in FY2018, as a result of decrease in depreciation of property, plant and equipment and employee benefits expense. The Group's finance costs increased from RM5.4 million in

FY2017 to RM6.2 million in FY2018, mainly due to the increase in dividends on redeemable preference shares.

OTHER GAINS/LOSSES

While other losses increased from RM0.3 million in FY2017 to RM3.9 million in FY2018 due to allowances for impairment for leasehold property receivables and land held for property development, other gains also experienced a dip, from RM1.3 million in FY2017 to RM0.1 million in FY2018 as a result of decrease in reversal of impairment for receivables.

SHARE OF RESULT FROM EQUITY-ACCOUNTED ASSOCIATES

The share of result from equity-accounted associates was contributed by the Group's associate, Tiya Development Sdn Bhd ("**Tiya**"), for both FY2017 and FY2018. For 2018, the share of result from the associate was a RM0.5 million loss, against the RM0.5 million profit in FY2017, due to a net loss in Tiya's annual operations in 2018.

NET PROFIT/ LOSS

Under the SFRS(I) reporting framework, the Group incurred a loss before tax of RM37.7 million in FY2018 as compared to a RM2.8 million profit in FY2017. The FY2018 final net loss after tax was RM36.9 million, after a RM0.7 million income tax credit mainly arising from overprovision of tax in the previous years.

Overall, compared to the comprehensive loss of RM3.6 million for FY2017, the Group recorded a total comprehensive loss of RM37.0 million for FY2018, after taking in exchange difference on foreign currency translation, net of tax, mainly due to lower overall revenue.

OPERATIONS REVIEW

BALANCE SHEET

As at 31 December 2018, the total assets of the Group reduced to RM283.7 million, from RM300.4 million in FY2017.

ASSETS

Non-current assets of the Group decreased by RM4.2 million to RM44.0 million in FY2018, down from RM48.2 million as at FY2017, due mainly to depreciation and allowance for impairment on property, plant and equipment.

The Group's current assets reduced by RM12.4 million from RM252.1 million in FY2017 to RM239.7 million as at FY2018, mostly due to:

- a decrease in trade and other receivables by RM4.2 million;
- a reduction in inventories by RM2.9 million;
- a decrease in other assets by RM2.1 million and
- a reduction in cash and cash equivalent by RM3.3 million.

LIABILITIES

Total liabilities of the Group increased by RM20.9 million from RM246.1 million as at FY2017 to RM267.0 million as at FY2018.

Non-current liabilities of the Group decreased by RM20.6 million from RM50.9 million for FY2017 to RM30.3 million for FY2018 due to the drop in other financial liabilities, resulting from the reclassification of other financial liabilities from non-current to current.

Current liabilities of the Group increased by RM41.5 million from RM195.2 million in FY2017 to RM236.7 million in FY2018. The increase was mainly due to a RM18.4 million increase in trade and other payables, as well as reclassification of other financial liabilities from non-current to current.

In conclusion, the Group's net asset stood at RM16.7 million as at FY2018 as compared to RM54.3 million as at FY2017.

CASH FLOWS

Net cash and cash equivalents held by the Group decreased from RM3.3 million in FY2017 to RM1.5 million in FY2018.

The decrease was mostly due to the repayment of borrowings and finance costs.

OUTLOOK

The Group FY2018 performance was affected by Malaysia's political landscape and economic agenda changes. Sarawak's property market has been "rather slow on all fronts"¹ with developers and buyers adopting cautious stance in their decision making.

Nevertheless, "market confidence can be seen returning with improved consumer sentiments"¹ especially when the "pent up demand for housing during these few years of uncertainty may see demand strengthening once market recovers"¹.

The Group will continue to seek growth through strategic acquisitions, joint ventures and alliances in addition to existing project portfolio.



¹ Source: Sarawak Property Bulletin "2018 Property Market Review & Outlook"

BOARD OF
DIRECTORS**SU CHUNG JYE**

EXECUTIVE CHAIRMAN AND CEO

- Member, Nominating Committee
- Member, Remuneration Committee

MR SU CHUNG JYE is the Executive Chairman and CEO of Regal International Group Ltd. He was appointed to the Board on 29 October 2014. His last re-election as a Director was on 22 April 2016.

With over 24 years of work experience in the construction and property development business, Mr Su is involved in all key aspects of the Group's operations, including setting corporate directions and strategic business developments.

Awarded the Asia Pacific Entrepreneurship Award (APEA) 2016, Built Environment Industry (BEI) Asia Distinguished Award 2017 and Asia Enterprise Brand Awards (AEBA) 2018/19 Brand Leader Award (Property Development) consecutively, Mr Su Chung Jye was duly recognised for his achievements in property development, entrepreneurship and corporate branding.

Mr Su Chung Jye holds a Degree of Master of Science (Building Science) from the National University of Singapore, and a Double Degree of Bachelor of Engineering in Electrical Engineering and a Bachelor Degree of Science from The University of Sydney, Australia. He also holds a Diploma in Investment Analysis from The Research Institute of Investment Analysts Malaysia in collaboration with The Royal Melbourne Institute of Technology (RMIT), Australia. Mr Su was appointed as the Advisor of Sarawak Housing and Real Estate Developers' Association (SHEDA) State Council in July 2018.

**WONG PAK KIONG**EXECUTIVE DIRECTOR AND
DIRECTOR OF SALES AND MARKETING

MR WONG PAK KIONG is the Executive Director and Director of Sales and Marketing of Regal International Group Ltd. He was appointed to the Board on 29 October 2014. His last re-election as a Director was on 21 April 2017.

Mr Wong's main responsibilities include establishing, managing and executing all sales and marketing strategies for the Group, especially for the Malaysia Operations.

With over 23 years of experience, Mr Wong is highly proficient in developing and conducting all sales, marketing and promotion campaigns, as well as managing and developing sales teams. He was appointed the Deputy Chairman of Sarawak Housing and Real Estate Developers' Association (SHEDA) Kuching Branch in May 2018.

**LOW YEW SHEN**

NON-EXECUTIVE DIRECTOR

MR LOW YEW SHEN is the Non-Executive Director of Regal International Group Ltd. He was appointed to the Board on 29 October 2014. His last re-election as a Director was on 19 April 2018.

Mr Low was admitted to the Singapore Bar in the year 2000 and is currently a partner in Elitaire Law LLP. Mr Low Yew Shen holds a Bachelor Degree of Laws (Honours) from the National University of Singapore.

BOARD OF DIRECTORS

MR GOON KOK LOON is the Lead Independent Director of Regal International Group Ltd. and was first appointed to the Board on 4 March 2008. His last re-election as a Director was on 19 April 2018.

He is the Executive Chairman of Global Maritime and Port Services Pte. Ltd. With over 41 years of extensive experience in corporate management, operations and administration, both locally and internationally, Mr Goon has been conferred both the silver and gold public administration medals from the Singapore Government. He is a fellow of the Chartered Institute of Logistics and Transport.

Mr Goon is also an Independent Director of Yongnam Holdings Ltd. and Venture Corporation Ltd., which are officially listed on SGX. He left the Board of Jaya Holdings Limited in August 2014 upon its restructuring.



GOON KOK LOON

LEAD INDEPENDENT DIRECTOR

- Chairman, Nominating Committee
- Chairman, Audit Committee
- Member, Remuneration Committee

MR FRANCIS HWANG HUAT KUONG is the Independent Director of Regal International Group Ltd. He was appointed to the Board on 29 October 2014. His last re-election as a Director was on 21 April 2017.

Mr Hwang is the Director and Principal Architect in his own architectural company, HA Architects Pte. Ltd., Singapore. Mr Hwang holds a Bachelor Degree of Science (Architecture) and a Bachelor Degree of Architecture from The University of Sydney, Australia. With more than 28 years of experience in the architectural industry, Mr Hwang is also registered with the Board of Architects, Singapore.



FRANCIS HWANG HUAT KUONG

INDEPENDENT DIRECTOR

- Chairman, Remuneration Committee
- Member, Nominating Committee
- Member, Audit Committee

KEY MANAGEMENT
TEAM

GROUP

KONG MEI YEN
FINANCIAL CONTROLLER

Ms Kong Mei Yen is the Financial Controller (FC) of Regal International Group Ltd.

She is responsible for the Group's financial accounting, financial reporting and management reporting.

Ms Kong has more than 11 years of experience in finance and accounting, having worked with major audit firms prior to her current appointment. Ms Kong is a CA (Singapore) holder with the Institute of Singapore Chartered Accountants.

MALAYSIA
OPERATIONS**FREDERICK ENG MENG KHUAN**
DIRECTOR OF PROJECT MANAGEMENT

Mr Frederick Eng Meng Khuan is the Director of Project Management of the Malaysia Operations under Regal International Group Ltd.

With over 19 years of experience in the property development industry, Mr Eng is responsible for overseeing the project development and project management of the Malaysia Operations. His main responsibilities include strategic project management; directing project resources and operating within the limits of an established budget; establishing the project resource assignments and ensuring that the projects are properly managed and staffed.

LIANG NGEE PING
DIRECTOR OF CORPORATE DEVELOPMENT

Mr Liang Ngee Ping is the Director of Corporate Development of the Malaysia Operations under Regal International Group Ltd.

With over 17 years of experience in the property development industry, Mr Liang is responsible for business development matters of the Malaysia Operations especially in the central region of Sarawak. His key responsibilities include being involved in the strategic marketing and operations planning with the CEO and other key executives; working closely with the Director of Sales and Marketing to develop, co-ordinate and implement marketing plans designed to maintain and increase existing business and capture new market opportunities.

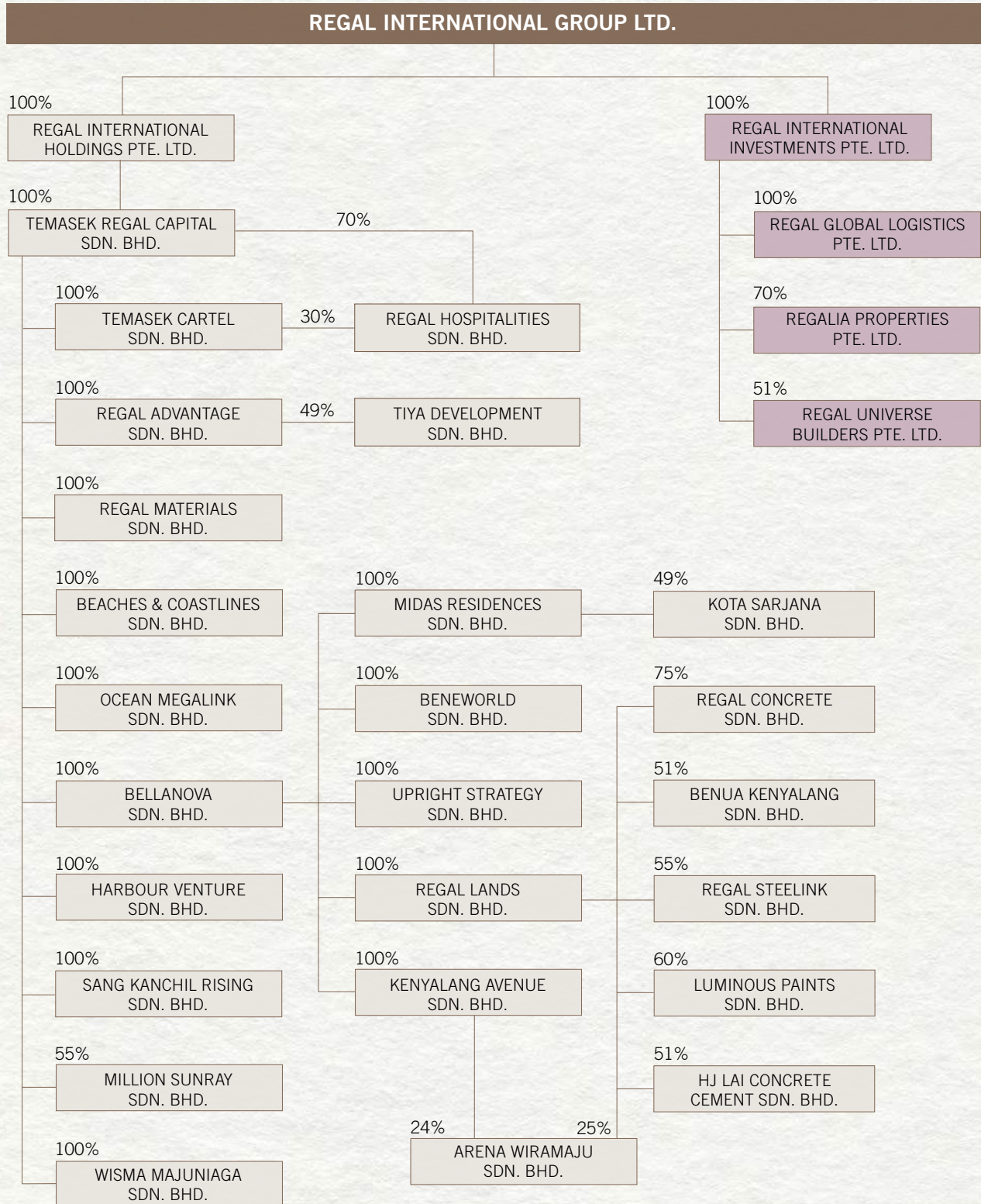
ELIZABETH WONG SING HUI
CHIEF ACCOUNTANT

Ms Elizabeth Wong Sing Hui is the Chief Accountant of the Malaysia Operations under Regal International Group Ltd.

Ms Wong is responsible for the accounting and finance function of the Malaysia Operations. Her roles and responsibilities include reporting to and assisting the FC of the Group on all accounting and related financial matters of the Malaysia Operations.

Ms Wong graduated with a Bachelor of Commerce from the University of Western Australia.

GROUP STRUCTURE



* Accurate as at 30 April 2019

PROJECT PORTFOLIO HIGHLIGHTS



MILLION GIFTED 1

- 46 units of detached, semi-detached and terrace houses situated in Matang area.
- Floor area per unit: 1000 – 1700 sqft



MILLION GIFTED 2

- 46 units of detached, semi-detached and terrace houses situated in Matang area.
- Floor area per unit: 1000 – 1700 sqft



SUMMER 28

- 28 units of double-storey terrace houses within Kota Samarahan area.
- Floor area per unit: 950 – 1250 sqft



PASIR PANDAK

- 81 units of detached, semi-detached and terrace houses near the Samariang area.
- Floor area per unit: 550 – 1000 sqft



TONDONG HEIGHTS (PHASE 2)

- 69 units of single and double-storey affordable houses along Bau-Batu Kawa Road.
- Floor area per unit: 800 - 1120 sqft



UNIPARK MALL (PHASE 1)

- 10 units of 3-storey shophouses at Kota Samarahan.
- Floor area per unit: 3700 – 4600 sqft

PROJECT PORTFOLIO HIGHLIGHTS



KEMENA HEIGHTS

KEMENA HEIGHTS (BLOCK 4)

- 3 towers of 441 residential units and total 22 commercial / retail and office units for block 4.
- High accessible; in-between Bintulu airport and town.
- Estimated completion in 2021.

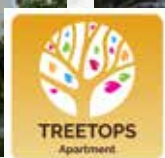
KEMENA HEIGHTS SITE LAYOUT PLAN



NEW STAR ARISING

Strategically located integrated project over 24 acres land between Bintulu's airport and town center.

The Group's first mini-township project in Bintulu with petrol station, supermarket and drive-through fast-food joint.



EVENTS & ACCOLADES

NOV
2018



ASIA ENTERPRISE BRAND AWARDS 2018/19
RIG won the Brand Leader Award (Property Development) at the Asia Enterprise Brand Awards (AEBA) 2018/19 ceremony held at The Fullerton Hotel Singapore.



NOV
2018

**MALAYSIA (NANNING)
DURIAN CARNIVAL 2018**
RIG' subsidiary, Million Sunray organized the 2nd "Malaysia (Nanning) Durian Carnival 2018" in China from 23 - 25 Nov 2018.



EVENTS & ACCOLADES

SHEDA PROPERTY EXPO 2018 @ KUCHING

RIG's new launches at the SHEDA Property Expo 2018 received encouraging responses at the Borneo Convention Centre Kuching, Sarawak from 6 - 8 July 2018.



JUL
2018



REGAL TEAM BUILDING DAY @ MOUNT JAGOI

Management & staff of RIG conquered the 1600-foot Mount Jagoi hike on 23 June 2018 with united spirits.

JUN
2018



CORPORATE SOCIAL RESPONSIBILITY (CSR)

REASONS TO SMILE

Giving and sharing has been an integrated part of Regal's corporate culture since day one. Started more than 12 years ago, RIG has been playing an active role in the community charity works – staff and management ardently participate in fundraisers for welfare organizations, schools, associations for the underprivileged, orphanage and old folk homes etc.

Occasional festive gatherings and small treats were also organized solely on a corporate basis to bring joys and blessings to the less fortunate. In RIG, the reason to give is as simple as the reason to smile.

We collated some sample recounts of the CSR activities undertaken by the staff and management of RIG to share.

FEB 2018

Spreading the joy of Chinese New Year handing out Angpows to over 550 members from various welfare associations in Kuching, Sarawak.



JUN / JUL 2018



Doing our modest parts for Kuching Autistic Association Charity Sales & Food Fair (above) and Sarawak Cheshire Home Charity Food Fair (below).



JUN 2018

Sarawak Children's Cancer Society Movie Day @ CityONE Megamall Cineplex with 107 children.



CORPORATE GOVERNANCE

The Board of Directors (the “**Board**”) of Regal International Group Ltd. (the “**Company**” and together with its subsidiaries, the “**Group**”) is committed to achieve high standards of corporate governance to ensure investor confidence in the Company as a trusted business enterprise. The Board and Management will continue to uphold good corporate governance practices to enhance long-term value and returns for shareholders and protect shareholders’ interests.

This report describes the Company’s corporate governance practices with reference made to the principles and guidelines of the Code of Corporate Governance 2012 (the “**Code**”). The Company has complied largely with the requirements of the Code and where there are deviations from the Code, alternative corporate governance practices adopted by the Company in lieu of the recommendations in the Code have been provided in this report or in other sections of this annual report which may be relevant to corporate governance.

On 6 August 2018, the Monetary Authority of Singapore issued a revised Code of Corporate Governance 2018 (the “**2018 Code**”) and accompanying Practice Guidance. The 2018 Code applies to annual reports covering financial years commencing from 1 January 2019. The Group will review and set out the corporate practices in place to comply with the 2018 Code, where appropriate, in the next Annual Report.

BOARD MATTERS

BOARD’S CONDUCT OF ITS AFFAIRS

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

The Board is responsible for the overall corporate governance, strategic direction, formulation of policies and oversees the investment and business of the Company. The Board supervises the Management on the businesses and affairs of the Company. The main roles of the Board, apart from its statutory responsibilities, are to:

- (a) provide entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the Company to meet its objectives;
- (b) establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders’ interests and the Company’s assets;
- (c) review Management performance;
- (d) identify the key stakeholder groups and recognise that their perceptions affect the Company’s reputation;
- (e) set the Company’s values and standards and ensure that obligations to shareholders and other stakeholders are understood and met; and
- (f) consider sustainability issues in the formulation of its strategies.

All Directors exercise due diligence and independent judgement in dealing with the business affairs of the Group and are obliged to act in good faith and to take objective decisions in the interest of the Group.

To facilitate effective execution of the Board’s function and responsibilities, the Board has established the following committees:

CORPORATE
GOVERNANCE

- (a) the Audit Committee (“**AC**”);
 - (b) the Remuneration Committee (“**RC**”); and
 - (c) the Nominating Committee (“**NC**”)
- (collectively, “**Board Committees**”).

The Board Committees operate under clearly defined terms of reference and they play an important role in ensuring good corporate governance in the Company and within the Group. The terms of reference of the Board Committees are reviewed on a regular basis to ensure their continued relevance. The Chairman of each of the Board Committee reports to the Board the outcome of the Board Committees’ meetings.

The Board conducts meetings on quarterly basis to coincide with the announcements of the Company’s quarterly results. Ad-hoc meetings are convened as warranted by particular circumstances.

In addition to these meetings, special corporate events and actions requiring the Board’s immediate approval were discussed over electronic mails and telephonic conferences and resolved with Directors’ resolutions in writing.

Regulation 97 of the Company’s Constitution provides for telephonic conference meetings.

The attendance of the Directors at meetings of the Board and Board Committees held in FY2018 is set out as follows:

Attendance Record of the Board and Board Committees Meetings

| Name of Director | Board | Board Committees Meetings | | |
|-------------------------------|-------|---------------------------|------------------|------------------|
| | | AC | RC | NC |
| Total number of meetings held | 4 | 4 | 1 | 1 |
| Su Chung Jye | 4 | 4 ⁽¹⁾ | 1 | 1 |
| Wong Pak Kiong | 4 | 4 ⁽¹⁾ | 1 ⁽¹⁾ | 1 ⁽¹⁾ |
| Low Yew Shen | 4 | 4 ⁽¹⁾ | 1 ⁽¹⁾ | 1 ⁽¹⁾ |
| Goon Kok Loon | 4 | 4 | 1 | 1 |
| Chong Weng Hoe ⁽²⁾ | 4 | 4 | 1 | 1 |
| Francis Hwang Huat Kuong | 4 | 4 | 1 | 1 |

Note:

⁽¹⁾ By invitation.

⁽²⁾ Resigned as an Independent Director on 11 May 2019.

The Company has adopted internal guidelines on the following matters that are reserved for Board’s decision and/or approval:

- (a) overall business strategies;
- (b) corporate governance and compliance;
- (c) financial performance and result announcements;

CORPORATE GOVERNANCE

- (d) audited results and annual reports;
- (e) annual budgets, investment and divestment proposals;
- (f) material acquisition and disposal of assets;
- (g) internal controls and risks management;
- (h) declaration of interim dividends and proposed final dividends; and
- (i) all matters, which are delegated to Board Committees, are to be reported to and monitored by the Board.

Newly-appointed Directors are briefed on the Directors' duties and their disclosure obligations under the Companies Act, Chapter 50 of Singapore ("**Companies Act**") and Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). Orientation programmes for new Directors and existing Directors are conducted to familiarise them with the business activities of the Company, its strategic plans, direction and corporate governance practices. They will also meet the Management so as to gain a better understanding of the Group's business. In addition, the Management regularly updates and familiarises the Directors on the business activities of the Company during Board meetings.

The Company will arrange the training in areas such as accounting, legal and industry-specific knowledge as appropriate for first-time Director, if any.

The Directors are also updated regularly with changes to the SGX-ST Listing Rules, risk management, corporate governance, insider trading, the key changes in the relevant regulatory requirements and financial reporting standards and the relevant laws and regulations to facilitate effective discharge of their fiduciary duties as Board or Board Committees members.

Relevant news releases issued by SGX-ST and the Accounting and Corporate Regulatory Authority ("**ACRA**") are promptly circulated to the Board. Annually, the external auditors update the AC and the Board on the new and revised financial reporting standards that are applicable to the Company and/or the Group.

Board members are encouraged to attend seminars and receive training to enable them to perform effectively as Directors. Seminar announcements are communicated to them regularly. Training and updates arranged for Directors and Management during FY2018 include the following subject matters:

- (a) duties and responsibilities of Directors, Interested Person Transaction and the Code;
- (b) continuing listing and disclosure obligations under the Listing Rules of the SGX-ST;
- (c) changes in capital;
- (d) acquisition and disposal of assets; and
- (e) sustainability reporting.

A formal letter of appointment would be furnished to every newly-appointed Director upon his/her appointment explaining, among other matters, his/her roles, obligations, duties and responsibilities as a member of the Board.

There were no new Directors and/or first-time Director appointed during FY2018.

BOARD COMPOSITION AND GUIDANCE

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board comprises six (6) Directors, three (3) of whom are independent. The Directors of the Company during FY2018 under review:

| Name of Directors | Board | AC | NC | RC |
|-------------------------------|---|----------|----------|----------|
| Su Chung Jye | Executive Chairman ("EC") and Chief Executive Officer ("CEO") | - | Member | Member |
| Wong Pak Kiong | Executive Director | - | - | - |
| Low Yew Shen | Non- Executive Director | - | - | - |
| Goon Kok Loon | Lead Independent Director | Chairman | Chairman | Member |
| Chong Weng Hoe ⁽¹⁾ | Independent Director | Member | Member | Chairman |
| Francis Hwang Huat Kuong | Independent Director | Member | Member | Member |

⁽¹⁾ Resigned as an Independent Director on 11 May 2019.

For FY2018 under review, there is a strong and independent element on the Board. The Company is in compliance with the Guideline 2.2 (a) of the Code where Independent Directors make up half of the Board during FY2018 under review. With the resignation of Mr Chong Weng Hoe as Independent Director of the Company on 11 May 2019, the Nominating Committee and the Board are sourcing for qualified candidate to fill the vacancy of the Independent Director.

The Board considers its Independent Directors to be of sufficient calibre and their views to be of sufficient weightage, such that no individual or small group can dominate the Board's decision-making processes. They have no financial or contractual interests in the Company other than by way of their Directors' fees.

The independence of each Independent Director is reviewed annually by the NC based on the Code's definition of what constitutes an Independent Director. The NC has reviewed the independence of each Independent Director and is of the view that these Directors are independent.

The NC is of the view that the current Board has an independent element ensuring objectivity in the exercise of judgment on corporate affairs independently from the management. The NC is also of the view that no individual or a small group of individuals dominates the Board's decision-making process.

Taking reference from Guideline 2.4 of the Code, the NC has conducted a rigorous review on the independence of the Independent Directors, Mr Goon Kok Loon and Mr Chong Weng Hoe during FY2018 under review and considers that Mr Goon Kok Loon and Mr Chong Weng Hoe are independent even though they have served on the Board beyond nine (9) years since from the date of their first appointment before the reverse takeover. The relevant factors that were taken into consideration in determining the independence of Mr Goon Kok Loon and Mr Chong Weng Hoe are set out under Principle 4 on page 22 of this annual report.

For FY2018 under review, the Board is of the opinion that its Board size of six (6) Directors is appropriate, taking into account the nature and scope of the Company's operations during FY2018 under review. The Board's composition reflects the broad range of experience, skills and knowledge necessary for the effective stewardship of the Group. For FY2018 under review, the Board composition is considered to have competent and qualified Directors who provide the Company with a good balance of accounting, finance and management expertise with strategic planning experience and sound industry knowledge. With the resignation of Mr Chong Weng Hoe as Independent Director of the Company on 11 May 2019, the current board size consist of five (5) Directors and the Board is sourcing for qualified candidate to fill the vacancy of the independent Director.

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The NC and the Board review the resumes and assess the capabilities and competencies of new candidate(s) for the appointment of new Directors, if any. The Company would conduct a background check on the new candidate(s) and the new candidate(s) would provide the relevant declarations to the NC and the Board for review.

The Non-Executive Director and Independent Directors participate actively during Board meetings. In addition to providing constructive advice to the Management on pertinent issues affecting the affairs and business of the Group, they also review the Management's performance in meeting goals and objectives of the Group's business segments.

The Non-Executive Director and Independent Directors exercise no Management functions in the Group. Although all the Directors have equal responsibility for the performance of the Group, the role of the Non-Executive Director and Independent Directors is particularly important in ensuring that the strategies proposed by Management are fully discussed, rigorously examined and take into account the long-term interests of not only the shareholders, but also of the employees, customers, suppliers and the communities in which the Group conducts its business. The Non-Executive Director and Independent Directors also review the performance of Management in meeting agreed goals and objectives and monitor the reporting of performance. The NC considers its Non-Executive Director and Independent Directors to be of sufficient calibre and size and their views to be of sufficient weight such that no individual or small group of individuals dominates the Board's decision-making process.

The Company co-ordinates informal meeting sessions for Non-Executive Director and Independent Directors to meet on an as-needed basis without the presence of the Management to discuss matters such as the Group's financial performance, corporate governance initiatives, Board processes, succession planning as well as leadership development and the remuneration of Executive Directors.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

Mr Su Chung Jye is the EC and CEO of the Company. The Company did not create a separate CEO role as the Board is of the view that the current Board composition is appropriate and effective for the purposes for which the Board's roles and responsibilities are set up. The Board is of the view that with the establishment of the three (3) Board Committees and as Independent Directors form half of the composition of the Board, for FY2018 under review, there are adequate safeguards in place to prevent an uneven concentration of power and authority in a single individual.

As the EC, Mr Su Chung Jye formulates and oversees the corporate and strategic development of the Group. He ensures that corporate information is adequately and timely disseminated to all Directors to facilitate effective contribution of all Directors. The EC is assisted by the Company Secretary, Board Committees and the internal auditors who report to AC in ensuring compliance with the Company's guidelines on corporate governance.

As the CEO, Mr Su Chung Jye is responsible for all the key aspects of the operations and business of the Group, including charting the Group's corporate and strategic direction.

The Company is in compliance with the Guideline 3.3 of the Code where Mr Goon Kok Loon as the Lead Independent Director, leads and coordinates the activities of the Independent Directors and acts as the principal liaison on Board issues between the Independent Directors and the Chairman. Where appropriate, the Lead Independent Director meets periodically with the other Independent Directors without the presence of the other Directors and provides feedback to the EC after such meetings. The Lead Independent Director is available to shareholders if they have any concerns relating to matters when contacted through the normal channels of the EC or the CEO has failed to resolve, or where such contact is inappropriate.

BOARD MEMBERSHIP

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

During FY2018 under review, the NC comprises of the following four (4) members, the majority of whom, including the Chairman, are independent.

| | |
|-----------------------------|----------|
| Mr Goon Kok Loon | Chairman |
| Mr Chong Weng Hoe | Member |
| Mr Francis Hwang Huat Kuong | Member |
| Mr Su Chung Jye | Member |

As at the date of this report, the NC comprises 3 directors of whom one (1) is EC and two (2) Independent Directors.

The role of the NC is to oversee the appointment and induction process for Directors. The responsibilities of the NC include:

- (a) making recommendations to the Board on re-nomination, taking into consideration each Director's contribution and performance;
- (b) determining annually whether a Director is independent as defined under the Code;
- (c) ensuring that all members of the Board submit themselves for re-nomination and re-election at regular intervals;
- (d) determining whether or not a Director is able to carry out his duties in light of his commitments to other companies; and
- (e) assessing the effectiveness of the Board as a whole.

Each member of the NC shall abstain from voting on any resolution in respect of the assessment of his performance or re-nomination as a Director.

Consistent with the Code, the Chairman of the NC is independent and is not associated with the substantial shareholders of the Company.

The NC considers and recommends to the Board the appropriate structure, size and needs of the Board, with regard to the appropriate balance and diversity of skills, personal qualities and experience required for the effective performance of the Board. The NC also recommends all appointments and retirements of Directors and considers candidates to fill new positions created by expansion, as the Board may benefit therefrom, and vacancies that occur by resignation, retirement or for any other reasons to the Board. The NC may engage consultants to undertake research on, or assess candidate(s) applying for new positions on the Board, or to engage such other independent experts, as it considers necessary to carry out its duties and responsibilities.

Candidates are selected based on their character, judgment, business experience and acumen. The NC also ensures that the Directors have the relevant core competencies in areas such as finance, accounting and law, in order for them to discharge their duties effectively. Where a Director has multiple board representations, the NC will evaluate if a Director is able to and has been adequately carrying out his or her duties as Director of the Company. Though some of the Board members have multiple board representations, the NC is satisfied that the Directors have devoted sufficient time and attention to the Company.

The Board does not see any reason to set the maximum number of listed board representations that any Director may hold as all the Directors are able to devote to the Company's affairs in light of their commitments. However, as a general guideline to address time

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commitments that may be faced, a Director who holds more than five (5) listed company board representations may consult the Chairman before accepting any new appointments as a Director. The Board grants the final approval of a candidate.

The Company's Constitution provides that at each Annual General Meeting ("AGM") of the Company, not less than one third of the Directors (who have been longest in office since their appointment or re-election) are to retire from office by rotation. A retiring Director is eligible for re-election by the shareholders of the Company at the AGM.

In determining the independence of Directors annually, the NC has reviewed the independence of Mr Goon Kok Loon, Mr Chong Weng Hoe and Mr Francis Hwang Huat Kuong. In assessing the independence of the Directors during FY2018 under review, the NC is satisfied that there are no relationships identified by the Code which would deem any of them to be not independent. Each of the Independent Directors has also declared that they are independent.

In considering whether an Independent Director who has served on the Board for more than 9 years is still independent, the Board has taken into consideration the following factors:

- (1) The considerable amount of experience and wealth of knowledge that the Independent Director brings to the Company;
- (2) The attendance and active participation in the proceedings and decision-making process of the Board and Board Committees meetings;
- (3) Provision of continuity and stability to the new management at the Board level as the Independent Director has developed deep insight into the business of the Company and possesses experience and knowledge of the business;
- (4) The qualification and expertise provides reasonable checks and balances for the Management;
- (5) The Independent Director has provided adequate attention and sufficient time has been devoted to the proceedings and business of the Company. He is adequately prepared and responsive and heavily involved in the discussions at the meeting; and
- (6) The Independent Director provides overall guidance to Management and acts as safeguard for the protection of Company's assets and shareholders' interests.

Based on the above factors and the rigorous review performed by the NC, the NC with the concurrence of the Board has reviewed the suitability of Mr Goon Kok Loon and Mr Chong Weng Hoe being Independent Directors who have served on the Board beyond nine years, and have determined that Mr Goon Kok Loon and Mr Chong Weng Hoe remain independent. Mr Goon Kok Loon and Mr Chong Weng Hoe have abstained from voting on any resolution in respect of their own appointment.

There is no alternate director being appointed to the Board for FY2018.

At the forthcoming AGM, Mr Su Chung Jye and Mr Francis Hwang Huat Kuong shall retire in accordance to the Regulation 89 of the Constitution of the Company. In this regard, the NC having considered the Directors' overall contributions and performance as well as attendance and participation of these Directors at the Board and Board committee meetings, has recommended and the Board has approved their re-election.

Each member of the NC shall abstain from voting on any resolutions in respect to his or her re-nomination as a Director. Details of the Directors seeking reelection are found in Table A set out on page 36 to page 38 of this annual report.

In respect to FY2018, the NC is of the view that each Director had discharged his duties adequately.

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Key information regarding the Directors such as academic and professional qualifications, Board Committees served, directorship or chairmanship both present and past held over the preceding three years in other listed companies and other major appointments, whether the appointment is executive or non-executive are set out on pages 8 and 9 of this annual report.

BOARD PERFORMANCE

Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

The NC will use its best efforts to ensure that Directors appointed to the Board possess the relevant background, experience and knowledge to enable balanced and well-considered decisions to be made. Every Board should implement a process to be carried out by NC for assessing the effectiveness of the Board as a whole and its Board Committees and for assessing the contribution by the Chairman and each individual Director to the effectiveness of the Board.

The NC has assessed the performance and effectiveness of the Board as a whole and of each Board Committee. The evaluation is based on objective performance criteria which include size and composition of the Board, the Board's access to information, accountability, standards of conduct of the Directors, attainment of agreed targets, performance of the Board, attendance and contribution of each Director during Board and Board Committees meetings.

During the financial year under review, each Director was required to complete the evaluation form adopted by the NC for annual assessment, which will be collated by the Chairman of NC for review or discussion. The results of the evaluation exercise for the Board as a whole, and Board Committees were considered by the NC which then makes recommendations to the Board aimed at helping the Board to discharge its duties more effectively. No external facilitator was used in the evaluation process.

Although the Directors are not evaluated individually, the factors taken into consideration with regards to the re-nomination of Directors are based on their attendance and contributions made to the Board during the Board and Board Committees meetings.

Based on the performance criteria, the NC is of the opinion that the Board and each Board Committee operate effectively and each Director is contributing to the overall effectiveness of the Board.

ACCESS TO INFORMATION

Principle 6: In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

Directors receive regular supply of adequate and timely information from the Management about the Company so that they are equipped to effectively participate in Board meetings. Detailed Board papers are prepared for each meeting of the Board and Board Committees and are circulated in advance of each meeting. The Board papers include sufficient information on financial, business and corporate issues to enable the Directors to be properly briefed on issues to be deliberated at the Board and Board Committees meetings.

All Directors have unrestricted access to the Company's records and information. The Directors also liaise with senior Management as required and may consult with other employees and seek additional information on request. In addition, the Directors have separate and independent access to the Company Secretary.

Should a Director require independent professional advice concerning any aspect of the Company's operations or undertakings in order to fulfil his duties and responsibilities as a Director, the Board may appoint, at the Company's expense, a professional adviser to assist.

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The Company Secretary or her representative administers, attends and prepares minutes of Board and Board Committees meetings, and assists the Chairman of the Board and/or the Board Committees in ensuring that proper procedures at such meetings are followed and reviewed so that the Board and the Board Committees function effectively and the relevant requirements of the Companies Act and Listing Rules are complied with. The appointment and removal of the Company Secretary is subject to the approval of the Board.

REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

During FY2018 under review, the RC comprises of the following four (4) members, the majority of whom, including the Chairman, are independent.

| | |
|-----------------------------|----------|
| Mr Chong Weng Hoe | Chairman |
| Mr Goon Kok Loon | Member |
| Mr Francis Hwang Huat Kuong | Member |
| Mr Su Chung Jye | Member |

As at the date of this report, the RC comprises 3 directors, of whom one (1) is EC and two (2) Independent Directors. Mr Francis Hwang has been appointed as Chairman of RC to replace Mr Chong who has relinquished his position as a member of RC on 11 May 2019.

The key terms of reference of the RC are as follows:

- (a) Review and recommend to the Board a general framework of remuneration for the Executive Directors and key management personnel;
- (b) Review and recommend to the Board the specific remuneration packages for each Executive Director;
- (c) Determine targets for any performance-related pay schemes operated by the Company;
- (d) Review and recommend to the Board the terms of renewal of the service agreements of Executive Directors;
- (e) Administer the Regal International Group employee share option scheme (“**Scheme**”) and Regal Group share plan (“**Plan**”) and any other share option schemes established from time to time for the directors and the key management personnel; and
- (f) Consider the disclosure requirements for Directors’ and key management personnel’s remuneration as required by the SGX-ST and according to the Code.

The RC reviews and recommends to the Board the specific remuneration packages for the Executive Directors and key executives. No Director or key executive is involved in deliberating his/her own remuneration, compensation or any form of benefit. The RC review covers all aspects of remuneration, including but not limited to Directors’ fees, salaries, allowances, bonuses, options, and benefits-in-kind.

In reviewing the remuneration packages for Executive Directors and key executives, the RC may make a comparative study of the remuneration packages in comparable industries and will take into account the performance of the Company and that of its Executive Directors and key executives. The RC’s remuneration policy is to provide compensation packages at competitive market

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rates which will reward successful performance, attract, retain and motivate Executive Directors and key executives. The RC aims to be fair and avoid rewarding poor performance.

LEVEL AND MIX OF REMUNERATION

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

Mr Su Chung Jye and Mr Wong Pak Kiong are paid based on their service agreements (“**Agreements**”) with the Company which are subject to review every three (3) years. These include a profit sharing scheme that is performance related to align their interests with those of the shareholders. The Agreements are not excessively long and they do not have onerous removal clauses. They provide for termination by either party upon giving not less than six (6) months’ notice in writing. Currently, the Agreements do not contain clauses that allow the Company to reclaim variable components of remuneration in exceptional circumstances.

The long-term incentive schemes of the Company are the Scheme and the Plan. The RC is responsible for the administration of the Scheme and the Plan in accordance with the rules of the Scheme and the Plan respectively.

During FY2018, the Company has not granted any share options to the Group Executive Directors, Group Non-Executive Directors and Group employees under the Scheme. No awards were granted under the Plan. More details are set out under the Statement by Directors in page 39 of this annual report.

The Directors receive Directors’ fees, in accordance with their contribution, taking into account factors such as effort, time spent and the responsibilities of the Directors. Directors’ fees are recommended by the Board for approval by shareholders at the Company’s AGM.

The RC has access to expert professional advice on human resource matters whenever there is a need to consult externally. In its deliberations, the RC will take into consideration industry practices and norms in compensation in addition to the Company’s relative performance to the industry and the performance of the individual Director. No individual Director is involved in deciding his own remuneration. No remuneration consultants were engaged in FY2018.

The Company does not use contractual provisions to allow the Company to reclaim incentive components of remuneration from Executive Directors and key executives in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. The Executive Directors owe a fiduciary duty to the Company. The Company should be able to avail itself to remedies against the Executive Directors in the event of such breach of fiduciary duties.

DISCLOSURE ON REMUNERATION

Principal 9: Each company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration in the company’s annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

In view of confidentiality of the remuneration policies of the Company, the Board is of the opinion that it is in the best interests of the Group to disclose the remuneration of its Directors and key management personnel in salary bands.

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A breakdown showing the level and mix of each individual Director's remuneration in all forms by the Group for FY2018 is set out below:

| Remuneration band (in SGD) | Name of Directors | Salary (%) | Bonus (%) | Fees (%) | Total (%) | Options granted during the year |
|---------------------------------------|--------------------------|------------|-----------|----------|-----------|---------------------------------|
| Above S\$250,000 and Below S\$500,000 | Su Chung Jye | 81.1 | 6.8 | 12.1 | 100 | - |
| Below S\$250,000 | Wong Pak Kiong | 81.1 | 6.8 | 12.1 | 100 | - |
| | Low Yew Shen | - | - | 100 | 100 | - |
| | Goon Kok Loon | - | - | 100 | 100 | - |
| | Chong Weng Hoe | - | - | 100 | 100 | - |
| | Francis Hwang Huat Kuong | - | - | 100 | 100 | - |

A breakdown showing the level and mix of each individual key management personnel's remuneration in all forms by the Group for FY2018 is set out below:

| Name of key management personnel | Salary (%) | Bonus (%) | Fees (%) | Total (%) | Options granted during the year |
|----------------------------------|------------|-----------|----------|-----------|---------------------------------|
| Below S\$250,000 | | | | | |
| Frederick Eng Meng Khuan | 100 | - | - | 100 | - |
| Elizabeth Wong Sing Hui | 100 | - | - | 100 | - |
| Liang Ngee Ping | 100 | - | - | 100 | - |
| Kong Mei Yen | 87.8 | 12.2 | - | 100 | - |

For FY2018, the aggregate total remuneration paid to the key management personnel (who are not Directors or the CEO) amounted to S\$304,000.

There were no terminations, retirement or post-employment benefits granted to Directors and key management personnel.

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Ms Chai Shao Ping, the spouse of the EC and CEO, Mr Su Chung Jye, had received remuneration exceeding S\$50,000 in FY2018.

Details of the remuneration paid to Ms Chai Shao Ping for FY2018 are set out in the table below:

| Remuneration band (in SGD) | Name of immediate family member | Salary (%) | Bonus (%) | Fees (%) | Total (%) | Options granted during the year |
|-------------------------------|------------------------------------|---------------|--------------|-------------|--------------|------------------------------------|
| S\$50,000 to S\$100,000 | Chai Shao Ping | - | - | 100 | 100 | - |

Save for the above, the Company does not have any employee who is an immediate family member of a Director or CEO whose annual remuneration exceeded S\$50,000 during the year.

The RC and the Board have considered and are of the view that the Company's remuneration packages are appropriate and fair.

ACCOUNTABILITY AND AUDIT**ACCOUNTABILITY****Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.**

The Board provides shareholders with a detailed and balanced explanation and analysis of the Company's performance, position and prospects on a quarterly basis within the timeline as stipulated in the Listing Manual of the SGX-ST.

In line with the Listing Manual of SGX-ST, negative assurance statements were issued by the Board to accompany its quarterly financial results announcements, confirming to the best of its knowledge that, nothing had come to the attention which would render the Company's quarterly results to be false or misleading. The Company is not required to issue negative assurance statements for its full year results announcement.

Management provides the Board with information on the Group's performance, position and prospects on a quarterly basis to ensure that they effectively discharge their duties. This is supplemented by updates on matters affecting the financial performance and business of the Group if such event occurs. This allows the Board to monitor the Group's performance and position as well as the Management's achievements of the goals and objectives determined and set by the Board.

RISK MANAGEMENT AND INTERNAL CONTROLS RISK MANAGEMENT**Principal 11: The Board is responsible for the governance of risk. The Board should ensure that the Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.**

The Board is responsible for the governance of risk and the overall internal control framework, but acknowledges that no cost-effective internal control system will preclude all errors and irregularities. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss. The internal controls in place will address the financial, operational, compliance and information technology risks and the objectives of these controls are to provide reasonable assurance that there are no material financial misstatements or material loss, accounting records are properly maintained, financial information are reliable, and assets are safeguarded.

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The Board oversees the Company's risk management policies in areas of significant risk to the Company's operations and ensures that the management puts in place risk management practices to address these risks.

i. Operational risks

The Company's operating risks are managed at each operating unit and monitored at the Company level. The Company analyses the costs and benefits of managing operational risks and endeavours to mitigate them as best as possible and to such extent practicably possible. The internal auditor will complement the role of the risk management by providing an independent perspective on the controls that help to mitigate any operational risks.

ii. Compliance and legal risks

The various operating business units are responsible to ensure compliance with the relevant laws and regulations and advice from external legal advisors are obtained where and when necessary.

iii. Financial risks

Details of the various financial risk factors and the management of such risks are outlined in Note 34 set out on page 119 of the annual report.

iv. Information technology risks

The Management regularly reviews the integrity of the Group's information technology systems so as to manage information technology risks. External advice is sought as and when needed.

Internal controls

Based on the internal controls established and maintained by the Company, work performed by the internal and external auditors, and reviews performed by management, as well as various Board Committees and the Board, the Board with the concurrence of the AC, is of the opinion that the Company's risk management systems and internal controls addressing financial, operational, compliance and information technology risks, were adequate and effective as at 31 December 2018.

The Board has received assurance from the CEO and the Financial Controller that:

- (a) the financial records have been properly maintained and the financial statements for FY2018 give a true and fair view of the Company's operations and finances; and
 - (b) the Company maintains an adequate and effective risk management and internal control system.
-

AUDIT COMMITTEE

Principle 12: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

During FY2018 under review, the AC comprises of the following three (3) members, all of whom, including the Chairman, are independent.

| | |
|-----------------------------|----------|
| Mr Goon Kok Loon | Chairman |
| Mr Chong Weng Hoe | Member |
| Mr Francis Hwang Huat Kuong | Member |

As at the date of this report, the AC comprises 2 directors, of whom two (2) are Independent Directors. With the relinquish of Mr Chong as a member of AC on 11 May 2019, the NC and Board will endeavour to fill the vacancy of the member of AC as soon as practicable.

The Board is of the view that members of the AC are appropriately qualified and have the necessary accounting or related financial management expertise to discharge their responsibilities. The main roles and responsibilities of the AC include:

- (a) review the audit plans of the external auditors, including the results of the external and internal auditors' examination and their evaluation of the system of internal accounting controls, their letter to Management and the Management's response;
 - (b) review the quarterly, half-yearly and annual financial statements, statement of financial position and statement of profit or loss and other comprehensive income accounts before submission to the Board for approval, focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustments resulting from audit, compliance with accounting standards and compliance with the Listing Manual of SGX-ST and any other relevant statutory or regulatory requirements;
 - (c) review the risk profile of the Company, its internal control and risk management procedures and the appropriate steps to be taken to mitigate and manage risks at acceptable levels determined by the Board;
 - (d) ensure co-ordination between the external and internal auditors and the Management, and review the assistance given by the Management to the auditors, and discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of the Management, where necessary);
 - (e) review and discuss with the external auditors any suspected fraud and irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and the Management's response;
 - (f) consider the appointment, remuneration, terms of engagement or re-appointment of the external and internal auditors and matters relating to the resignation or dismissal of the auditors;
 - (g) review and approve any interested person transactions falling within the scope of Chapter 9 of the Listing Manual;
 - (h) review potential conflicts of interest (if any);
 - (i) evaluate the independence of the external auditors;
 - (j) review the adequacy of the internal audit function and ensure that a clear reporting structure is in place between the AC and the internal auditors;
 - (k) review arrangements by which staff of the Company may, in confidence, raise concerns about possible impropriety in matters
-

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of financial reporting and other matters and the adequacy of procedures for independent investigation and appropriate follow-up action in response to such complaints;

- (l) conduct annual internal control audits to review the Group's internal controls and procedures;
- (m) undertake such other reviews and projects as may be requested by the Board, and report to the Board its findings from time to time on matters arising and requiring the attention of the AC; and
- (n) generally undertake such other functions and duties as may be required by statute, the Listing Manual, or by such amendments as may be made thereto from time to time.

Apart from the duties listed above, the AC is authorised to investigate any matter within its terms of reference where there is suspected fraud or irregularity, or failure of internal controls or infringement of any law, rule or regulation which has or is likely to have a material impact on the Company's operating results or financial position, and to review its findings.

The AC also has full access to the Management and full discretion to invite any Director or key executive to attend its meetings as well as utilise reasonable resources to enable it to discharge its functions properly.

The AC also meets with the external auditors and internal auditors without the presence of the Company's Management at least once a year.

The AC has reviewed the volume of non-audit services to the Company by the external auditors and is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. Details of the aggregate amount of audit and non-audit services paid or payable to the external auditors during FY2018 are disclosed in Note 10 set out on page 84 of the annual report. The AC has recommended to the Board on the nomination of Messrs RSM Chio Lim LLP for re-appointment as external auditors of the Company at the forthcoming AGM.

The Group has appointed different auditors for its overseas subsidiaries as disclosed in Note 15 set out on pages 90 to 94 of the annual report. The AC and the Board have satisfied themselves that the appointment of different auditors for its overseas subsidiaries would not compromise the standard and the effectiveness of the audit of the Group.

The Company is in compliance with Rules 712 and 716 of the Listing Manual of SGX-ST in relation to its external auditors.

The external auditors provide regular updates and briefing to the AC on changes or amendments to accounting standards to enable the members of the AC to keep abreast of such changes and its corresponding impact on the financial statements, if any.

The Company has adopted a whistle blowing policy aimed at providing a well-defined and accessible channel in the Company through which employees may raise concerns about improper conduct within the Company and to ensure that:

- (i) independent investigations are carried out in an appropriate and timely manner;
 - (ii) appropriate action is taken to correct the weakness in internal controls and policies which allowed the perpetration of fraud and/or misconduct and to prevent a recurrence; and
 - (iii) administrative, disciplinary, civil and/or criminal actions that are initiated following the completion of investigations are appropriate, balance and fair, while providing reassurance that employees will be protected from reprisals or victimisation for whistle blowing in good faith and without malice.
-

CORPORATE GOVERNANCE

Parties who wish to report suspected acts of misconduct or non-compliance may submit reports in writing directly to the chairman of the AC. The reports must be sufficiently detailed, setting out the background and history of events and reasons for the concern. The AC will review the complaint and may investigate further and take appropriate action, if required. As at to-date, there were no reports received through the whistle blowing mechanism.

No former partner or Director of the Company's existing auditing firm has acted as a member of the AC.

INTERNAL AUDIT

Principle 13: The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The Board recognises the importance of maintaining an internal audit function to provide an independent assurance over the soundness of the system of internal controls and risk management procedures within the Group to safeguard shareholders' investments and the Group's assets. The AC has the responsibility to review the adequacy of the internal audit function annually, review the internal audit program and ensure co-ordination between internal auditors, external auditors and Management, and ensure that the internal auditors meet or exceed the standards set by nationally or internationally recognised professional bodies.

The Company has outsourced the internal audit function and appointed Messrs Nexia TS Risk Advisory Pte. Ltd. as its internal auditor. The internal auditor reports directly to the AC, which assists the Board in monitoring the effectiveness of internal controls and risks of the Group.

The role of the internal auditors is to assist the AC in reviewing that the controls are effective and functioning as intended, to undertake investigations as directed by the AC and to conduct regular in-depth audits of high risk areas. The internal auditors have unfettered access to all the Group's documents, records, properties and personnel including access to the AC.

The AC will review and approve the internal audit plan submitted by the internal auditors. The AC is satisfied that the internal audit function is independent and has resources to perform its function effectively, adequately and has appropriate standing within the Company.

The AC is satisfied that the internal audit function is staffed by suitably qualified and experienced professionals with the relevant experience.

The AC approves the appointment, removal, evaluation and compensation of the internal auditors. The internal auditor is a member of the Institute of Internal Auditors Singapore ("IIA"), an international professional association for internal auditors which has its headquarters in the United States. The audit work carried out is guided by the International Standards for the Professional Practice of Internal Auditing (IIA Standards) laid down in the International Professional Practices Framework issued by the IIA.

The AC would annually review the adequacy and effectiveness of the internal audit function of the Company.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

SHAREHOLDER RIGHTS

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

The Company believes in timely and accurate dissemination of information to its shareholders. The Board makes every effort to

CORPORATE GOVERNANCE

comply with continuous disclosure obligations of the Company under the SGX-ST's Listing Rules and the Companies Act. All major developments that impact the Group would be released via SGXNet.

Shareholders are informed of general meetings through the announcement released to the SGXNet and notices contained in the annual report or circulars sent to all shareholders. These notices are also advertised in a national newspaper. Shareholders are also informed on the procedures for the poll voting at the general meetings. All shareholders are entitled to attend the general meetings and are provided the opportunity to participate in the general meetings. If any shareholder is unable to attend, he/she is allowed to appoint up to two proxies to vote on his/her behalf at the general meeting through proxy forms sent in advance. The Company's constitution does not include the nominee or custodial services to appoint more than two proxies.

On 3 January 2016, the legislation was amended, among other things, to allow certain members defined as "Relevant Intermediary" to attend and participate in general meetings without being constrained by the two-proxy requirement. Relevant Intermediary includes corporations holding licenses in providing nominee and custodial services and CPF Board which purchases shares on behalf of the CPF investors.

COMMUNICATION WITH SHAREHOLDERS

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

The Company believes in high standards of transparent corporate disclosure and is committed to disclose to its shareholders, the information in a timely and fair manner via SGXNet. Where there is inadvertent disclosure made to a selected group, the Company will make the same disclosure publicly to all others as soon as practicable.

During FY2018 under review, communication with shareholders is usually made through:

- (a) annual reports that are prepared and issued to all shareholders;
- (b) announcements of quarterly financial results containing a summary of the financial information and affairs of the Company;
- (c) disclosures and announcements;
- (d) the Company's website at <http://www.regalinternational.com.sg> at which shareholders can access financial information, corporate announcements, press releases, annual reports and profile of the Group;
- (e) electronic mails to its corporate email address at info@regalinternational.com.sg; and
- (f) newsletters to all shareholders on quarterly basis.

By supplying shareholders with reliable and timely information, the Company is able to strengthen the relationship with its shareholders based on trust and accessibility. The Company focuses on facilitating the communications with all stakeholders, shareholders, analysts and media on a regular basis, attending to their queries or concerns as well as keeping the investors publicly apprised of the Group's corporate developments and financial performance.

The newsletters to all shareholders consist of information and message from the Company to the shareholders, projects updates for the shareholders to understand the business of the Company, the future expansion plan of the Company as well as highlights on the company's recent projects and events.

CORPORATE GOVERNANCE

The Company does not practice selective disclosure. Price sensitive information is first publicly released through SGXNet, before the Company meets with any investors or analysts. All shareholders of the Company will receive the annual report with an accompanying notice of AGM by post. The notice of AGM is also published in the newspaper within the mandatory period, the AGM of which is to be held within four months after the close of the financial year.

The Company's dividend policy seeks to balance dividend return to shareholders with the need for long-term sustainable growth whilst aiming for an efficient capital structure. The dividend payment for each year shall be not less than 3% of the Company's distributable profit for that year, subject always to setting aside reserves in accordance with the Company's Constitution and relevant laws, and after taking into all relevant considerations.

For FY2018, the Board does not recommend any payment of dividends as the Company requires the existing cash to fund its operating business.

CONDUCT OF SHAREHOLDER MEETINGS

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The Company is in full support of shareholder participation at AGMs. Shareholders are encouraged to attend the Company's general meetings to ensure a high level of accountability and to stay informed of the Group's strategies and growth plans. The Company's constitution has provided that the implementation, subject to security measures as may be deemed necessary or expedient, such voting methods to allow shareholders who are unable to vote in person at any general meeting the option to vote in absentia, including but not limited to voting by mail, electronic mail or facsimile.

Notice of the general meeting is dispatched to shareholders, together with explanatory notes or a circular on items of special businesses (if necessary), at least 14 clear calendar days before the meeting. The Board welcomes questions from shareholders who wish to raise issues, either informally or formally before or during the meetings. The Company will make available minutes of meetings to shareholders upon their request.

Each item of special business included in the notice of the general meetings will be accompanied by explanation of the effects of a proposed resolution. Separate resolutions are proposed for each substantially separate issue at general meetings.

All Directors including the Chairman of the Board Committees are normally be present for all meetings and available to address questions at these meetings. External auditors are also present to assist the Directors in addressing any queries raised by the shareholders.

The Company has implemented poll voting for all general meetings held on or after 1 August 2015 in accordance with the requirement of the Code. This entails shareholders being invited to vote on each resolution by poll, thereby allowing all shareholders present or represented at the meeting to vote on a one share, one vote basis. For cost effectiveness of the Company, the voting of the resolutions at the Company's meetings is conducted by manual polling. The voting results of all votes cast for, or against, each resolution is then announced at the meetings. The detailed results of each resolution are announced via SGXNet after the meetings.

INTERESTED PERSON TRANSACTIONS ("IPTs")

The Company has established internal control policies to ensure that transactions with interested persons are properly reviewed and approved, and are conducted at an arm's length basis. The Company does not have a general mandate from shareholders for IPTs. For FY2018, there were no IPTs conducted during the year, which exceeded S\$100,000 in value.

CORPORATE GOVERNANCE

DEALING IN SECURITIES

In compliance with Rule 1207(19) of the SGX-ST Listing Manual, the Company has an internal policy, which is in line with the requirements of the Listing Manual, governing dealings in the Company's securities by its Directors and officers. The Company has devised and adopted its Code of Best Practices on Securities Transactions prohibiting its Directors and officers from dealing in the Company's shares during the period commencing two (2) weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year, or one (1) month before the announcement of the Company's full year results, as the case may be, and ending on the date of the announcement of the respective results. Directors and officers are informed via electronic mail in advance of the respective "blackout" periods.

Director and executives are also expected to observe insider trading laws at all times even when dealing with securities within the permitted trading period or when they are in possession of unpublished price-sensitive information and they are not to deal in the Company's securities based on short-term considerations.

MATERIAL CONTRACTS

There were no material contracts except as disclosed in the financial statements, which involve the interests of any Director and/or Controlling Shareholder, which were entered into by the Company or any of its subsidiaries in FY2018.

CORPORATE
GOVERNANCE**TABLE A**

The Directors named below are retiring and being eligible, offer themselves for re-election at the upcoming AGM:-

| Name of Director | SU CHUNG JYE | FRANCIS HWANG HUAT KUONG |
|--|--|---|
| Date of appointment | 29 October 2014 | 29 October 2014 |
| Date of last re-appointment | 22 April 2016 | 21 April 2017 |
| Age | 56 | 56 |
| Country of principal residence | Singapore | Singapore |
| The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process) | The Board of Directors of the Company is of the opinion that Mr Su can continue to contribute positively to the Company after reviewing the NC's recommendation and Mr Su's qualifications, experience and suitability. | The Board of Directors of the Company has accepted the NC's recommendation, who has reviewed and considered Mr Hwang's performance as an Independent Director of the Company. The Board considers Mr Hwang to be independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST. |
| Whether appointment is executive, and if so, the area of responsibility | Executive. | Non-Executive. |
| Job Title (e.g. Lead ID, AC Chairman, AC Member etc.) | Executive Chairman and Chief Executive Officer, a member of Nominating Committee and Remuneration Committee | Independent Director, Chairman of Remuneration Committee and a member of Nominating and Audit Committees. |
| Professional qualifications | Mr Su holds a Diploma in Investment Analysis from the Research Institute of Investment Analysts Malaysia in collaboration with the Royal Melbourne Institute of Technology (RMIT), Australia. He graduated from The University of Sydney, Australia with a Double Degree of Bachelor of Engineering in Electrical Engineering and a Bachelor Degree of Science. He also obtained a Degree of Master of Science (Building Science) from the National University of Singapore. | Mr Hwang is a registered member with the Board of Architects, Singapore. Mr Hwang holds a Bachelor of Science (Architecture) and a Bachelor of Architecture from the University of Sydney, Australia. |
| Working experience and occupation(s) during the past 10 years | Mr Su has over 24 years of work experience in the construction and property development business. Mr Su has been awarded the Asia Pacific Entrepreneurship Award (APEA) 2016 and Built Environment Industry (BEI) Asia Distinguished Award 2017 consecutively. | Mr Hwang has more than 28 years of experience in the architectural industry. From 2011, he was a principal architect and involved in the design and planning of multi-storey factory and warehouse buildings. From September 2011 up to current, he is the Director and Principal Architect in his own architectural company, HA Architects Pte. Ltd. |
| Shareholding interest in the listed issuer and its subsidiaries | Yes 125,562,457 ordinary shares consist of 16,138,381 ordinary shares (direct interest) and 109,424,076 ordinary shares (deemed interest) | No. |
| Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries | Yes, as disclosed in page 28 of Annual Report. | No. |
| Conflict of interest (including any competing business) | None | None |
| Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer | Yes | Yes |

CORPORATE
GOVERNANCE

| | | |
|---|--|---|
| Other Principal Commitments* Including Directorships# | <u>Past (for the last 5 years)</u> Smart Realty Sdn Bhd, Innosar Sdn Bhd | <u>Past (for the last 5 years)</u> Cash 81 Pte. Ltd. |
| *"Principal Commitments" has the same meaning as defined in the Code | <u>Present</u> Director of Arena Wiramaju Sdn Bhd, Beaches & Coastlines Sdn Bhd, Bellanova Sdn Bhd, Beneworld Sdn Bhd, Kenyalang Avenue Sdn Bhd, Kota Sarjana Sdn Bhd, Midas Residences Sdn Bhd, Ocean Megalink Sdn Bhd, Regal Advantage Sdn Bhd, Regal Lands Sdn Bhd, Regal Materials Sdn Bhd, Regal International Holdings Pte. Ltd., Regal International Investments Pte. Ltd., Sang Kanchil Rising Sdn Bhd, Temasek Cartel Sdn Bhd, Temasek Regal Capital Sdn Bhd, Upright Strategy Sdn Bhd, Tiya Development Sdn Bhd, HJ Lai Concrete Cement Sdn Bhd, Regal Hospitalities Sdn Bhd, Regal Steelink Sdn Bhd, Regal Concrete Sdn Bhd, Benua Kenyalang Sdn Bhd, Luminous Paints Sdn Bhd, Harbour Venture Sdn Bhd, Trillion Vista Sdn Bhd, Regal Global Logistics Pte. Ltd., Regal Universe Builders Pte. Ltd., Regalia Properties Pte. Ltd., Ikram Mahawangsa Sdn Bhd, Million Sunray Sdn Bhd, Billion Light Sdn Bhd, Stratland Properties Sdn Bhd, Wisma Majuniaga Sdn Bhd, Bounding Away Capitals Pte. Ltd. and Innosar Holiday Sdn Bhd. | <u>Present</u> Francal 128 Sdn Bhd and HA Architects Pte. Ltd. |
| # These fields are not applicable for announcements pursuant to Listing Rule 704(9) | | |

Information required

Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.

| | Question | SU CHUNG JYE | FRANCIS HWANG HUAT KUONG |
|-----|---|--------------|--------------------------|
| (a) | Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner? | No | No |
| (b) | Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency? | No | No |
| (c) | Whether there is any unsatisfied judgment against him? | No | No |
| (d) | Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose? | No | No |
| (e) | Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach? | No | No |
| (f) | Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part? | No | No |
| (g) | Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust? | No | No |

CORPORATE
GOVERNANCE

| | | | |
|-----|---|--|--|
| (h) | Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust? | No | No |
| (i) | Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity? | No | No |
| (j) | Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of :— | No | No |
| | (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or | No | No |
| | (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or | No | No |
| | (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or | No | No |
| | (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust? | No | No |
| (k) | Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere? | No | No |
| | Disclosure applicable to the appointment of Director only. | | |
| | Any prior experience as a director of an issuer listed on the Exchange? | No | No |
| | If yes, please provide details of prior experience. | N/A | N/A |
| | If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. | No | No |
| | Please provide details of relevant experience and the nominating committee reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable). | Has attended the following trainings: (1) Briefings conducted by Shook Lin & Bok LLP; (2) Courses offered by the SID; and (3) Training for Directors and Key Executive Officers conducted by RHTLaw Taylor Wessing LLP on 1 March 2016. | Has attended the following trainings: (1) Briefings conducted by Shook Lin & Bok LLP; (2) Courses offered by the SID; and (3) Training for Directors and Key Executive Officers conducted by RHTLaw Taylor Wessing LLP on 1 March 2016. |

STATEMENT BY DIRECTORS

The Directors of the Company are pleased to present the accompanying financial statements of the Company and of the Group for the reporting year ended 31 December 2018.

1. Opinion of the Directors

In the opinion of the Directors,

- (a) the accompanying financial statements and the consolidated financial statements are drawn up so as to give a true and fair view of the financial position of the Company and, of the financial position and performance of the Group for the reporting year covered by the financial statements or consolidated financial statements; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors approved and authorised these financial statements for issue.

2. Directors

The Directors of the Company in office at the date of this statement are:

Executive Directors:

Su Chung Jye
Wong Pak Kiong

Non-Independent and Non-Executive Director:

Low Yew Shen

Independent Directors:

Goon Kok Loon
Francis Hwang Huat Kuong

3. Directors' interests in shares and debentures

The Directors of the Company holding office at the end of the reporting year were not interested in the shares in or debentures of the Company or other related body corporate as recorded in the register of Directors' shareholdings kept by the Company under section 164 of the Companies Act, Chapter 50 (the "Act") except as follows:

| Name of Directors | Shareholding in which the Director has direct beneficial interest | | | Shareholding in which the Director is deemed to have a beneficial interest | | |
|--------------------|---|------------------------------|--------------------|--|------------------------------|--------------------|
| | At beginning of the reporting year | At end of the reporting year | At 21 January 2019 | At beginning of the reporting year | At end of the reporting year | At 21 January 2019 |
| The Company | Number of shares of no par value | | | | | |
| Su Chung Jye | 16,138,381 | 16,138,381 | 16,138,381 | 109,424,076 | 109,424,076 | 109,424,076 |
| Wong Pak Kiong | 10,060,320 | 10,060,320 | 10,060,320 | 105,526,817 | 105,526,817 | 105,526,817 |
| Low Yew Shen | 6,389,000 | 6,389,000 | 6,389,000 | – | – | – |

STATEMENT BY DIRECTORS

3. Directors' interests in shares and debentures (cont'd)

Mr Su Chung Jye is deemed interested in 109,424,076 shares in which Ikram Mahawangsa Sdn. Bhd. and Stratland Properties Sdn. Bhd. have an interest.

Mr Wong Pak Kiong is deemed interested in 105,526,817 shares in which Ikram Mahawangsa Sdn. Bhd. has an interest.

By virtue of section 7 of the Act, Mr Su Chung Jye and Mr Wong Pak Kiong with interests are deemed to have interest in the Company and in all the related body corporates of the Company.

4. Arrangements to enable Directors to acquire benefits by means of the acquisition of shares and debentures

Neither at the end of the reporting year nor at any time during the reporting year did there subsist arrangements to which the Company is a party, being arrangements whose objects are, or one of whose objects is, to enable Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate except for the options rights and other rights mentioned below.

5. Performance share plan and employee share option scheme

Performance share plan

The Group operates a performance share plan ("**Plan**"), which was approved by the shareholders at the Company's Extraordinary General Meeting ("**EGM**") on 20 January 2010.

The Plan is administered by the Remuneration Committee ("**Committee**"), whose members are:

Francis Hwang Huat Kuong (Appointed as Chairman on 11 May 2019)
Chong Weng Hoe (Chairman until resignation on 11 May 2019)
Goon Kok Loon
Su Chung Jye

An Executive or Non-Executive Director of any member of the Group or a full-time employee of any member of the Group who is selected by the Committee is eligible to participate in the Plan.

A participant of the Plan ("**Participant**") who is a member of the Committee shall not be involved in its deliberations in respect of awards ("**Awards**") to be granted to or held by the member of the Committee.

The Awards granted under the Plan allow a Participant to receive fully-paid shares free of consideration upon the Participant achieving the performance target as are prescribed by the Committee at its absolute discretion.

5. Performance share plan and employee share option scheme (cont'd)

The Committee has the discretion to impose a further vesting period after the performance period to encourage the Participant to continue serving the Group for a further period of time. The Committee also has the discretion to grant Awards at any time in the year. It is currently anticipated that Awards would in general be made once a year.

The Plan shall continue in force at the discretion of the Committee, subject to a maximum period of 10 years commencing on the date on which the Plan is adopted on 20 January 2010. Any Awards made to Participants prior to expiry or termination date will continue to remain valid.

The maximum number of shares may be granted under the Plan, when aggregated with the aggregate number of shares over which options are granted under any share option schemes of the Company, will be 15 percent of the total number of issued shares (excluding treasury shares) from time to time. The number of shares to be granted to an eligible person who is Non-Executive Director of any member of the Group (other than the Chairman of the Company) shall not exceed 50,000 and the number of shares to be granted to the Chairman of the Company shall not exceed 500,000.

No shares were granted to the employees since the inception of the Plan.

Employee share option scheme

The Group operates the Regal International Group employee share option scheme (“Scheme”) which was approved by the shareholders at the Company’s EGM on 16 October 2014.

The Scheme is administered by the Committee whose members are:

Francis Hwang Huat Kuong (Appointed as Chairman on 11 May 2019)
Chong Weng Hoe (Chairman until resignation on 11 May 2019)
Goon Kok Loon
Su Chung Jye

Subject to the absolute discretion of the Committee, the following persons shall be eligible to participate in the Scheme:

- (a) Group employees;
- (b) Group Executive Directors; and
- (c) Group Non-Executive Directors.

The Independent Directors of the Company will not be eligible to participate in the Scheme.

Subject to the absolute discretion of the Committee, Controlling shareholders and their Associates who meet the criteria as set out above are eligible to participate in the Scheme, provided that the participation of each Controlling Shareholder or his Associate and each grant of an option to any of them may only be effected with the specific prior approval of shareholders in a general meeting by a separate resolution.

STATEMENT BY DIRECTORS

5. Performance share plan and employee share option scheme (cont'd)

Subject to limitations under the rules of the Scheme, the number of shares over which an option may be granted to each Participant shall be determined by the Committee in its absolute discretion, taking into account factors such as his rank, past performance, length of service, contribution to the success and development of the Group, his potential for future development and prevailing market and economic conditions.

The total number of shares over which the Company's options may be granted shall not exceed 15% of the issued share capital of the Company on the day preceding the date of the relevant grant. The aggregate number of shares over which options may be granted under the Scheme to Controlling shareholders and their Associates shall not exceed 25% of the shares available under the Scheme, and the number of shares over which an option may be granted under the Scheme to each Controlling Shareholder or his Associate shall not exceed 10% of the shares available under the Scheme.

The exercise price for each share in respect of which an option is exercisable shall be determined by the Committee at its absolute discretion and fixed by the Committee at: (a) a price equal to the average of the last dealt prices for a share on the Singapore Exchange Securities Trading Limited ("SGX-ST") for the period of five (5) consecutive market days immediately prior to the relevant date of the grant ("Market Price"); or (b) a price which is set at a discount to the Market Price, provided that the maximum discount shall not exceed 20% of the Market Price (or such other percentage or amount prescribed or permitted by the SGX-ST) and approved by the shareholders at a general meeting in a separate resolution in respect of that option.

Options granted at a discount are exercisable after two (2) years from the date of grant. Other options are exercisable after one (1) year from date of grant. Options must be exercised before the expiry of ten (10) years from the date of grant or such earlier date as may be determined by the Committee. There are special provisions dealing with the lapsing or permitting the earlier exercise of options under certain circumstances including termination, bankruptcy and demise of the Participants, take-over and winding-up of the Company.

The table below summarises the number of options that were outstanding, their exercise price as at the end of the reporting year as well as the movement during the reporting year.

| Exercise period | | Number of options outstanding as at beginning of the year | Number of options granted during the year | Number of options exercised / cancelled / lapsed during the year | Number of options outstanding as at end of year | Exercise price S\$ |
|-----------------|------------|---|---|--|---|--------------------|
| From | To | | | | | |
| 03/06/2016 | 02/06/2024 | 5,235,000 | – | (330,000) | 4,905,000 | 0.38 |
| 03/06/2017 | 02/06/2024 | 5,235,000 | – | (330,000) | 4,905,000 | 0.30 |
| | | <u>10,470,000</u> | <u>–</u> | <u>(660,000)</u> | <u>9,810,000</u> | |

STATEMENT BY DIRECTORS

5. Performance share plan and employee share option scheme (cont'd)

The following table summarises information about outstanding options of Directors and Controlling shareholders and an associate of a Controlling Shareholder at the end of the reporting year:

| Directors and Controlling Shareholders of the Company | Options in 2015 | Options from start of Scheme to end of 2017 | Exercised/ lapsed from start of Scheme to end of 2018 | Balance at 31.12.2018 | |
|--|------------------|---|---|-----------------------|----|
| Su Chung Jye | 600,000 | 600,000 | – | 600,000 | #a |
| | 600,000 | 600,000 | – | 600,000 | #b |
| Wong Pak Kiong | 240,000 | 240,000 | – | 240,000 | #a |
| | 240,000 | 240,000 | – | 240,000 | #b |
| <u>Director</u> | | | | | |
| Low Yew Shen | 100,000 | 100,000 | – | 100,000 | #a |
| | 100,000 | 100,000 | – | 100,000 | #b |
| <u>Associate of a Controlling Shareholder of the Company</u> | | | | | |
| Serena Su Chung Wen | 120,000 | 120,000 | – | 120,000 | #a |
| | 120,000 | 120,000 | – | 120,000 | #b |
| | | | – | | |
| | <u>2,120,000</u> | <u>2,120,000</u> | <u>–</u> | <u>2,120,000</u> | |

#a Exercise price of S\$0.38. Exercise period from 3 June 2016 to 2 June 2024.

#b Exercise price of S\$0.30. Exercise period from 3 June 2017 to 2 June 2024.

6. Options

During the reporting year, no option to take up unissued shares of the Company or other body corporate in the Group was granted.

During the reporting year, there were no shares issued by virtue of the exercise of an option to take up unissued shares.

At the end of the reporting year, there were no other unissued shares under option except as disclosed above.

7. Independent auditor

RSM Chio Lim LLP has expressed willingness to accept re-appointment.

8. Report of Audit Committee

The members of the Audit Committee at the date of this report are as follows:

| | |
|--------------------------|---------------------------|
| Goon Kok Loon | (Chairman) |
| Chong Weng Hoe | (Resigned on 11 May 2019) |
| Francis Hwang Huat Kuong | |

STATEMENT BY DIRECTORS

8. Report of Audit Committee (cont'd)

The Audit Committee performs the functions specified by section 201B(5) of the Act. Among other functions, it performed the following:

- Reviewed with the independent external auditors their audit plan;
- Reviewed with the independent external auditors their evaluation of the Company's internal accounting control, and their report on the financial statements and the assistance given by Management to them;
- Reviewed with the internal auditors the scope and results of the internal audit procedures (including those relating to financial, operational and compliance controls and risk management) and the assistance given by Management to the internal auditor;
- Reviewed the financial statements of the Group and the Company prior to their submission to the Directors of the Company for adoption; and
- Reviewed the Interested Person Transactions (as defined in Chapter 9 of the Listing Manual of SGX-ST).

Other functions performed by the Audit Committee are described in the report on corporate governance included in the Annual Report. It also includes an explanation of how independent auditor objectivity and independence is safeguarded where the independent auditors provide non-audit services.

The Audit Committee has recommended to the Board of Directors that the independent auditors, RSM Chio Lim LLP, be nominated for re-appointment as independent auditors at the next Annual General Meeting of the Company.

9. Directors' opinion on the adequacy of internal controls

Based on the internal controls established and maintained by the Company, work performed by the internal and external auditors, and reviews performed by Management, other committees of the Board and the Board, the Audit Committee and the Board are of the opinion that the Company's internal controls, addressing financial, operational and compliance risks, are adequate as at the end of the reporting year 31 December 2018.

10. Subsequent developments

Subsequent to the announcement on 1 March 2019, the Group finalised the audits of the significant subsidiaries that led to additional adjustments being recorded and this resulted in differences between the unaudited full year results and the numbers as indicated in the financial statements.

Other than the above, there are no significant developments subsequent to the release of the Group's and the Company's preliminary financial statements, as announced on 1 March 2019, which would materially affect the Group's and the Company's operating and financial performance as of the date of this report.

On behalf of the Directors

.....
Su Chung Jye
Director

.....
Wong Pak Kiong
Director

21 June 2019

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF REGAL INTERNATIONAL GROUP LTD.

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Regal International Group Ltd. (the “**Company**”) and its subsidiaries (the “**Group**”), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group, and statement of changes in equity of the Company for the reporting year then ended, and notes to the financial statements, including accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the “**Act**”) and Singapore Financial Reporting Standards (International) (“**SFRS(I)**”) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the changes in equity of the Company for the reporting year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing (“**SSAs**”). Our responsibilities under those standards are further described in the auditor’s responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority (“**ACRA**”) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (“**ACRA Code**”) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 1 of the financial statements. The Group incurred a net loss of RM36,901,000 for the reporting year ended 31 December 2018. The Company incurred a net loss of RM382,724,000 for the reporting year ended 31 December 2018. In addition, the Group did not fully pay instalments for bank loans and finance leases as mentioned in Note 28 and its tax obligations to the Malaysian tax authorities resulting in tax penalties being accrued as mentioned in Note 11. The ability of the Group and the Company to continue as going concerns is dependent on (a) the director who is the controlling shareholder providing continuing financial support; (b) the Group being able to generate sufficient cash flows from its operating activities to support its operating expenditure; (c) the Group being able to secure more financing arrangements; and (d) the Group and Company being profitable in the future. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group’s and Company’s ability to continue as going concerns. If the going concern assumption is inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised for amounts other than those at which they are currently recorded in the statements of financial position. In addition, the Group and the Company may have to provide for further liabilities that may arise. Our opinion is not modified in respect of this matter.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF REGAL INTERNATIONAL GROUP LTD.

Key audit matters

Key audit matters (“KAMs”) are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current reporting year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1) Revenue and cost recognition – property development activities

Please refer to Note 2A on accounting policies; Note 2C on critical judgements, assumptions and estimation uncertainties and Note 5 on revenue.

The Group recognises revenue and costs arising from the property development activities under the over time method. Revenue and costs are recognised using the input method, which is based on the proportion of the contract costs incurred for work performed to date over the estimated total contract costs.

Revenue and costs recognised on property development activities have an inherent risk of misstatements as these involve judgement and estimates. There are key judgements involved in determining the percentage of completion, extent of property development costs incurred to date and estimated total property development costs including remaining contingencies that a project could be facing until delivery. The amounts of revenue and costs recognised are also influenced by the estimates of variation orders, claims, and provision for liquidated and ascertained damages.

We and the component auditors obtained an understanding of on-going contracts through discussions with management and examination of contract documentation (including correspondences with customers). In relation to total contract revenue, we and the component auditors traced a sample of total contract sums to contracts entered into with the customers, inspected correspondences with customers concerning variations and claims, and assessed the completeness of the amount of liquidated damages to be netted off against contract revenue recognised, based on our understanding of the projects.

In relation to actual contract costs incurred, we and the component auditors agreed, on a sample basis, the related costs incurred to date to relevant suppliers’ invoices, reviewed the nature of costs being capitalised and assessed the reasonableness of costs incurred against our understanding of the project via discussions with the project team and Management.

In relation to estimated total contract costs, we and the component auditors discussed with the project team and Management to assess the reasonableness of estimated total contract costs, agreed the costs to complete for a sample of contracts by substantiating costs that have been committed to quotations from and contracts with suppliers, tested the reasonableness of the costs to complete for selected projects, focusing on those with significant activities during the year and re-computed the percentage of completion.

We and the component auditors also recomputed the cumulative contract revenue and contract costs and the contract revenue and contract costs for the current financial year, as well as the provision for liquidated and ascertained damages (where relevant) for each project, and traced to the accounting records.

We have also assessed the adequacy of the disclosures made in the financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF REGAL INTERNATIONAL GROUP LTD.

Key audit matters (cont'd)

2) Net realisable value of development properties

Please refer to Note 2A on accounting policies; Note 2C on critical judgements, assumptions and estimation uncertainties and Note 19 on contract assets for development properties.

The Group has significant residential, commercial and mixed development properties that are currently under development or completed and readily available for sale located in East and West Malaysia.

These development properties are stated at the lower of their cost and their net realisable values. Net realisable value represents the estimated selling price, less estimated costs of completion and selling expenses. The determination of the estimated net realisable values of these development properties is critically dependent upon the Group's expectations of future selling prices.

Uncertainty in market demand, competition from other property developers and uncertain economic sentiments may impact and create a downward pressure on the prices of these properties. There is therefore a risk that the estimates of net realisable values may exceed future selling prices, resulting in lower profits or even potential losses when the properties are sold.

We and the component auditors formed an understanding of the Group's process for estimating net realisable values, in particular that Management had applied its knowledge of the business in determining the estimated selling prices of the respective properties, where Management took into account the selling prices of past sales and comparable properties, and expectations of the property market conditions. The audit team discussed with Management and challenged the Group's forecasted selling prices by comparing the forecasted selling price to, where available, recently transacted prices of comparable properties located in the same vicinity as the development projects.

We have also assessed the adequacy of the disclosures made in the financial statements.

3) Assessment of impairment of cost of investment in Regal International Holdings Pte. Ltd.

Please refer to Note 2A on accounting policies; Note 2C on critical judgements, assumptions and estimation uncertainties and Note 15 on investments in subsidiaries.

The carrying amount of the cost of investment in the subsidiary, Regal International Holdings Pte. Ltd. ("RIH") amounted to RM54.9 million, which accounted for approximately 89% of the Company's total assets as at the reporting year-end.

Management determines at the end of each reporting year, whether there is any objective evidence indicating that the Company's cost of investment in subsidiary is impaired. The net liabilities of RIH and its subsidiaries as at 31 December 2018 amounted to RM14.5 million, which is lower than the carrying amount of the cost of investment. We have identified this as an indicator of potential impairment in the carrying value of the cost of investment in the investee.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF REGAL INTERNATIONAL GROUP LTD.

Key audit matters (cont'd)

3) Assessment of impairment of cost of investment in Regal International Holdings Pte. Ltd. (Continued)

Management has assessed the recoverable amount of the cost of investment by carrying out a valuation exercise of their significant existing projects as at 31 December 2018. Based on this valuation, the net present value ("NPV") of the significant existing projects on hand was estimated to be RM68 million which is more than the carrying amount of the cost of investment in RIH.

We tested the estimates made in the determination of the NPV of the development properties. The NPV is computed based on the net of the Gross Development Value ("GDV") and Gross Development Cost ("GDC") of the development properties adjusted for the time value of money. Management had applied its knowledge of the business in determining the estimated selling prices of the respective properties, in which Management took into account the selling prices of past sales and comparable properties, and expectations of the property market conditions. We have also requested our valuation specialists to independently review the computations of the GDV and the GDC used for the purpose of the impairment assessment for a sample of the projects.

We have also assessed the adequacy of the disclosures made in the financial statements.

Other information

Management is responsible for the other information. The other information comprises the information included in the statement by directors and the annual report, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, 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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF REGAL INTERNATIONAL GROUP LTD.

Responsibilities of Management and Directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and the financial reporting standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, Management is responsible for assessing the Group'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 Management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 SSAs 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 SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- a) Identify and assess the risks of material misstatement of the financial statements, 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.
 - b) 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 internal control.
 - c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
 - d) Conclude on the appropriateness of Management's 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 ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
 - e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
 - f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.
-

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF REGAL INTERNATIONAL GROUP LTD.

Auditor's 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, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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 our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Uthaya Chandrikaa D/O Ponnusamy.

RSM Chio Lim LLP
Public Accountants and
Chartered Accountants
Singapore

21 June 2019

Engagement partner - effective from year ended 31 December 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2018

| | Note | Group | |
|---|------|----------------|------------------------------|
| | | 2018 RM'000 | 2017 RM'000 (Restated) |
| Revenue | 5 | 62,609 | 155,645 |
| Cost of sales | | (61,062) | (115,004) |
| Gross profit | | 1,547 | 40,641 |
| Interest income | 6 | 536 | 61 |
| Other gains | 7 | 146 | 1,300 |
| Marketing and distribution costs | 10 | (4,186) | (1,989) |
| Administrative expenses | 10 | (25,157) | (31,920) |
| Other losses | 7 | (3,857) | (347) |
| Finance costs | 8 | (6,205) | (5,433) |
| Share of (loss) profit from equity-accounted associate | 16 | (487) | 454 |
| Loss (profit) before tax from continuing operation | | (37,663) | 2,767 |
| Income tax benefit (expense) | 11 | 762 | (6,358) |
| Loss from continuing operation, net of tax | | (36,901) | (3,591) |
| <u>Other comprehensive (loss) income</u> | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences on translating foreign operations, net of tax | | (76) | 46 |
| Other comprehensive (loss) income for the year, net of tax | | (76) | 46 |
| Total comprehensive loss for the year | | (36,977) | (3,545) |
| Loss attributable to owners of parent, net of tax | | (35,759) | (2,609) |
| Loss attributable to non-controlling interests, net of tax | | (1,142) | (982) |
| Loss, net of tax | | (36,901) | (3,591) |
| Total comprehensive loss attributable to owners of the parent | | (35,835) | (2,564) |
| Total comprehensive loss attributable to non-controlling interests | | (1,142) | (981) |
| Total comprehensive loss for the year | | (36,977) | (3,545) |
| Loss per share | | | |
| Loss per share currency unit | | Sen | Sen |
| Basic | 12 | (15.90) | (1.27) |
| Diluted | 12 | (15.90) | (1.27) |

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF
FINANCIAL POSITION
AS AT 31 DECEMBER 2018

| | Note | 31.12.2018 RM'000 | Group 31.12.2017 RM'000 (Restated) | 1.1.2017 RM'000 (Restated) |
|---|------|----------------------|---|----------------------------------|
| ASSETS | | | | |
| <u>Non-current assets</u> | | | | |
| Property, plant and equipment | 13 | 14,663 | 18,598 | 12,439 |
| Development rights | 14 | 11,276 | 11,276 | – |
| Investment in associate | 16 | 4,342 | 5,172 | 4,718 |
| Investment properties | 17 | 11,286 | 8,465 | 5,666 |
| Deferred tax assets | 11 | 417 | 807 | 1,214 |
| Other assets | 18 | 2,045 | 3,901 | 4,521 |
| Total non-current assets | | 44,029 | 48,219 | 28,558 |
| <u>Current assets</u> | | | | |
| Inventories | 20 | 128,919 | 131,835 | 105,610 |
| Trade and other receivables | 21 | 89,968 | 94,160 | 69,589 |
| Other assets | 18 | 14,689 | 16,765 | 12,735 |
| Cash and cash equivalents | 22 | 6,090 | 9,380 | 15,170 |
| Total current assets | | 239,666 | 252,140 | 203,104 |
| Total assets | | 283,695 | 300,359 | 231,662 |
| EQUITY AND LIABILITIES | | | | |
| <u>Equity attributable to owners of the parent</u> | | | | |
| Share capital | 23 | 144,552 | 144,552 | 133,052 |
| Accumulated losses | | (135,677) | (97,969) | (95,465) |
| Share option reserve | 24 | 3,398 | 3,600 | 3,193 |
| Foreign currency translation reserve | | 2,826 | 2,902 | 2,857 |
| Merger reserve | 25 | 1,563 | 1,563 | 1,563 |
| Other reserve | 26 | 1,495 | – | – |
| Equity, attributable to owners of the parent | | 18,157 | 54,648 | 45,200 |
| Non-controlling interests | | (1,496) | (355) | 666 |
| Total equity | | 16,661 | 54,293 | 45,866 |
| <u>Non-current liabilities</u> | | | | |
| Deferred tax liabilities | 11 | – | 267 | 686 |
| Other payables | 29 | 8,979 | – | – |
| Other liabilities | 27 | 55 | – | – |
| Other financial liabilities | 28 | 21,284 | 50,618 | 34,507 |
| Total non-current liabilities | | 30,318 | 50,885 | 35,193 |
| <u>Current liabilities</u> | | | | |
| Income tax payable | | 19,948 | 19,730 | 16,319 |
| Trade and other payables | 29 | 159,132 | 140,666 | 107,354 |
| Other liabilities | 30 | 2,680 | 2,305 | 2,661 |
| Other financial liabilities | 28 | 54,956 | 32,480 | 24,269 |
| Total current liabilities | | 236,716 | 195,181 | 150,603 |
| Total liabilities | | 267,034 | 246,066 | 185,796 |
| Total equity and liabilities | | 283,695 | 300,359 | 231,662 |

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF
FINANCIAL POSITION
AS AT 31 DECEMBER 2018

| | Note | 31.12.2018 RM'000 | Company 31.12.2017 RM'000 | 1.1.2017 RM'000 |
|--------------------------------------|------|----------------------|---------------------------------|--------------------|
| ASSETS | | | | |
| <u>Non-current assets</u> | | | | |
| Plant and equipment | 13 | – | 24 | 70 |
| Investments in subsidiaries | 15 | 54,859 | 393,597 | 393,597 |
| Other assets | 18 | 1,551 | 1,551 | 1,551 |
| Total non-current assets | | <u>56,410</u> | <u>395,172</u> | <u>395,218</u> |
| <u>Current assets</u> | | | | |
| Trade and other receivables | 21 | 4,364 | 43,816 | 29,437 |
| Other assets | 18 | 62 | 136 | 154 |
| Cash and cash equivalents | 22 | 569 | 2,923 | 1,830 |
| Total current assets | | <u>4,995</u> | <u>46,875</u> | <u>31,421</u> |
| Total assets | | <u>61,405</u> | <u>442,047</u> | <u>426,639</u> |
| EQUITY AND LIABILITIES | | | | |
| <u>Equity</u> | | | | |
| Share capital | 23 | 381,051 | 381,051 | 369,551 |
| Accumulated losses | | (405,677) | (23,155) | (17,986) |
| Foreign currency translation reserve | | 70,268 | 70,268 | 70,268 |
| Share option reserve | 24 | 3,398 | 3,600 | 3,193 |
| Total equity | | <u>49,040</u> | <u>431,764</u> | <u>425,026</u> |
| <u>Current liabilities</u> | | | | |
| Trade and other payables | 29 | 3,990 | 1,954 | 1,613 |
| Other financial liabilities | 28 | 8,375 | 8,329 | – |
| Total current liabilities | | <u>12,365</u> | <u>10,283</u> | <u>1,613</u> |
| Total liabilities | | <u>12,365</u> | <u>10,283</u> | <u>1,613</u> |
| Total equity and liabilities | | <u>61,405</u> | <u>442,047</u> | <u>426,639</u> |

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF
CHANGES IN EQUITY
YEAR ENDED 31 DECEMBER 2018

| Group | Total equity | Attributable to owners of the Parent sub-total | Share capital | Accumulated losses | Share option reserve | Foreign currency translation reserve | Merger reserve | Other reserve | Non-controlling interests |
|---|---------------------|---|----------------------|---------------------------|-----------------------------|---|-----------------------|----------------------|----------------------------------|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Current year: | | | | | | | | | |
| Opening balance at 1 January 2018 | 54,293 | 54,648 | 144,552 | (97,969) | 3,600 | 2,902 | 1,563 | - | (355) |
| Effect on adoption of SFRS(I) 9 | (2,151) | (2,151) | - | (2,151) | - | - | - | - | - |
| Restated opening balance at 1 January 2018 | 52,142 | 52,497 | 144,552 | (100,120) | 3,600 | 2,902 | 1,563 | - | (355) |
| Changes in equity: | | | | | | | | | |
| Total comprehensive loss for the year | (36,977) | (35,835) | - | (35,759) | - | (76) | - | - | (1,142) |
| Transfer of share to non-controlling interest (Note 15) | 1 | - | - | - | - | - | - | - | 1 |
| Share options forfeited (Note 24) | - | - | - | 202 | (202) | - | - | - | - |
| Other reserve (Note 26) | 1,495 | 1,495 | - | - | - | - | - | 1,495 | - |
| Closing balance at 31 December 2018 | 16,661 | 18,157 | 144,552 | (135,677) | 3,398 | 2,826 | 1,563 | 1,495 | (1,496) |
| Previous year: | | | | | | | | | |
| Opening balance at 1 January 2017 | 53,199 | 52,832 | 133,052 | (87,833) | 3,193 | 2,857 | 1,563 | - | 367 |
| Effect on adoption of SFRS(I) 15 (Note 37) | (7,333) | (7,632) | - | (7,632) | - | - | - | - | 299 |
| Restated opening balance at 1 January 2017 | 45,866 | 45,200 | 133,052 | (95,465) | 3,193 | 2,857 | 1,563 | - | 666 |
| Changes in equity: | | | | | | | | | |
| Total comprehensive (loss) income for the year | (3,545) | (2,564) | - | (2,609) | - | 45 | - | - | (981) |
| Issue of share capital (Note 23) | 11,500 | 11,500 | 11,500 | - | - | - | - | - | - |
| Dividends paid to non-controlling interests | (40) | - | - | - | - | - | - | - | (40) |
| Share-based payments (Note 24) | 512 | 512 | - | - | 512 | - | - | - | - |
| Share options forfeited (Note 24) | - | - | - | 105 | (105) | - | - | - | - |
| Closing balance at 31 December 2017 | 54,293 | 54,648 | 144,552 | (97,969) | 3,600 | 2,902 | 1,563 | - | (355) |

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF
CHANGES IN EQUITY
YEAR ENDED 31 DECEMBER 2018

| Company | Total equity RM'000 | Share capital RM'000 | Accumulated losses RM'000 | Share option reserve RM'000 | Foreign currency translation reserve RM'000 |
|--|------------------------------------|-------------------------------------|--|--|--|
| Current year: | | | | | |
| Opening balance at 1 January 2018 | 431,764 | 381,051 | (23,155) | 3,600 | 70,268 |
| Changes in equity: | | | | | |
| Total comprehensive loss for the year | (382,724) | – | (382,724) | – | – |
| Share options forfeited (Note 24) | – | – | 202 | (202) | – |
| Closing balance at 31 December 2018 | 49,040 | 381,051 | (405,677) | 3,398 | 70,268 |
| Previous year: | | | | | |
| Opening balance at 1 January 2017 | 425,026 | 369,551 | (17,986) | 3,193 | 70,268 |
| Changes in equity: | | | | | |
| Total comprehensive loss for the year | (5,274) | – | (5,274) | – | – |
| Issue of share capital (Note 23) | 11,500 | 11,500 | – | – | – |
| Share-based payments (Note 24) | 512 | – | – | 512 | – |
| Share options forfeited (Note 24) | – | – | 105 | (105) | – |
| Closing balance at 31 December 2017 | 431,764 | 381,051 | (23,155) | 3,600 | 70,268 |

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF
CASH FLOWS
YEAR ENDED 31 DECEMBER 2018

| | Group | |
|--|----------------|------------------------------|
| | 2018 RM'000 | 2017 RM'000 (Restated) |
| <u>Cash flows from operating activities</u> | | |
| (Loss) Profit before tax | (37,663) | 2,767 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 2,868 | 4,495 |
| Interest expense | 6,205 | 5,433 |
| Interest income | (536) | (61) |
| Allowance for impairment on leasehold property | 1,624 | – |
| Allowance for impairment on trade and other receivables – net | 1,065 | (316) |
| Allowance for impairment of land held for property development | 219 | – |
| Allowance for impairment on inventories | 70 | – |
| Provision for liquidated and ascertained damages | 9,671 | – |
| Accrued tax penalties | 1,331 | – |
| Share-based payments | – | 512 |
| Share of loss (profit) from equity-accounted associate | 487 | (454) |
| Operating cash flows before changes in working capital | (14,659) | 12,376 |
| Inventories | 2,846 | (25,986) |
| Trade and other receivables | 976 | (32,974) |
| Other assets | 3,713 | (3,410) |
| Trade and other payables | 12,267 | 32,589 |
| Other liabilities | 430 | (356) |
| Net cash flows from (used in) operations before tax | 5,573 | (17,761) |
| Income tax paid | (128) | (2,960) |
| Net cash flows from (used in) operating activities | 5,445 | (20,721) |
| <u>Cash flows from investing activities</u> | | |
| Purchase of property, plant and equipment (Note 22B) | (265) | (592) |
| Investment properties | (2,821) | (2,799) |
| Interest received | 20 | 61 |
| Net cash flows used in investing activities | (3,066) | (3,330) |
| <u>Cash flows from financing activities</u> | | |
| Proceeds from borrowings | – | 37,890 |
| Repayment of borrowings | (5,630) | (12,239) |
| Cash restricted in use | (45) | 186 |
| Dividends paid to non-controlling interests | – | (40) |
| Proceeds from Shareholders | 4,397 | 1,576 |
| Proceeds from (Repayments to) Associate | 2,672 | (600) |
| Interest paid | (5,588) | (5,433) |
| Net cash flows (used in) from financing activities | (4,194) | 21,340 |
| Net decrease in cash and cash equivalents | (1,815) | (2,711) |
| Cash and cash equivalents, statement of cash flows, beginning balance | 3,319 | 6,033 |
| Effect of exchange rate of changes on cash and cash equivalents | 8 | (3) |
| Cash and cash equivalents, statement of cash flows, ending balance (Note 22A) | 1,512 | 3,319 |

The accompanying notes form an integral part of these financial statements.

NOTES TO THE
FINANCIAL STATEMENTS

31 DECEMBER 2018

1. General

The Company is incorporated in Singapore with limited liability. The financial statements are presented in Malaysia Ringgit (“RM”) and they cover the Company (referred to as “parent”) and the subsidiaries.

The Board of Directors approved and authorised these financial statements for issue on the date of the Statement of Directors.

The Company is an investment holding company. The principal activities of the subsidiaries are as disclosed in Note 15 below.

The Company is listed on the Main Board of the Singapore Exchange Securities Trading Limited (“SGX-ST”) since 8 May 2008. A total of 60,000,000 units of Taiwan Depository Receipts (“TDRs”) comprising 60,000,000 shares of the Company are listed on the Taiwan Stock Exchange Corporation.

The registered office is: 63 Sungei Kadut Loop #02-01, Singapore 729484. The Company is situated in Singapore.

Basis for going concern

The financial statements have been prepared on a going concern basis, which assumes that the Group will be able to meet their obligations as and when they fall due in the next 12 months. The Group incurred losses after tax of RM36,901,000 (2017: RM3,591,000) for the reporting year ended 31 December 2018. The Company incurred losses after tax of RM382,724,000 for the reporting year ended 31 December 2018. In addition, the Group did not fully pay instalments for bank loans and finance leases as mentioned in Note 28 and its tax obligations to the Malaysian tax authorities resulting in tax penalties being accrued as mentioned in Note 11. Notwithstanding the above, the Group had net current asset and net asset positions of RM2,950,000 (2017: RM56,959,000) and RM16,661,000 (2017: RM54,293,000) respectively as at 31 December 2018. The Company had a net current liability position of RM7,370,000 (2017: Net current asset position of RM36,592,000) and net assets of RM49,040,000 (2017: RM431,764,000) respectively as at 31 December 2018. The Group’s and Company’s objectives, policies and processes for managing capital; financial risk management objectives; details of its financial instruments; availability of borrowing facilities; and its exposures to credit risk and liquidity risk are described in the notes to the financial statements.

The validity of the going concern assumption on which the financial statements were prepared depends on the ability of the Group to generate sufficient cash flows from operations to pay debts as and when they fall due and the Group and Company being profitable in the future. The Group and Company have unrestricted cash and cash equivalents of RM1,512,000 (2017: RM3,319,000) and RM569,000 (2017: RM2,923,000) respectively and there are completed unsold development properties and development properties in progress of RM35,398,000 (2017: RM38,373,000), which the Group is able to pledge with financial institutions to obtain additional financing. The Director, who is the controlling shareholder, has agreed to provide continued financial support. The Group is also able to enter into contra arrangements with suppliers in exchange for services, or for eventual sale to third parties.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

1. General (cont'd)

Basis for going concern (cont'd)

The Group has multiple ongoing projects with contents and values to serve their target customers' profile as well as extensive marketing activities to sell existing and in-progress development properties, which are expected to generate revenue subsequent to the reporting year to meet operating cash flows requirements for the Group. The Group is also in discussions with the tax authorities and the principal lenders to restructure its obligations and to manage its cash flows better.

If the Group and Company are unable to continue as going concerns, adjustments may have to be made to reflect the situation that the assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts stated in the statements of financial position. In addition, the Group and the Company may have to provide for further liabilities which may arise.

As at the date of these financial statements, the Directors believe that the Group and the Company are well placed to manage their business risks and have adequate resources to meet their obligations as and when they fall due for at least 12 months from the end of the reporting year and this is supported by the Group's cash flow forecast for 2019. Accordingly, the Directors are of the opinion that it is appropriate for the financial statements to be prepared using the going concern basis.

Statement of compliance with financial reporting standards

These financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (International) ("SFRS(I)s") and the related Interpretations to SFRS(I) ("SFRS(I) INT") as issued by the Singapore Accounting Standards Council. They are in compliance with the provisions of the Companies Act, Chapter 50 (the "Act") and with the International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB").

Accounting convention

The financial statements are prepared on a going concern basis under the historical cost convention except where a financial reporting standard requires an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements. The accounting policies in the financial reporting standards may not be applied when the effect of applying them is not material. The disclosures required by financial reporting standards may not be provided if the information resulting from that disclosure is not material.

Basis of preparation of the financial statements

The preparation of financial statements in conformity with generally accepted accounting principles requires the Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis. Apart from those involving estimations, Management has made judgements in the process of applying the entity's accounting policies. The areas requiring Management's most difficult, subjective or complex judgements, or areas where assumptions and estimates are significant to the financial statements, are disclosed where applicable.

NOTES TO THE
FINANCIAL STATEMENTS

31 DECEMBER 2018

1. General (cont'd)**Basis of presentation**

The consolidated financial statements include the financial statements made up to the end of the reporting year of the Company and all of its subsidiaries. The consolidated financial statements are the financial statements of the Group (the parent and its subsidiaries) presented as those of a single economic entity and are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intragroup balances and transactions are eliminated on consolidation. Subsidiaries are consolidated from the date the reporting entity obtains control of the investee and cease when the reporting entity loses control of the investee.

Changes in the Group's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity as transactions with owners in their capacity as owners. The carrying amounts of the Group's and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. When the Group loses control of a subsidiary, it derecognises the assets and liabilities and related equity components of the former subsidiary. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at fair value at the date when control is lost and is subsequently accounted as a financial asset in accordance with financial reporting standards.

The Company's separate financial statements have been prepared on the same basis, and as permitted by the Act, the Company's separate statement of profit or loss and other comprehensive income is not presented.

2. Significant accounting policies and other explanatory information**2A. Significant accounting policies****Revenue recognition**

The financial reporting standard on revenue from contracts with customers establishes a five-step model to account for revenue arising from contracts with customers. Revenue is recognised at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer (which excludes estimates of variable consideration that are subject to constraints, such as right of return exists, trade discounts, volume rebates and changes to the transaction price arising from modifications), net of any related sales taxes and excluding any amounts collected on behalf of third parties. An asset (goods or services) is transferred when or as the customer obtains control of that asset. As a practical expedient, the effects of any significant financing component is not adjusted if the payment for the good or service will be within one year.

NOTES TO THE
FINANCIAL STATEMENTS
31 DECEMBER 2018

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Revenue recognition (cont'd)

Revenue from sales of goods and development land

Revenue is recognised at a point in time when the performance obligation is satisfied by transferring a promised good or service to the customer. Control of the goods is transferred to the customer, generally on delivery of the goods (in this respect, incoterms are considered).

Revenue from development properties

Development properties are classified into (a) development properties completed and held for sale; and (b) development properties in the process of development accounted under the over time method for revenue recognition.

For (a) development properties completed and held for sale, revenue is recognised at a point in time when the performance obligation is satisfied by transferring a promised good or service to the customer within the scope of the financial reporting standard on revenue from contracts with customers. Control of the goods is transferred to the customer, generally on delivery of the goods usually taken to be when legal title passes to the buyer or when the equitable interest in a property vests in the buyer before legal title passes and provided that the reporting entity has no further substantial acts to complete under the contract. The unsold units are measured at the lower of cost (specific identification method) and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

For (b) development properties in the process of development covered by certain long-term contracts, the revenue is accounted under the over time method. For such contracts for developing an asset, the customer value is created over time during the contract period and it is accounted for as a single performance obligation that is satisfied over time. This is because the customer simultaneously receives and consumes the benefits of the entity's performance in processing each transaction as and when each transaction is processed; the performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or the performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for the performance completed to date. The revenue is recognised over time by using the input method. For the input method, the revenue is recognised on the basis of the efforts or inputs to the satisfaction of a performance obligation such as costs incurred relative to the total expected inputs to the satisfaction of that performance obligation. The contracts have operating cycles longer than one year. Management includes in current assets amounts relating to the amounts realisable over a period in excess of one year.

When the current estimates of the total amount of consideration expected to be received in exchange for transferring promised goods or services to the customer, and contract costs indicate a loss, a provision for the entire loss on the contract is made as soon as the loss becomes evident. An adjustment is also made to reflect the effects of the customer's credit risk. The loss on a contract is reported as an additional contract cost (an operating expense), and not as a reduction of revenue or a non-operating expense.

NOTES TO THE
FINANCIAL STATEMENTS

31 DECEMBER 2018

2. Significant accounting policies and other explanatory information (cont'd)**2A. Significant accounting policies (cont'd)****Revenue recognition (cont'd)**Revenue from construction of development properties

For revenue from construction of development properties for external developers, it is accounted for as a single performance obligation that is satisfied over time. This is because the customer simultaneously receives and consumes the benefits of the entity's performance in processing each transaction as and when each transaction is processed; the performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or the performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date. The revenue is recognised over time by using the input method. For the input method, the revenue is recognised on the basis of the efforts or inputs to the satisfaction of a performance obligation such as costs incurred relative to the total expected inputs to the satisfaction of that performance obligation. The contract assets for construction of development properties have operating cycles longer than one year. Management includes in current assets amounts relating to the contracts realisable over a period in excess of one year.

Revenue from rendering of services

Revenue from rendering of services is recognised when the entity satisfies the performance obligation at a point in time generally when the significant acts have been completed and when transfer of control occurs or for services that are not significant transactions, revenue is recognised as the services are provided.

Rental income

Rental income is recognised on a time-proportion basis that takes into account the effective yield on the asset on a straight-line basis over the lease term.

Interest income

Interest income is recognised using effective interest rate method.

Government grants

Government grants are recognised at fair value when there is reasonable assurance that the conditions attaching to them will be complied with and that the grants will be received. Grants in recognition of specific expenses are recognised in profit or loss on a systematic basis over the periods necessary to match them with the related costs that they are intended to compensate.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Employee benefits

Contributions to a defined contribution retirement benefit plan are recorded as an expense as they fall due. The entity's legal or constructive obligation is limited to the amount that it is obligated to contribute for the Singapore employees to an independently administered fund (such as the Central Provident Fund in Singapore, a government managed defined contribution retirement benefit plan). Certain subsidiaries overseas have defined contribution retirement benefit plans in which employees are entitled to join upon fulfilling certain conditions. The assets of the fund may or may not be held separately from those of the entity in an independently administered fund. The entity contributes an amount equal to a fixed percentage of the salary of each participating employee. For employee leave entitlement, the expected cost of short-term employee benefits in the form of compensated absences is recognised in the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences; and in the case of non-accumulating compensated absences, when the absences occur. A liability for bonuses is recognised where the entity is contractually obliged or where there is constructive obligation based on past practice.

Share-based compensation

For the equity-settled share-based compensation transactions, the fair value of the employee services received in exchange for the grant of options is recognised as an expense. The total amount to be expensed on a straight-line basis over the vesting period is measured by reference to the fair value of the options granted, ignoring the effect of non-market conditions such as profitability and sales growth targets. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. The fair value is measured using a relevant option pricing model. The expected lives used in the model are adjusted, based on Management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. At each end of the reporting year, a revision is made of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in profit or loss with a corresponding adjustment to equity. The proceeds received net of any directly attributable transaction costs are credited to share capital when the options are exercised. Cancellations of grants of equity instruments during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied) are accounted for as an acceleration of vesting, therefore any amount unrecognised that would otherwise have been charged is recognised immediately in profit and loss.

Borrowing costs

Borrowing costs are interest and other costs incurred in connection with the borrowings and are recognised as an expense in the period in which they are incurred. Interest expense is calculated using the effective interest rate method.

NOTES TO THE
FINANCIAL STATEMENTS

31 DECEMBER 2018

2. Significant accounting policies and other explanatory information (cont'd)**2A. Significant accounting policies (cont'd)****Foreign currency transactions**

The functional currency is the Malaysia Ringgit ("RM") as it reflects the primary economic environment in which the entity operates. Transactions in foreign currencies are recorded in the functional currency at the rates ruling at the dates of the transactions. At each end of the reporting year, recorded monetary balances and balances measured at fair value that are denominated in non-functional currencies are reported at the rates ruling at the end of the reporting year and fair value measurement dates respectively. All realised and unrealised exchange gains and losses are dealt with in profit or loss except when a gain or loss on a non-monetary items is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. The presentation is in the functional currency.

Translation of financial statements of other entities

Each entity determines the appropriate functional currency as it reflects the primary economic environment in which the relevant reporting entity operates. In translating the financial statements of such an entity for incorporation in the consolidated financial statements in the presentation currency, the assets and liabilities denominated in other currencies are translated at end of the reporting year rates of exchange and income and expense items for each statement presenting profit or loss and other comprehensive income are translated at average rates of exchange for the reporting year. The resulting translation adjustments (if any) are recognised in other comprehensive income and accumulated in a separate component of equity until the disposal of that relevant reporting entity.

Income tax

The income taxes are accounted using the asset and liability method that requires the recognition of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequence of events that have been recognised in the financial statements or tax returns. The measurements of current and deferred tax liabilities and assets are based on provisions of the enacted or substantially enacted tax laws; the effects of future changes in tax laws or rates are not anticipated. Tax expense is the aggregate amount included in the determination of profit or loss for the reporting year in respect of current tax and deferred tax. Current and deferred income taxes are recognised as an expense in profit or loss unless the tax relates to items that are recognised in the same or a different period outside profit or loss. For such items recognised outside profit or loss, the current tax and deferred tax are recognised (a) in other comprehensive income if the tax is related to an item recognised in other comprehensive income and (b) directly in equity if the tax is related to an item recognised directly in equity. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same income tax authority. The carrying amount of deferred tax assets is reviewed at each end of the reporting year and is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realised. A deferred tax amount is recognised for all temporary differences, unless the deferred tax amount arises from the initial recognition of an asset or liability in a transaction which (i) is not a business combination; and (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). A deferred tax liability or asset is recognised for all taxable temporary differences associated with investments in subsidiaries and associate, except where the reporting entity is able to control the timing of the reversal of the taxable temporary difference and it is probable that the taxable temporary difference will not reverse in the foreseeable future or for deductible temporary differences, they will not reverse in the foreseeable future and they cannot be utilised against taxable profits. As for the associate, the reporting entity is not in the position to determine their dividend policies, all significant deferred tax liabilities for all such taxable temporary differences are recognised.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Property, plant and equipment

Property, plant and equipment are carried at cost on initial recognition and after initial recognition at cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is provided on a straight-line method to allocate the gross carrying amounts of the assets less their residual values over their estimated useful lives of each part of an item of these assets. The annual rates of depreciation are as follows:

| | | |
|---------------------------------------|---|---|
| Leasehold properties and improvements | – | Over the terms of lease that are from 2% to 20% |
| Plant and equipment | – | 9% to 33 $\frac{1}{3}$ % |

An asset is depreciated when it is available for use until it is derecognised even if during that period the item is idle. Fully depreciated assets still in use are retained in the financial statements.

The gain or loss arising from the derecognition of an item of property, plant and equipment is recognised in profit or loss. The residual value and the useful life of an asset is reviewed at least at each end of the reporting year and, if expectations differ significantly from previous estimates, the changes are accounted for as a change in an accounting estimate, and the depreciation charge for the current and future periods are adjusted.

Cost also includes acquisition cost and any cost directly attributable to bringing the asset or component to the location and condition necessary for it to be capable of operating in the manner intended by Management. Subsequent costs are recognised as an asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss when they are incurred.

Investment property

Investment property is property (land or a building or part of a building or both) owned or held under a finance lease to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business. It includes an investment property in the course of construction. After initial recognition at cost including transaction costs, the cost model is used to measure the investment property using the treatment for property, plant and equipment, that is, at cost less any accumulated depreciation and any accumulated impairment losses. An investment property that meets the criteria to be classified as held for sale is carried at the lower of carrying amount and fair value. For disclosure purposes only, the fair values are measured periodically on a systematic basis at least once yearly by Management.

Until construction or development is complete, a property is classified as investment property if the units are to be held for investments. It is not classified as investment property if it is acquired exclusively with a view to subsequent disposal in the near future or for development and resale or it is held for future development and subsequent use as owner-occupied property.

No depreciation is charged till the investment property is available for use.

NOTES TO THE
FINANCIAL STATEMENTS

31 DECEMBER 2018

2. Significant accounting policies and other explanatory information (cont'd)**2A. Significant accounting policies (cont'd)****Leases**

Leases are classified as finance leases if substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases. At the commencement of the lease term, a finance lease is recognised as an asset and as a liability in the statement of financial position at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each measured at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine, the lessee's incremental borrowing rate is used. Any initial direct costs of the lessee are added to the amount recognised as an asset. The excess of the lease payments over the recorded lease liability are treated as finance charges which are allocated to each reporting year during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses when they are incurred. The assets are depreciated as owned depreciable assets. Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. For operating leases, lease payments are recognised as an expense in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Intangible assets – development rights

An identifiable non-monetary asset without physical substance is recognised as an intangible asset at acquisition cost if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. After initial recognition, an intangible asset with finite useful life is carried at cost less any accumulated amortisation and any accumulated impairment losses. An intangible asset with an indefinite useful life is not amortised. An intangible asset is regarded as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity.

Identifiable intangible assets acquired as part of a business combination are initially recognised separately from goodwill if the asset's fair value can be measured reliably, irrespective of whether the asset had been recognised by the acquiree before the business combination. An intangible asset is considered identifiable only if it is separable or if it arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The amortisable amount of the development rights is allocated on a systematic basis across the development properties to be constructed.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Subsidiaries

A subsidiary is an entity including unincorporated and special purpose entity that is controlled by the reporting entity and the reporting entity 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. The existence and effect of substantive potential voting rights that the reporting entity has the practical ability to exercise (that is, substantive rights) are considered when assessing whether the reporting entity controls another entity.

In the reporting entity's separate financial statements, an investment in a subsidiary is accounted for at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for a subsidiary is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying value of the investment in a subsidiary are not necessarily indicative of the amount that would be realised in a current market exchange.

Associates

An associate is an entity including an unincorporated entity in which the reporting entity has a significant influence and that is neither a subsidiary nor a joint arrangement of the reporting entity. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. An investment in an associate includes goodwill on acquisition, which is accounted for in accordance with the financial reporting standard on business combinations. However, the entire carrying amount of the investment is tested under the financial reporting standard on impairment, by comparing its recoverable amount (higher of value in use and fair value) with its carrying amount, whenever application of the requirements in the financial reporting standard on financial instruments indicates that the investment may be impaired.

In the consolidated financial statements, the accounting for investments in an associate is on the equity method. Under the equity method, the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets. The carrying value and the net book value of the investment in the associate are not necessarily indicative of the amounts that would be realised in a current market exchange. The investor's profit or loss includes its share of the investee's profit or loss and the investor's other comprehensive income includes its share of the investee's other comprehensive income. Losses of an associate in excess of the reporting entity's interest in the relevant associate are not recognised except to the extent that the reporting entity has an obligation. Profits and losses resulting from transactions between the reporting entity and an associate are recognised in the financial statements only to the extent of unrelated reporting entity's interests in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates are changed where necessary to ensure consistency with the policies adopted by the reporting entity. The reporting entity discontinues the use of the equity method from the date that when its investment ceases to be an associate and accounts for the investment in accordance with the financial reporting standard on financial instruments from that date. Any gain or loss is recognised in profit or loss. Any investment retained in the former associate is measured at fair value at the date that it ceases to be an associate.

NOTES TO THE
FINANCIAL STATEMENTS

31 DECEMBER 2018

2. Significant accounting policies and other explanatory information (cont'd)**2A. Significant accounting policies (cont'd)****Business combinations**

A business combination is a transaction or other event which requires that the assets acquired and liabilities assumed constitute a business. It is accounted for by applying the acquisition method of accounting. The cost of a business combination includes the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquiree. The acquisition-related costs are expensed in the periods in which the costs are incurred and the services are received except for any costs to issue debt or equity securities are recognised in accordance with the financial reporting standard on financial instruments. As of the acquisition date, the acquirer recognises, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree measured at acquisition-date fair values as defined in and that meet the conditions for recognition under the financial reporting standard on business combinations. If there is gain on bargain purchase, for the gain on bargain purchase a reassessment is made of the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the business combination and any excess remaining after this reassessment is recognised immediately in profit or loss.

There were no business combinations during the current reporting year.

Non-controlling interests

The non-controlling interest is equity in a subsidiary not attributable, directly or indirectly, to the reporting entity as the parent. The non-controlling interest is presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. For each business combination, any non-controlling interest in the acquiree (subsidiary) is initially measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Where the non-controlling interest is measured at fair value, the valuation techniques and key model inputs used are disclosed in the relevant note. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

NOTES TO THE
FINANCIAL STATEMENTS
31 DECEMBER 2018

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Inventories

Goods for resale

Inventories are measured at the lower of cost (first-in first-out method) and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Unsold completed development properties

Development properties that are completed and unsold are carried at the lower of cost (specific identification method) and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. Cost includes the land acquisition costs, development expenditure and other related expenditure.

Impairment of non-financial assets

Irrespective of whether there is any indication of impairment, an annual impairment test is performed at about the same time every year on an intangible asset with an indefinite useful life or an intangible asset not yet available for use. The carrying amount of other non-financial assets is reviewed at each end of the reporting year for indications of impairment and where an asset is impaired, it is written down through profit or loss to its estimated recoverable amount. The impairment loss is the excess of the carrying amount over the recoverable amount and is recognised in profit or loss. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use. When the fair value less costs of disposal method is used, any available recent market transactions are taken into consideration. When the value in use method is adopted, in assessing the 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. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). At each end of the reporting year, non-financial assets other than goodwill with impairment loss recognised in prior periods are assessed for possible reversal of the impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been measured, net of depreciation or amortisation, if no impairment loss had been recognised.

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FINANCIAL STATEMENTS

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2. Significant accounting policies and other explanatory information (cont'd)**2A. Significant accounting policies (cont'd)****Financial instruments**

Recognition and derecognition of financial instruments:

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised and derecognised, as applicable, using trade date accounting. A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the entity neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. A financial liability is removed from the statement of financial position when, and only when, it is extinguished, that is, when the obligation specified in the contract is discharged or cancelled or expires. At initial recognition, the financial asset or financial liability is measured at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Classification and measurement of financial assets:

1. Financial asset classified as measured at amortised cost: A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss ("FVTPL"), that is (a) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and (b) 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. Typically trade and other receivables, cash and cash equivalents are classified in this category.
2. Financial asset that is a debt asset instrument classified as measured at fair value through other comprehensive income ("FVTOCI"): There were no financial assets classified in this category at reporting year end date.
3. Financial asset that is an equity investment measured at FVTOCI: There were no financial assets classified in this category at reporting year end date.
4. Financial asset classified as measured at FVTPL: There were no financial assets classified in this category at reporting year end date.

Classification and measurement of financial liabilities:

Financial liabilities are classified as at FVTPL in either of the following circumstances: (1) the liabilities are managed, evaluated and reported internally on a fair value basis; or (2) the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise. All other financial liabilities are carried at amortised cost using the effective interest method. Reclassification of any financial liability is not permitted.

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows include bank and cash balances, on demand deposits and any highly liquid debt instruments purchased with an original maturity of three months or less. For the statement of cash flows, the item includes cash and cash equivalents less cash subject to restriction and bank overdrafts payable on demand that form an integral part of cash management.

Fair value measurement

The 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. When measuring the fair value of an asset or a liability, market observable data to the extent possible is used. If the fair value of an asset or a liability is not directly observable, an estimate is made using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (e.g. by use of the market comparable approach that reflects recent transaction prices for similar items, discounted cash flow analysis, or option pricing models refined to reflect the issuer's specific circumstances). Inputs used are consistent with the characteristics of the asset / liability that market participants would take into account. The entity's intention to hold an asset or to settle or otherwise fulfil a liability is not taken into account as relevant when measuring fair value.

Fair values are categorised into different levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety: Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 fair value measurements are those derived from inputs 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 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). Transfers between levels of the fair value hierarchy are recognised at the end of the reporting period during which the change occurred.

The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value. The fair values of non-current financial instruments may not be disclosed separately unless there are significant differences at the end of the reporting year and in the event the fair values are disclosed in the relevant notes to the financial statements.

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2. Significant accounting policies and other explanatory information (cont'd)**2B. Other explanatory information****Provisions**

A liability or provision is recognised when there is 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. A provision is made using best estimates of the amount required in settlement and where the effect of the time value of money is material, the amount recognised is the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Changes in estimates are reflected in profit or loss in the reporting year they occur.

Segment reporting

The reporting entity discloses financial and descriptive information about its consolidated reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing the performance. Generally, financial information is reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

Classification of equity and liabilities

Financial instruments such as redeemable preference shares which are mandatorily redeemable on a specific date, or at the option of the owners or if dividend payments are not discretionary, are classified as financial liabilities. The dividends on these preference shares classified as financial liabilities are recognised in profit or loss as finance costs.

2C. Critical judgements, assumptions and estimation uncertainties

The critical judgements made in the process of applying the accounting policies that have the most significant effect on the amounts recognised in the financial statements and the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities currently or within the next reporting year are discussed below. These estimates and assumptions are periodically monitored to ensure they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates.

Net realisable value of development properties held for sale:

A review is made on development properties held for sale for declines in net realisable value below cost and an allowance is recorded against the development properties held for sale balance for any such declines. The review requires Management to consider the future demand for the development properties held for sale. In any case, the net realisable value represents the best estimate of the recoverable amount and is based on the acceptable evidence available at the end of the reporting year and inherently involves estimates regarding the future expected realisable value. Estimating the net realisable values requires Management to make an estimate of the expected selling price of the unsold development properties based on recent transactions. Possible changes in these estimates could result in revisions to the stated value of the unsold units. The related amounts are disclosed in the note on inventories.

NOTES TO THE FINANCIAL STATEMENTS

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2. Significant accounting policies and other explanatory information (cont'd)

2C. Critical judgements, assumptions and estimation uncertainties (cont'd)

Measurement of impairment of subsidiaries:

Where an investee is in net equity deficit and or has suffered losses, a test is made whether the investment in the investee has suffered any impairment. This measurement requires significant judgement. An estimate is made of the future profitability of the investee, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, and operational and financing cash flows. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require material adjustment to the carrying amount of the investment in subsidiaries. The disclosure about the cost of investment in subsidiaries is included in Note 15, which explains that a change in the key assumption could give rise to an impairment of the cost of investment in subsidiaries. The carrying amount of the specific cost of investment of the subsidiaries at the end of the reporting year affected by the assumption is RM54.9 million (2017: RM393.6 million).

Revenue recognised over time:

The entity has revenue where the performance obligation is satisfied over time. For development properties in the process of development covered by certain long term contracts, the revenue is recognised over time by measuring the progress toward complete satisfaction of that performance obligation. A single method is applied consistently for measuring progress for each performance obligation satisfied over time. Judgement is required when selecting the input method for measuring progress toward complete satisfaction of a performance obligation. Assessing the satisfaction of performance obligations over time requires judgement and the consideration of many criteria that should be met to qualify such as whether the customer presently is obligated to pay for an asset, whether the customer has legal title, whether the entity has transferred physical possession of the asset, whether the customer has assumed the significant risks and rewards of ownership of the asset, and whether the customer has accepted the asset. Events and circumstances frequently do not occur as expected as they rely on estimates of total expected contract revenue and costs, as well as dependable measurement of the progress made towards completing a particular project. Even if the events anticipated under the assumptions occur, actual results are still likely to be different from the estimates since other anticipated events frequently do not occur as expected and the variation may be material.

For revenue recognition arising from contracts with customers for development properties in the process of development covered by certain long term contracts and the consequential financial performance of the reporting entity, there are significant judgements exercised and assumptions made by Management relating to the measurement and timing of revenue recognition and the recognition of related balances in the statement of financial position, such as contract assets, capitalisation of costs to obtain a contract, trade receivables and contract liabilities, that result from the performance of the contracts. These judgements are inherently subjective and may cover future events such as the achievement of contractual milestones and performance levels. The related account balances at the end of the reporting year are disclosed in the notes on revenue, contract assets and contract liabilities.

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2. Significant accounting policies and other explanatory information (cont'd)**2C. Critical judgements, assumptions and estimation uncertainties (cont'd)**

Net realisable value of inventories:

A review is made on inventory for excess inventory and declines in net realisable value below cost and an allowance is recorded against the inventory balance for any such declines. The review requires Management to consider the future demand for the products. In any case the realisable value represents the best estimate of the recoverable amount and is based on the acceptable evidence available at the end of the reporting year and inherently involves estimates regarding the future expected realisable value. The usual considerations for determining the amount of allowance or write-down include ageing analysis, technical assessment and subsequent events. In general, such an evaluation process requires significant judgement and materially affects the carrying amount of inventories at the end of the reporting year. Possible changes in these estimates could result in revisions to the stated value of the inventories. The carrying amount of inventories at the end of the reporting year is disclosed in the note on inventories.

Allowance for trade receivables:

Trade receivables are subjected to the expected credit loss model under the financial reporting standard on financial instruments. The expected lifetime losses are recognised from initial recognition of these assets. These assets are grouped based on shared credit risk characteristics and the days past due for measuring the expected credit losses. The expected credit losses are based on the past payment experience and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macro-economic factors affecting the ability of the customers to settle the receivables. The Group also has arrangements to contra-balances to limit the credit exposure. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The loss allowance was determined accordingly. The carrying amounts might change materially within the next reporting year but these changes may not arise from assumptions or other sources of estimation uncertainty at the end of the reporting year. The carrying amount is disclosed in the note on trade receivables.

Useful lives of property, plant and equipment:

The estimates for the useful lives and related depreciation charges for property, plant and equipment are based on commercial and other factors which could change significantly as a result of innovations and in response to market conditions. The depreciation charge is increased where useful lives are less than previously estimated lives, or the carrying amounts written off or written down for technically obsolete items or assets that have been abandoned. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount of the balances affected. The carrying amount of the specific asset or class of assets at the end of the reporting year affected by the assumption is RM14.7 million (2017: RM18.6 million).

2. Significant accounting policies and other explanatory information (cont'd)

2C. Critical judgements, assumptions and estimation uncertainties (cont'd)

Assessment of impairment of development rights:

An assessment is made for the reporting year whether there is any indication that the asset may be impaired. If any such indication exists, an estimate is made of the recoverable amount of the development rights. The recoverable amounts of development rights, if applicable, is measured based on the value in use calculations. Judgement is required in evaluating the assumptions and methodologies used by Management, in particular those relating to the forecasted revenue growth and profit margins. The disclosures about development rights are included in Note 14, which explains that small changes in the key assumptions used could give rise to an impairment of the development rights balance in the future. Actual outcomes could vary from these estimates.

Income tax amounts:

The Group recognises tax liabilities and tax assets based on an estimation of the likely taxes due, which requires significant judgement as to the ultimate tax determination of certain items. Where the actual amount arising from these issues differs from these estimates, such differences will have an impact on income tax and deferred tax amounts in the period when such determination is made. In addition, Management judgement is required in determining the amount of current and deferred tax recognised and the extent to which amounts should or can be recognised. A deferred tax asset is recognised for unused tax losses if it is probable that the entity will earn sufficient taxable profit in future periods to benefit from a reduction in tax payments. This involves the Management making assumptions within its overall tax planning activities and periodically reassessing them in order to reflect changed circumstances as well as tax regulations. As a result, due to their inherent nature, assessments of likelihood are judgemental and not susceptible to precise determination. The income tax amounts are disclosed in the note on income tax.

3. Related party relationships and transactions

The financial reporting standard on related party disclosures requires the reporting entity to disclose: (a) transactions with its related parties; and (b) relationships between parents and subsidiaries irrespective of whether there have been transactions between those related parties. A party is related to a party if the party controls, or is controlled by, or can significantly influence or is significantly influenced by the other party.

The ultimate controlling party is Su Chung Jye, a Director and Controlling Shareholder.

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FINANCIAL STATEMENTS
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3. Related party relationships and transactions (cont'd)

3A. Members of the Group:

| <u>Name</u> | <u>Relationship</u> | <u>Country of incorporation</u> |
|----------------------------|---------------------------------------|---------------------------------|
| Ikram Mahawangsa Sdn. Bhd. | Immediate and ultimate parent company | Malaysia |

Related companies in these financial statements include the members of the above group of companies. Associates also include those that are associates of members of the group.

3B. Related party transactions:

There are transactions and arrangements between the reporting entity and related parties and the effects of these on the basis determined between the parties are reflected in these financial statements. The related party balances and transfer of resources, services or obligations, if any, are unsecured without fixed repayment terms and interest unless stated otherwise.

Intragroup transactions and balances that have been eliminated in these consolidated financial statements are not disclosed as related party transactions and balances below.

In addition to the transactions and balances disclosed elsewhere in the notes to the financial information, this item includes the following significant related party transactions:

| | Group | |
|---|------------------------------|---|
| | <u>2018</u> <u>RM'000</u> | <u>2017</u> <u>RM'000</u> <u>(Restated)</u> |
| <u>Related parties</u> | | |
| Rental expenses | (400) | (400) |
| Rendering of services | – | 597 |
| Revenue from construction of development properties | 16,572 | 14,827 |
| Sale of development properties | – | 9,066 |
| | <u>–</u> | <u>9,066</u> |

The above related parties have common Directors and/or common shareholders and have significant influence over the reporting entity.

| | Group | |
|---------------------------------|------------------------------|------------------------------|
| | <u>2018</u> <u>RM'000</u> | <u>2017</u> <u>RM'000</u> |
| <u>Associate</u> | | |
| Rendering of services | – | 24 |
| Sales of construction materials | 23 | 62 |
| | <u>23</u> | <u>62</u> |

NOTES TO THE FINANCIAL STATEMENTS

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3. Related party relationships and transactions (cont'd)

3C. Key management compensation:

| | Group | |
|---|----------------|----------------|
| | 2018 RM'000 | 2017 RM'000 |
| Salaries and other short-term employee benefits | 2,523 | 4,088 |
| Contributions to defined contribution plan | 101 | 101 |
| Share-based payments | – | 60 |
| | 2,624 | 4,249 |

The above amounts are included under employee benefits expense. Included in the above amounts are the following items:

| | Group | |
|---|----------------|----------------|
| | 2018 RM'000 | 2017 RM'000 |
| Remuneration of Directors of the Company | 1,307 | 2,616 |
| Fees to Directors of the Company | 401 | 465 |
| Share-based payments to Directors of the Company | – | 25 |
| Remuneration of Directors of the subsidiary companies | 292 | – |
| Contributions to defined contribution plan | 32 | – |

Further information about the remuneration of individual Directors is provided in the report on corporate governance.

Key management personnel include the Directors and those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. The above amounts for key management compensation are for the Directors of the Company and four (2017: six) key management personnel of the Group.

3D. Other receivables from and other payables to related parties:

The trade transactions and the related receivables and payables balances arising from sales and purchases of goods and services are disclosed elsewhere in the notes to the financial statements.

The movements in other receivables from and other payables to related parties are as follows:

| | Associate | |
|---|----------------|----------------|
| <u>Group</u> | 2018 RM'000 | 2017 RM'000 |
| <u>Other payables:</u> | | |
| At beginning of the year | (568) | (1,168) |
| Amounts paid out and settlement of liabilities on behalf of associate - net | – | 600 |
| Notional interest adjustment (Note 16) | 685 | – |
| Amounts paid in and settlement of liabilities on behalf of the Group - net | (2,672) | – |
| At end of the year (Note 29) | (2,555) | (568) |

NOTES TO THE FINANCIAL STATEMENTS

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3. **Related party relationships and transactions (cont'd)**

3D. **Other receivables from and other payables to related parties: (cont'd)**

| | Shareholders | |
|---|---------------------|----------------|
| | 2018 | 2017 |
| | RM'000 | RM'000 |
| <u>Group</u> | | |
| <u>Other payables:</u> | | |
| Balance at beginning of the year | (2,893) | (1,317) |
| Notional interest adjustment (Note 26) | 1,495 | - |
| Amounts paid in and settlement of liabilities on behalf of the Group - net | <u>(4,397)</u> | <u>(1,576)</u> |
| Balance at end of the year (Note 29) | <u>(5,795)</u> | <u>(2,893)</u> |
| | | |
| | Subsidiaries | |
| | 2018 | 2017 |
| | RM'000 | RM'000 |
| <u>Company</u> | | |
| <u>Other receivables:</u> | | |
| At beginning of the year | 43,816 | 20,776 |
| Amounts paid out and settlement of liabilities on behalf of the subsidiaries -net | 2,692 | 24,072 |
| Translation exchange adjustments | 239 | (1,032) |
| At end of the year (Note 21) | <u>46,747</u> | <u>43,816</u> |

4. Financial information by operating segments

4A. Information about reportable segment profit or loss, assets and liabilities

Disclosure of information about operating segments, products and services, major customers and geographical area are made as required by the financial reporting standard on operating segment. This disclosure standard has no impact on the reported financial performance or financial position of the reporting entity.

For Management purposes, the reporting entity is organised into the following major strategic operating segments that offer different products and services: property development, construction, trading and others. Such a structural organisation is determined by the nature of risks and returns associated with each business segment and it defines the Management structure as well as the internal reporting system. It represents the basis on which the Management reports the primary segment information that is available and that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing the performance. They are managed separately because each business requires different strategies.

The segments and the types of products and services are as follows:

The property development segment is in the business of developing and sale of residential and commercial properties.

The construction segment is in the business of construction work.

The trading segment is in the business of trading of construction materials and providing painting works.

The others segment is in the business of rental of machines and properties, real estate and property management, sales commissions and other services.

Inter-segment sales are measured on the basis that the entity actually used to price the transfers. Internal transfer pricing policies of the reporting entity are as far as practicable based on market prices. The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies.

The management reporting system evaluates performances based on a number of factors. However, the primary profitability measurement to evaluate segment's operating results comprises two major financial indicators: (1) earnings from operations before depreciation, interests and income taxes ("**Recurring EBITDA**"); and (2) operating results before income tax and other unallocated items ("**ORBIT**").

The following tables illustrate the information about the reportable segment profit or loss, assets and liabilities.

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4. Financial information by operating segments (cont'd)

4B. Profit or loss from continuing operations and reconciliations

| | Property development RM'000 | Construction RM'000 | Trading RM'000 | Others RM'000 | Total RM'000 |
|---|-----------------------------------|------------------------|-------------------|------------------|-----------------|
| 31 December 2018 | | | | | |
| Revenue | | | | | |
| External revenue | 30,720 | 22,637 | 7,829 | 1,423 | 62,609 |
| Recurring EBITDA | (35,395) | 10,215 | 21 | (2,944) | (28,103) |
| Depreciation | (433) | (509) | (222) | (1,704) | (2,868) |
| Finance costs | (2,300) | (391) | (579) | (2,935) | (6,205) |
| ORBIT | (38,128) | 9,315 | (780) | (7,583) | (37,176) |
| Share of loss from equity- accounted associate | (487) | - | - | - | (487) |
| Loss before tax | | | | | (37,663) |
| Income tax benefit | | | | | 762 |
| Loss after tax | | | | | (36,901) |
| Restated 31 December 2017 | | | | | |
| Revenue | | | | | |
| External revenue | 98,037 | 45,687 | 9,539 | 2,382 | 155,645 |
| Recurring EBITDA | 8,424 | 5,135 | 3,409 | (4,727) | 12,241 |
| Depreciation | (895) | (996) | (327) | (2,277) | (4,495) |
| Finance costs | (2,820) | (450) | (628) | (1,535) | (5,433) |
| ORBIT | 4,709 | 3,689 | 2,454 | (8,539) | 2,313 |
| Share of profit from equity- accounted associate | 454 | - | - | - | 454 |
| Loss before tax | | | | | 2,767 |
| Income tax expense | | | | | (6,358) |
| Loss after tax | | | | | (3,591) |

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

4. Financial information by operating segments (cont'd)

4C. Assets and reconciliations

| 31 December 2018 | Property development RM'000 | Construction RM'000 | Trading RM'000 | Others RM'000 | Adjustment and elimination RM'000 | Total RM'000 |
|--------------------------------------|--|--------------------------------|---------------------------|--------------------------|--|-------------------------|
| Total assets for reportable segments | 174,760 | 68,402 | 13,004 | 15,583 | - | 271,749 |
| Unallocated: | | | | | | |
| Property, plant and equipment | - | - | - | 5,035 | - | 5,035 |
| Investment in associate | 4,342 | | | | | 4,342 |
| Trade and other receivables | - | - | - | 4,371 | (4,364) | 7 |
| Other assets | - | - | - | 1,621 | - | 1,621 |
| Cash and cash equivalents | - | - | - | 941 | - | 941 |
| Total Group assets | 179,102 | 68,402 | 13,004 | 27,551 | (4,364) | 283,695 |

| Restated 31 December 2017 | Property development RM'000 | Construction RM'000 | Trading RM'000 | Others RM'000 | Adjustment and elimination RM'000 | Total RM'000 |
|--------------------------------------|--|--------------------------------|---------------------------|--------------------------|--|-------------------------|
| Total assets for reportable segments | 228,875 | 22,371 | 14,374 | 17,018 | - | 282,638 |
| Unallocated: | | | | | | |
| Property, plant and equipment | - | - | - | 7,750 | - | 7,750 |
| Investment in associate | 5,172 | | | | | 5,172 |
| Trade and other receivables | - | - | - | 43,826 | (43,816) | 10 |
| Other assets | - | - | - | 1,696 | - | 1,696 |
| Cash and cash equivalents | - | - | - | 3,093 | - | 3,093 |
| Total Group assets | 234,047 | 22,371 | 14,374 | 73,383 | (43,816) | 300,359 |

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FINANCIAL STATEMENTS
31 DECEMBER 2018

4. Financial information by operating segments (cont'd)

4D. Liabilities and reconciliations

| 31 December 2018 | Property development RM'000 | Construction RM'000 | Trading RM'000 | Others RM'000 | Adjustment and elimination RM'000 | Total RM'000 |
|---|--|--------------------------------|---------------------------|--------------------------|--|-------------------------|
| Total liabilities for reportable segments | 129,325 | 66,638 | 26,756 | 55,404 | (36,148) | 241,975 |
| Unallocated: | | | | | | |
| Trade and other payables | - | - | - | 27,061 | (10,589) | 16,472 |
| Other liabilities | - | - | - | 212 | - | 212 |
| Other financial liabilities | - | - | - | 8,375 | - | 8,375 |
| Total Group liabilities | 129,325 | 66,638 | 26,756 | 91,052 | (46,737) | 267,034 |

| Restated 31 December 2017 | Property development RM'000 | Construction RM'000 | Trading RM'000 | Others RM'000 | Adjustment and elimination RM'000 | Total RM'000 |
|---|--|--------------------------------|---------------------------|--------------------------|--|-------------------------|
| Total liabilities for reportable segments | 121,815 | 47,727 | 33,159 | 61,440 | (35,786) | 228,355 |
| Unallocated: | | | | | | |
| Trade and other payables | - | - | - | 18,898 | (9,516) | 9,382 |
| Other financial liabilities | - | - | - | 8,329 | - | 8,329 |
| Total Group liabilities | 121,815 | 47,727 | 33,159 | 88,667 | (45,302) | 246,066 |

4E. Information about sales to major customers

In 2018, revenue of RM16.6 million was recognised from a shareholder, which is attributable to the property development and construction segments. No other customer has revenue transactions over 10% of the Group's revenue.

In 2017, revenue of RM21.3 million was recognised from a shareholder, which is attributable to the property development and construction segments. No other customer has revenue transactions over 10% of the Group's revenue.

NOTES TO THE FINANCIAL STATEMENTS

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4. Financial information by operating segments (cont'd)

4F. Geographical information

The following table provides an analysis of the revenue by geographical market, irrespective of the origin of the goods and services:

| Revenue | <u>2018</u> <u>RM'000</u> | <u>2017</u> <u>RM'000</u> <u>(Restated)</u> |
|---|------------------------------|---|
| Singapore | 359 | 498 |
| Malaysia | <u>62,250</u> | <u>155,147</u> |
| | <u>62,609</u> | <u>155,645</u> |
| Other geographical information: | | |
| Singapore | | |
| - Addition of capital expenditure | 105 | 8,721 |
| - Depreciation | 1,189 | 831 |
| - Allowance for impairment losses | 1,624 | - |
| Malaysia | | |
| - Addition of capital expenditure | 3,281 | 4,950 |
| - Depreciation | 1,679 | 3,664 |
| - Allowance (reversal of) for impairment losses | 1,354 | (316) |
| Segment assets | | |
| Singapore | | |
| - Non-current | 6,583 | 9,297 |
| Malaysia | | |
| - Non-current | <u>37,029</u> | <u>38,115</u> |

Revenue is attributed to countries on the basis of the customer's location. The non-current assets are analysed by the geographical area in which the assets are located.

5. Revenue

Revenue classified by type of good or service:

| | <u>2018</u> <u>RM'000</u> | <u>2017</u> <u>RM'000</u> <u>(Restated)</u> |
|---|------------------------------|---|
| Sale of development land | 3,500 | - |
| Sale of goods | 7,829 | 9,539 |
| Sale of development properties | 27,220 | 98,037 |
| Revenue from construction of development properties | 22,637 | 45,687 |
| Revenue from rendering of services | 706 | 797 |
| Rental income | 462 | 884 |
| Others | 255 | 701 |
| | <u>62,609</u> | <u>155,645</u> |

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5. Revenue (cont'd)

Revenue classified by duration of contract:

| | Group | |
|----------------------|----------------|------------------------------|
| | 2018 RM'000 | 2017 RM'000 (Restated) |
| Short-term contracts | 11,745 | 10,686 |
| Long-term contracts | 50,864 | 144,959 |
| | 62,609 | 155,645 |

Revenue classified by timing of revenue recognition:

| | Group | |
|---------------|----------------|------------------------------|
| | 2018 RM'000 | 2017 RM'000 (Restated) |
| Point in time | 11,584 | 10,187 |
| Over time | 51,025 | 145,458 |
| | 62,609 | 155,645 |

6. Interest income

| | Group | |
|--------------------------|----------------|----------------|
| | 2018 RM'000 | 2017 RM'000 |
| Interest income | 20 | 61 |
| Notional interest income | 516 | - |
| | 536 | 61 |

Certain subsidiaries in the Group have loans from their directors and the Group's associate. On 31 December 2018, these directors and the Group's associate provided letters to the subsidiaries that they will not demand repayment of the amount outstanding over the next 36 months. Accordingly, the Group has classified the amounts owed to the directors of the subsidiaries and the Group's associate as non-current liabilities and present valued the amount at a rate of 8% per annum. The difference in gross value has been accounted as a notional interest adjustment above.

7. Other gains and (other losses)

| | Group | |
|--|----------------|------------------------------|
| | 2018 RM'000 | 2017 RM'000 (Restated) |
| Allowance for impairment for leasehold property | (1,624) | - |
| Allowance for impairment for land held for property development | (219) | - |
| Allowance for impairment for trade and other receivables (Note 21) | (1,093) | (306) |
| Reversal of impairment for trade and other receivables (Note 21) | 28 | 622 |
| Allowance for impairment for inventories (Note 20) | (70) | - |
| Compensation received | 118 | - |
| Foreign exchange losses – net | (70) | (41) |
| Sundry (losses) gains – net | (781) | 678 |
| Net | (3,711) | 953 |
| Presented in profit or loss as: | | |
| Other gains | 146 | 1,300 |
| Other losses | (3,857) | (347) |
| Net | (3,711) | 953 |

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8. Finance costs

| | Group | |
|---|----------------|------------------------------|
| | 2018 RM'000 | 2017 RM'000 (Restated) |
| Interest expenses to financial institutions | 3,588 | 4,433 |
| Redeemable preference shares dividend | 2,617 | 1,000 |
| | <u>6,205</u> | <u>5,433</u> |

9. Employee benefits expense

| | Group | |
|--|----------------|----------------|
| | 2018 RM'000 | 2017 RM'000 |
| Short-term employee benefits expense | 13,650 | 15,695 |
| Contributions to defined contribution plans | 1,324 | 1,406 |
| Share-based payments (Note 24) | – | 512 |
| Total employee benefits expenses | <u>14,974</u> | <u>17,613</u> |
| The employee benefits expenses charged to profit or loss are as follows: | | |
| Cost of sales | 613 | 984 |
| Marketing and distribution costs (Note 10) | 692 | 703 |
| Administrative expenses (Note 10) | 13,669 | 15,926 |
| Total employee benefits expenses | <u>14,974</u> | <u>17,613</u> |

10. Marketing and distribution costs and administrative expenses

The major components include the following:

| | Group | |
|---|----------------|----------------|
| | 2018 RM'000 | 2017 RM'000 |
| Marketing and distribution costs: | | |
| Employee benefits expense (Note 9) | 692 | 703 |
| Amortisation of contract costs (Note 19) | 2,513 | – |
| Administrative expenses: | | |
| Auditors' remuneration: | | |
| Auditor of the Company | 266 | 267 |
| Other auditors: | | |
| - current year | 470 | 389 |
| - underprovision in previous financial year | 82 | – |
| Non-audit fees paid and payable to: | | |
| - Auditor of the Company | – | 19 |
| - Other auditors | 141 | 95 |
| Employee benefits expense (Note 9) | 13,669 | 15,926 |
| Depreciation of property, plant and equipment | 2,868 | 4,495 |
| Accrued tax penalties | 1,331 | – |
| Rental expenses | <u>1,085</u> | <u>1,229</u> |

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11. Income tax

11A. Components of tax (benefit) expense recognised in profit or loss include:

| | Group | |
|--|----------------|------------------------------|
| | 2018 RM'000 | 2017 RM'000 (Restated) |
| <u>Current tax expense:</u> | | |
| Current tax expense | 844 | 5,814 |
| (Over) under provision adjustments to current tax in respect of prior periods | (1,729) | 556 |
| Subtotal | <u>(885)</u> | <u>6,370</u> |
| <u>Deferred tax expense (benefit):</u> | | |
| Deferred tax expense (benefit) | 221 | (191) |
| (Over) under provision adjustments to deferred tax in respect of prior periods | (98) | 179 |
| Subtotal | <u>123</u> | <u>(12)</u> |
| Total income tax (benefit) expense | <u>(762)</u> | <u>6,358</u> |

The income tax in profit or loss varied from the amount of income tax amount determined by applying the Singapore income tax rate of 17% (2017: 17%) to loss or profit before income tax as a result of the following differences:

| | Group | |
|---|----------------|------------------------------|
| | 2018 RM'000 | 2017 RM'000 (Restated) |
| Loss (profit) before tax | 37,663 | (2,767) |
| Share of loss (profit) from equity-accounted associate | (487) | 454 |
| | <u>37,176</u> | <u>(2,313)</u> |
| Income tax (benefit) expense at the above rate | (6,320) | 393 |
| Non-deductible items | 1,771 | 1,886 |
| Unrecognised deferred tax assets | 9,712 | 4,283 |
| Utilisation of previously unrecognised deferred tax assets | (1,991) | (1,561) |
| Effect of different tax rates in different countries | (2,107) | 590 |
| (Over) under provision adjustment to current tax in respect of prior periods | (1,729) | 556 |
| (Over) under provision adjustment to deferred tax in respect of prior periods | (98) | 179 |
| Others | - | 32 |
| Total income tax (benefit) expense | <u>(762)</u> | <u>6,358</u> |

There are no income tax consequences of dividends to owners of the Company.

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FINANCIAL STATEMENTS
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11. Income tax (cont'd)

11B. Deferred tax benefit recognised in profit or loss includes:

| | Group | |
|---|----------------|------------------------------|
| | 2018 RM'000 | 2017 RM'000 (Restated) |
| Excess of tax values over carrying value of property, plant and equipment | (267) | (419) |
| Excess of carrying value over tax values of property, plant and equipment | 1,650 | (6) |
| Tax losses carry forwards and unabsorbed capital allowances | (9,062) | (2,146) |
| Provisions | (188) | 373 |
| Unrecognised deferred tax assets | 9,712 | 4,283 |
| Utilisation of previously unrecognised deferred tax assets | (1,991) | (1,561) |
| Others | 269 | (536) |
| Total deferred tax expense (benefit) recognised in profit or loss | <u>123</u> | <u>(12)</u> |

11C. Deferred tax balance in the statement of financial position:

| | 31.12.2018 RM'000 | Group 31.12.2017 RM'000 (Restated) | 1.1.2017 RM'000 (Restated) |
|---|----------------------|---|----------------------------------|
| <u>Deferred tax liabilities:</u> | | | |
| Excess of carrying value over tax values of property, plant and equipment | – | (267) | (686) |
| Total deferred tax liabilities | <u>–</u> | <u>(267)</u> | <u>(686)</u> |
| <u>Deferred tax assets:</u> | | | |
| Excess of tax values over carrying value of property, plant and equipment | 358 | 2,008 | 2,002 |
| Tax losses carryforwards and unabsorbed capital allowances | 13,416 | 4,354 | 2,208 |
| Provisions | 188 | – | 373 |
| Others | 411 | 680 | 144 |
| Total deferred tax assets | <u>14,373</u> | <u>7,042</u> | <u>4,727</u> |
| Net total of deferred tax assets | 14,373 | 6,775 | 4,041 |
| Unrecognised deferred tax assets | (13,956) | (6,235) | (3,513) |
| Net balance | <u>417</u> | <u>(540)</u> | <u>528</u> |
| Presented in the statement of financial position as follows: | | | |
| Deferred tax assets | 417 | 807 | 1,214 |
| Deferred tax liabilities | – | (267) | (686) |
| | <u>417</u> | <u>540</u> | <u>528</u> |

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11. Income tax (cont'd)

The realisation of the future income tax benefits from tax loss carry forwards and temporary differences is available for an unlimited future period subject to the conditions imposed by law including the retention of majority shareholders as defined.

The Group's subsidiaries have accumulated tax losses and capital allowances of RM55,901,000 (2017: RM18,146,000) as at 31 December 2018. It is not certain whether future taxable profit will be available against which the subsidiaries' unused tax losses can be utilised. Consequently, a deferred tax asset has not been recognised for these tax losses and capital allowances.

The Group has been served with tax demand letters amounting to RM 6.7 million for its subsidiaries and RM 5.8 million for its associate in Malaysia. These amounts have been recorded in the respective books as income tax payable. The Group has also accrued for the tax penalties arising from the late payments. Subsequent to year end, the Group has been liaising with the tax authorities to arrange for the payment plans of the outstanding amounts.

12. Earnings per share

The following table illustrates the numerator and denominator used to calculate basic and diluted earnings per share.

| | Group | |
|---|--------------|-------------------|
| | 2018 | 2017 |
| | | (Restated) |
| Numerator: Loss attributable to equity holders - RM'000 | | |
| - Loss for the year | (35,759) | (2,609) |
| Total basic earnings | (35,759) | (2,609) |
| Denominator: Weighted average number of ordinary shares on issue: | | |
| - Basic | 224,917,251 | 204,734,928 |
| - Diluted | 224,917,251 | 204,734,928 |

The weighted average number of ordinary shares refers to shares in issue outstanding during the reporting period.

The basic amount per share ratio is based on the weighted average number of ordinary shares outstanding during each reporting year.

There is no dilutive effect from the share options as they are anti-dilutive.

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13. Property, plant and equipment

| <u>Group</u> | <u>Leasehold properties and improvements RM'000</u> | <u>Plant and equipment RM'000</u> | <u>Total RM'000</u> |
|--|---|---|---|
| <u>Cost:</u> | | | |
| At 1 January 2017 | 286 | 23,144 | 23,430 |
| Additions | 8,719 | 2,153 | 10,872 |
| Disposals | – | (5) | (5) |
| Translation exchange adjustment | (239) | (2) | (241) |
| At 31 December 2017 | <u>8,766</u> | <u>25,290</u> | <u>34,056</u> |
| Additions | – | 565 | 565 |
| Translation exchange adjustment | 46 | 3 | 49 |
| At 31 December 2018 | <u>8,812</u> | <u>25,858</u> | <u>34,670</u> |
| <u>Accumulated depreciation and impairment losses:</u> | | | |
| At 1 January 2017 | 54 | 10,937 | 10,991 |
| Depreciation | 818 | 3,677 | 4,495 |
| Disposals | – | (5) | (5) |
| Translation exchange adjustment | (21) | (2) | (23) |
| At 31 December 2017 | <u>851</u> | <u>14,607</u> | <u>15,458</u> |
| Depreciation | 1,165 | 1,703 | 2,868 |
| Impairment for the year | 1,624 | – | 1,624 |
| Translation exchange adjustment | 54 | 3 | 57 |
| At 31 December 2018 | <u>3,694</u> | <u>16,313</u> | <u>20,007</u> |
| <u>Carrying value:</u> | | | |
| At 1 January 2017 | <u>232</u> | <u>12,207</u> | <u>12,439</u> |
| At 31 December 2017 | <u>7,915</u> | <u>10,683</u> | <u>18,598</u> |
| At 31 December 2018 | <u>5,118</u> | <u>9,545</u> | <u>14,663</u> |
| <u>Company</u> | | | <u>Plant and equipment RM'000</u> |
| <u>Cost:</u> | | | |
| At 1 January 2017 | | | 137 |
| Translation exchange adjustment | | | (2) |
| At 31 December 2017 and 31 December 2018 | | | <u>135</u> |
| <u>Accumulated depreciation:</u> | | | |
| At 1 January 2017 | | | 67 |
| Depreciation | | | 46 |
| Translation exchange adjustment | | | (2) |
| At 31 December 2017 | | | <u>111</u> |
| Depreciation | | | 24 |
| At 31 December 2018 | | | <u>135</u> |
| <u>Carrying value:</u> | | | |
| At 1 January 2017 | | | <u>70</u> |
| At 31 December 2017 | | | <u>24</u> |
| At 31 December 2018 | | | <u>–</u> |

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

During the reporting year, one of the Group's leasehold properties with a carrying amount of RM6,611,000 was impaired by RM1,624,000. This arose from Management's review of the recoverable amount of property, plant and equipment. Management estimated the fair value less costs of disposal based on recent market prices of assets with similar remaining tenure. The non-recurring fair value measurement is categorised with its fair value hierarchy at Level 3. Management determined that the highest and best use of the asset is the current use and that it would provide maximum value to market participants principally through its use in combination with other assets.

The depreciation expense is charged to administrative expenses. The impairment loss is charged to other losses and is attributed to the segment "Others".

Certain items are under finance lease agreements (Note 28). Certain leasehold buildings are pledged as security for the banking facilities (Note 28).

14. Development rights

| | Group | |
|--------------------------|------------|------------|
| | 31.12.2018 | 31.12.2017 |
| | RM'000 | RM'000 |
| Cost: | | |
| At beginning of the year | 11,276 | - |
| Additions (Note 31) | - | 11,276 |
| At end of the year | 11,276 | 11,276 |

This relates to the rights to develop, construct and complete the buildings to be built on parcels of land totalling approximately 1.35 hectares in the Samarahan District in Sarawak, Malaysia with a total of 515 units comprising of two blocks of residential/retail units (the "Project"). The Project's construction and sales was expected to commence in 2018, but Management has postponed this to 2020, and it is targeted for completion by 2023.

The value in use was measured by management (2017: a firm of independent financial valuers). The key assumptions for the value in use calculations are disclosed below. The value in use is a recurring fair value measurement (Level 3). The quantitative information about the value in use measurement using significant unobservable inputs for the asset is analysed as follows:

| <u>Development rights</u> | | Range (weighted average) | |
|---|--|--------------------------|---------|
| <u>Valuation technique and unobservable inputs</u> | | 2018 | 2017 |
| <u>Discounted cash flow method:</u> | | | |
| Estimated discount rates using pre-tax rates that reflect current market assessments at the risks specific to the asset | | 8% | 8% |
| Cash flow forecasts period | | 4 years | 4 years |
| Selling price range per square foot: | Approximates RM480 – 950 (2017: RM525 – 950) | | |
| Development rights per square foot: | Approximates RM78 (2017: RM78) | | |

There has been no amortisation for the development rights as the project's construction is expected to commence in 2020 (Note 31).

Based on the sensitivity analysis performed, any reasonable change in the key assumptions would not result in any impairment adjustment except if the selling price range per square foot had been RM500 per square feet for residential units only with commercial units pricing unchanged at RM650-950, there would be a need to reduce the carrying amount of the development rights by RM690,000.

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15. Investments in subsidiaries

| | 31.12.2018 RM'000 | Company 31.12.2017 RM'000 Restated | 1.1.2017 RM'000 Restated |
|--|----------------------|---|--------------------------------|
| Carrying value: | | | |
| Unquoted equity shares, at cost | 393,597 | 393,597 | 327,374 |
| Impairment allowance | (338,738) | - | - |
| Translation exchange adjustment | - | - | 66,223 |
| Total at cost | <u>54,859</u> | <u>393,597</u> | <u>393,597</u> |
| Movements in allowance for impairment: | | | |
| Balance at beginning of the year | - | - | |
| Allowance for the year | (338,738) | - | |
| Balance at end of the year | <u>(338,738)</u> | <u>-</u> | |
| Carrying amount of subsidiaries | <u>(19,892)</u> | <u>16,126</u> | <u>14,437</u> |

The decreasing performance of Regal International Holdings Pte. Ltd. and its subsidiaries was considered sufficient evidence to trigger the impairment test. It has suffered losses from a fall in demand in sales. Accordingly, it has been written down to the recoverable amount.

During the year, the Group carried out a review of the recoverable amount of the subsidiaries, having regard to the net present value of the significant existing projects on hand based on the net of the Gross Development Value ("GDV") and Gross Development Cost ("GDC") of the development properties adjusted for the time value of money, which amounted to RM67,959,000. Management had applied its knowledge of the business in determining the estimated selling prices of the respective properties, in which Management took into account the selling prices of past sales and comparable properties, and expectations of the property market conditions. These subsidiaries are in the Group's property development and construction segments. The review led to the recognition of an impairment loss of RM338,738,000 (2017: RM Nil) that has been recognised in the Company's profit or loss. There was no indication of impairment in 2017.

The subsidiaries held by the Company are listed below:

| Name of subsidiaries, country of incorporation, place of operations and principal activities | Cost of the investments | | Percentage of equity held by Company | |
|---|-------------------------|----------------|---|-----------|
| | 2018 RM'000 | 2017 RM'000 | 2018 % | 2017 % |
| Regal International Holdings Pte. Ltd. ^(a) Singapore Investment holding company | 393,597 | 393,597 | 100 | 100 |
| Regal International Investments Pte. Ltd. ^(a) Singapore Investment holding company | -# | -# | 100 | 100 |
| | <u>393,597</u> | <u>393,597</u> | | |

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15. Investments in subsidiaries (cont'd)

The subsidiaries held through subsidiaries are listed below:

| Name of subsidiaries, country of incorporation, place of operations and principal activities | Percentage of equity held by Company | |
|--|---|-----------|
| | 2018 % | 2017 % |
| Held through Regal International Holdings Pte. Ltd. | | |
| Arena Wiramaju Sdn. Bhd. ^{(b) (c)} Malaysia Property development | 100 | 100 |
| Kota Sarjana Sdn. Bhd. ^{(b) (c)} Malaysia Property development | 80 | 80 |
| Beaches & Coastlines Sdn. Bhd. ^(b) Malaysia Construction and property development | 100 | 100 |
| Bellanova Sdn. Bhd. ^(b) Malaysia Construction and property development | 100 | 100 |
| Beneworld Sdn. Bhd. ^(b) Malaysia Mortgage consultancy | 100 | 100 |
| HJ Lai Concrete Cement Sdn. Bhd. ^(b) Malaysia Development, construction and trading of construction materials | 51 | 51 |
| Kenyalang Avenue Sdn. Bhd. ^(b) Malaysia Construction and property development | 100 | 100 |
| Midas Residences Sdn. Bhd. ^(b) Malaysia Property development | 100 | 100 |
| Ocean Megalink Sdn. Bhd. ^(b) Malaysia Property development | 100 | 100 |
| Regal Advantage Sdn. Bhd. ^(b) Malaysia Construction and property development | 100 | 100 |
| Regal Lands Sdn. Bhd. ^(b) Malaysia Investment in properties and property development | 100 | 100 |

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15. Investments in subsidiaries (cont'd)

| Name of subsidiaries, country of incorporation, place of operations and principal activities | Percentage of equity held by Company | |
|--|---|-----------|
| | 2018 % | 2017 % |
| Held through Regal International Holdings Pte. Ltd. (cont'd) | | |
| Regal Materials Sdn. Bhd. ^(b) Malaysia Trading in construction materials | 100 | 100 |
| Sang Kanchil Rising Sdn. Bhd. ^(b) Malaysia Rental of machineries | 100 | 100 |
| Temasek Cartel Sdn. Bhd. ^(b) Malaysia Marketing of real estate and property development | 100 | 100 |
| Temasek Regal Capital Sdn. Bhd. ^(b) Malaysia Investment holding company | 100 | 100 |
| Upright Strategy Sdn. Bhd. ^(b) Malaysia Construction and property development | 100 | 100 |
| Harbour Venture Sdn. Bhd. ^(b) Malaysia Property development and construction | 100 | 100 |
| Regal Hospitalities Sdn. Bhd. ^(b) Malaysia Real estate and property management | 100 | 100 |
| Regal Concrete Sdn. Bhd. ^(b) Malaysia Supply of concrete and concrete products | 75 | 75 |
| Benua Kenyalang Sdn. Bhd. ^{(b), (f)} Malaysia Property development and construction | 75 | 75 |
| Regal Steelink Sdn. Bhd. ^(b) Malaysia Steel works and supply | 55 | 55 |
| Luminous Paints Sdn. Bhd. ^(b) Malaysia Painting works and supply | 60 | 60 |

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15. Investments in subsidiaries (cont'd)

The subsidiaries held through subsidiaries are listed below (cont'd):

| Name of subsidiaries, country of incorporation, place of operations and principal activities | Percentage of equity held by Company | |
|--|---|-----------|
| | 2018 % | 2017 % |
| Held through Regal International Holdings Pte. Ltd. (cont'd) | | |
| Million Sunray Sdn. Bhd. ^(b) Malaysia Property investment, development and construction | 55 | 55 |
| Wisma Majuniaga Sdn. Bhd. ^(b) Malaysia Property investment, development and construction | 100 | 100 |
| Held through Regal International Investments Pte. Ltd. | | |
| Regal Global Logistics Pte. Ltd. ^(a) Singapore Investment holding company | 100 | 100 |
| Regalia Properties Pte. Ltd. ^{(a), (e)} Singapore Real estate agencies and valuation services | 80 | 70 |
| Regal Universe Builders Pte. Ltd. (formerly known as Regal Asset Management Pte. Ltd.) ^{(a), (g)} Singapore Wholesale and distribution of office furniture | 51 | 75 |
| Regal Global Capital Pte. Ltd. ^{(a), (d)} Singapore Asset and portfolio management company | 75 | 75 |

^(a) Audited by RSM Chio Lim LLP, a member firm of RSM International.

^(b) Other independent auditors. Audited by Crowe, Malaysia, firm of accountants other than member firm of RSM International of which RSM Chio Lim LLP in Singapore is a member.

^(c) These two entities are regarded as subsidiaries because although the Group does not own, directly or indirectly through subsidiaries, more than half of the voting power of the entities, the Group has effective beneficial interest in Arena Wiramaju Sdn Bhd ("**Arena**") and Kota Sarjana Sdn Bhd ("**Kota**") of 100% and 80% respectively through Deeds of Assignment with the Directors, Mr Su Chung Jye and Mr Wong Pak Kiong to assign to the Group all of Mr Su Chung Jye's and Mr Wong Pak Kiong's entitlements and benefits as shareholders in Arena and Kota. In addition, the Group also has control over these two entities' operations.

^(d) The subsidiary was struck off on 4 April 2019. The subsidiary has not been audited.

^(e) The Group acquired an additional interest of 10% from the other shareholders at a cost of RM7 in 2018.

^(f) Subsequent to year-end, the Group disposed 24% of the interest in the subsidiary to an external party at a cost of RM24.

^(g) The Group disposed 24% of the interest in the subsidiary to an external party at a consideration of RM3 in 2018.

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31 DECEMBER 2018

15. Investments in subsidiaries (cont'd)

Cost of investment is less than RM1,000.

There are no subsidiaries that have non-controlling interests that are considered material to the reporting entity.

As is required by Rule 716 of the Listing Manual of SGX-ST, the Audit Committee and the Board of Directors of the Company have satisfied themselves that the appointment of different auditors for certain of its overseas subsidiaries would not compromise the standard and effectiveness of the audit of the Group.

16. Investment in associate

| | 31.12.2018 | Group 31.12.2017 | 1.1.2017 |
|---|-------------------|-----------------------------|-----------------|
| | RM'000 | RM'000 | RM'000 |
| Carrying value comprising: | | | |
| Unquoted equity shares, at cost | 678 | 678 | 678 |
| Dividends paid | (3,540) | (3,540) | (3,540) |
| Notional interest adjustment | (343) | - | - |
| Share of post-acquisition profit | <u>7,547</u> | <u>8,034</u> | <u>7,580</u> |
| | <u>4,342</u> | <u>5,172</u> | <u>4,718</u> |
| Movement in carrying value: | | | |
| Balance at beginning of year | 5,172 | 4,718 | |
| Share of (loss) profit for the year | (487) | 454 | |
| Notional interest adjustment ^(a) | (343) | - | |
| | <u>4,342</u> | <u>5,172</u> | |
| Share of carrying value of associate | <u>4,342</u> | <u>5,172</u> | <u>4,718</u> |

^(a) On 31 December 2018, the Group obtained a letter from the associate that it will not demand repayment of the amount outstanding of RM3,240,000 (Note 29) over the next 36 months. Accordingly, the Group has classified the amount owed to the associate as non-current liabilities and present valued the amount at a rate of 8% per annum. The Group's share of the difference in gross value has been accounted as a notional interest adjustment above.

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16. Investment in associate (cont'd)

The associate held by the Group is listed below:

| Name of associate, country of incorporation, place of operations and principal activities | Percentage of effective equity held by Group | |
|--|---|------|
| | 2018 | 2017 |
| | % | % |
| Tiya Development Sdn. Bhd. ^{(a) (b)} Malaysia Property development | 50 | 50 |

| Name of associate, country of incorporation, place of operations and principal activities | Cost of investment | | |
|--|--------------------|------------|----------|
| | 31.12.2018 | 31.12.2017 | 1.1.2017 |
| | RM'000 | RM'000 | RM'000 |
| Tiya Development Sdn. Bhd. ^{(a) (b)} Malaysia Property development | 678 | 678 | 678 |

^(a) Other independent auditors. Audited by a firm of accountants other than member firms of RSM International of which RSM Chio Lim LLP in Singapore is a member.

^(b) The Group has entered into a Deed of Assignment with Mr. Su Chung Jye to assign to the Group all of Mr. Su Chung Jye's entitlements and benefits as shareholder in the above associate. Pursuant thereto, the Group is entitled to 50% of the economic benefits in Tiya Development Sdn. Bhd.

The associate is considered material to the reporting entity. The summarised financial information of the associate and the amounts (and not the reporting entity's share of those amounts) based on the financial statements of the associate is as follows. These are adjusted to reflect adjustments made by the reporting entity when using the equity method.

Summarised statement of financial position:

| | Tiya Development Sdn. Bhd. | |
|---|----------------------------|------------|
| | 31.12.2018 | 31.12.2017 |
| | RM'000 | RM'000 |
| Current assets | 17,725 | 21,790 |
| Non-current assets | 2,656 | 583 |
| Total assets | 20,381 | 22,373 |
| Current liabilities | (11,698) | (12,030) |
| Total liabilities | (11,698) | (12,030) |
| Net assets | 8,683 | 10,343 |
| Proportion of the Group's ownership | 50.0% | 50.0% |
| Group's share of net assets, representing carrying amount of the interest in the associate | 4,342 | 5,172 |

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16. Investment in associate (cont'd)

Summarised statement of comprehensive income:

| | Tiya Development Sdn. Bhd. | |
|-----------------------------------|-----------------------------------|-------------------|
| | 31.12.2018 | 31.12.2017 |
| | RM'000 | RM'000 |
| Revenue | 1,420 | 3,796 |
| (Loss) profit after tax | (975) | 907 |
| Total comprehensive (loss) income | (975) | 907 |
| Dividends paid during the year | - | - |

17. Investment properties

| | Group | |
|-----------------------------|-------------------|-------------------|
| | 31.12.2018 | 31.12.2017 |
| | RM'000 | RM'000 |
| | | (Restated) |
| Under construction at cost: | | |
| At beginning of the year | 8,465 | 5,666 |
| Additions | 2,821 | 2,799 |
| At end of the year | 11,286 | 8,465 |

The investment properties consist of 5 (2017: 5) blocks of commercial and office spaces that are still under construction as at year end. The stage of completion for the investment properties approximated 20% (2017: 17%) as at year end and is expected to be completed in the year 2020. These properties are located at Jalan Song in Kuching, Malaysia.

The properties will be built on leasehold lands with unexpired lease terms ranging between 20 to 97 years.

The fair value of each investment property was measured in December 2018 based on the highest and best use method to reflect the actual market state and circumstances as of end of the reporting year. The fair value for disclosure purposes was based on a valuation made by Management on a systematic basis at least once yearly. There has been no change to the valuation technique during the year. Management determined that the highest and best use of the asset is the current use and that it would provide maximum value to market participants principally through its use in combination with other assets.

The investment properties are pledged by a shareholder to obtain financing.

For fair value measurements categorised within the fair value hierarchy below, a description of the valuation technique and the significant other observable inputs used in the fair value measurement are as follows:

| | | |
|---|---|--|
| Asset | : | Leasehold commercial property in Kuching |
| Fair value for disclosure purposes | : | RM 13,800,000 (2017: RM11,900,000) |
| Fair value hierarchy | : | Level 3 |
| Valuation technique for recurring fair value | : | Direct comparison method (Fair value less construction costs to complete) |
| Significant observable inputs and range (weighted average) | : | Price per square foot approximates RM243 (2017: RM246) |
| Sensitivity on Management's estimates – 10% variation from estimate | : | Impact – Lower or higher by RM1,380,000 (2017: RM1,190,000) |

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18. Other assets

| | 31.12.2018 | Group | 1.1.2017 |
|---|-------------------|-------------------|-------------------|
| | RM'000 | 31.12.2017 | RM'000 |
| | | RM'000 | RM'000 |
| | | (Restated) | (Restated) |
| Deposits to secure services | 8 | 61 | 58 |
| Deposits to secure land for development | 2,784 | 2,465 | 1,581 |
| Prepayments | 415 | 438 | 328 |
| Key man life insurance policy (Note 18A) | 1,551 | 1,551 | 1,551 |
| Tax recoverable | 36 | - | - |
| Costs incurred to fulfil construction contracts (Note 19) | 11,446 | 13,801 | 10,768 |
| Land held for property development | 152 | 371 | 371 |
| Payments in advance to landowners ^(*) | 342 | 1,979 | 2,599 |
| | 16,734 | 20,666 | 17,256 |
| Presented in statement of financial position: | | | |
| Non-current | 2,045 | 3,901 | 4,521 |
| Current | 14,689 | 16,765 | 12,735 |
| | 16,734 | 20,666 | 17,256 |
| | | | |
| | 31.12.2018 | Company | 1.1.2017 |
| | RM'000 | 31.12.2017 | RM'000 |
| | | RM'000 | RM'000 |
| | | (Restated) | (Restated) |
| Deposits to secure services | 1 | 57 | 58 |
| Prepayments | 61 | 79 | 96 |
| Key man life insurance policy (Note 18A) | 1,551 | 1,551 | 1,551 |
| | 1,613 | 1,687 | 1,705 |
| Presented in statement of financial position: | | | |
| Non-current | 1,551 | 1,551 | 1,551 |
| Current | 62 | 136 | 154 |
| | 1,613 | 1,687 | 1,705 |

^(*) The payments in advance to landowners are for vacant land for future development. The commencement of physical construction is not expected to commence within the next twelve months after the end of the reporting period.

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18. Other assets (cont'd)

18A. Key man life insurance policy

| | Group and Company | |
|--|--------------------------|-------------------|
| | 2018 | 2017 |
| | RM'000 | RM'000 |
| | <u> </u> | <u> </u> |
| Balance at beginning and end of the year | <u>1,551</u> | <u>1,551</u> |

Key man insurance asset (life insurance settlement contract) is accounted under the investment method. The initial investment at the transaction price plus all initial direct external costs and the policy premium and direct external costs to keep the policy in force are capitalised. The Company does not recognise a gain until the policy is terminated, at which time the Company recognises in profit or loss the difference between the carrying amount of a life settlement contract and the life insurance proceeds of the underlying life insurance policy. A test for impairment is made if there is new or updated information that indicates that the expected proceeds (based on current interest rates) from the insurance policy will not be sufficient to recover the carrying amount of the investment plus anticipated undiscounted future premiums and capitalised direct external costs, when the policy terminates. The impairment allowance is charged to profit or loss.

The keyman life insurance policy relates to life insurance purchased by the Company for one of its Executive Directors. The insured amount of the contract is S\$1,030,000. The contract will mature on the date when the insured person reaches the age of 100 or upon the demise of the insured person whichever is earlier. On maturity, 100% of the insured amount plus the accumulated dividends bonus will be payable to the Company.

The cash surrender value of keyman life insurance policy is approximately to S\$390,000 (equivalent to RM1,187,000) (2017: S\$390,000 (equivalent to RM1,178,000)) as at 31 December 2018. The difference between premium of S\$501,000 paid and the cash surrender value of S\$390,000 at inception date is recoverable over the policy period of 25 years.

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19. Contract assets (liabilities)

19A. Contract assets for development properties in the process of development accounted under the over time method

| | 31.12.2018 | Group 31.12.2017 | 1.1.2017 |
|---|-------------------|-----------------------------|-----------------|
| | RM'000 | RM'000 | RM'000 |
| The amount is made up of: | | | |
| Costs incurred to obtain or fulfil contracts | 69,981 | 68,607 | 74,310 |
| Costs to obtain contracts | 1,557 | 299 | 158 |
| Excess of work done over progress billings | 24,318 | 30,953 | 8,507 |
| | <u>95,856</u> | <u>99,859</u> | <u>82,975</u> |
| Movement for costs incurred to obtain or fulfil contracts: | | | |
| At beginning of the year | 68,607 | 74,310 | |
| Costs incurred in the year | 10,323 | 61,044 | |
| Transferred to inventories upon completion of the projects | (4,760) | (28,557) | |
| Reversal to cost of sales on prior year costs recognised | 1,710 | - | |
| Charged to cost of sales upon meeting performance obligations | (4,092) | (34,386) | |
| Other costs charged to cost of sales | (1,807) | (3,804) | |
| At end of the year | <u>69,981</u> | <u>68,607</u> | |
| Movement for costs to obtain contracts: | | | |
| At beginning of the year | 299 | 158 | |
| Costs incurred in the year | 3,771 | 141 | |
| Charged to marketing and distribution costs (Note 10) | (2,513) | - | |
| At end of the year | <u>1,557</u> | <u>299</u> | |
| Movement for excess of work done over progress billings | | | |
| At beginning of the year | 30,953 | 8,507 | |
| Revenue recognised during the year | 15,691 | 36,813 | |
| Progress billing billed to customers | (22,326) | (14,367) | |
| At end of the year | <u>24,318</u> | <u>30,953</u> | |

The movement in the contract asset balances was due to overall contract activities.

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19. Contract assets (liabilities) (cont'd)

19B. Contract assets for construction contracts in the process of development accounted under the over time method

| | 31.12.2018 | Group 31.12.2017 | 1.1.2017 |
|---|-------------------|-----------------------------|-----------------|
| | RM'000 | RM'000 | RM'000 |
| The amount is made up of: | | | |
| Costs incurred to obtain or fulfil contracts | 17,697 | 17,719 | 10,057 |
| Excess of work done over progress billings | 16 | 188 | 19,674 |
| | <u>17,713</u> | <u>17,907</u> | <u>29,731</u> |
| Movement for costs incurred to obtain or fulfil contracts: | | | |
| At beginning of the year | 17,719 | 10,057 | |
| Costs incurred in the year | 17,591 | 43,637 | |
| Charged to cost of sales upon meeting performance obligations | (14,375) | (33,650) | |
| Other costs charged to cost of sales | (3,238) | (2,325) | |
| At end of the year | <u>17,697</u> | <u>17,719</u> | |
| Movement for excess of work done over progress billings | | | |
| At beginning of the year | 188 | 19,674 | |
| Revenue recognised during the year | 1,091 | 45,687 | |
| Progress billings billed to customers | (1,263) | (65,173) | |
| At end of the year | <u>16</u> | <u>188</u> | |

The movement in the contract asset balances was due to overall contract activities.

19C. Contract liabilities for development properties in the process of development accounted under the over time method

| | 31.12.2018 | Group 31.12.2017 | 1.1.2017 |
|--|-------------------|-----------------------------|-----------------|
| | RM'000 | RM'000 | RM'000 |
| The amount is made up of: | | | |
| Excess of progress billings over work done | 25,508 | 15,375 | 9,621 |
| Provision for liquidated and ascertained damages | 9,671 | - | - |
| | <u>35,179</u> | <u>15,375</u> | <u>9,621</u> |

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19. Contract assets (liabilities) (cont'd)

19C. Contract liabilities for development properties in the process of development accounted under the over time method (cont'd)

| | Group | |
|---|-------------------|-------------------|
| | 31.12.2018 | 31.12.2017 |
| | RM'000 | RM'000 |
| Movement for excess of progress billings over work done: | | |
| At beginning of the year | 15,375 | 9,621 |
| Revenue recognised during the year | (20,247) | (59,519) |
| Progress billings billed to customers | <u>30,380</u> | <u>65,273</u> |
| At end of the year | <u>25,508</u> | <u>15,375</u> |
| Movement for provision for liquidated and ascertained damages | | |
| At beginning of the year | - | - |
| Addition | <u>9,671</u> | <u>-</u> |
| At end of the year | <u>9,671</u> | <u>-</u> |

19D. Contract liabilities for construction contracts in the process of development accounted under the over time method

| | Group | | |
|--|-------------------|-------------------|-----------------|
| | 31.12.2018 | 31.12.2017 | 1.1.2017 |
| | RM'000 | RM'000 | RM'000 |
| The amount is made up of: | | | |
| Excess of progress billings over work done | <u>16,094</u> | <u>319</u> | <u>-</u> |
| Movement for excess of progress billings over work done: | | | |
| At beginning of the year | 319 | - | |
| Revenue recognised during the year | (21,546) | - | |
| Progress billings billed to customer | <u>37,321</u> | <u>319</u> | |
| At end of the year | <u>16,094</u> | <u>319</u> | |

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19. Contract assets (liabilities) (cont'd)

| | 31.12.2018 RM'000 | Group 31.12.2017 RM'000 | 1.1.2017 RM'000 |
|--|----------------------|-------------------------------|--------------------|
| Contract assets are presented in financial statements as: | | | |
| Costs incurred to fulfil construction contracts under other assets (Note 18) | 11,446 | 13,801 | 10,768 |
| Development properties in progress under inventories (Note 20) | 71,538 | 68,906 | 74,468 |
| Receivables from customers on long-term contracts (Note 21) | 30,585 | 35,059 | 27,470 |
| | <u>113,569</u> | <u>117,766</u> | <u>112,706</u> |
| Contract liabilities are presented in financial statements as: | | | |
| Provision for liquidated and ascertained damages under trade and other payables (Note 29A) | 9,671 | - | - |
| Due to customers on construction contracts and development properties (Note 29) | 41,602 | 15,694 | 9,621 |
| | <u>51,273</u> | <u>15,694</u> | <u>9,621</u> |

20. Inventories

| | 31.12.2018 RM'000 | Group 31.12.2017 RM'000 (Restated) | 1.1.2017 RM'000 (Restated) |
|---|----------------------|---|----------------------------------|
| Construction materials | 1,662 | 794 | 900 |
| Development properties in progress (Note 19) | 71,538 | 68,906 | 74,468 |
| Completed development properties | 55,789 | 62,135 | 30,242 |
| Less: allowance for impairment of completed development properties | (70) | - | - |
| | <u>128,919</u> | <u>131,835</u> | <u>105,610</u> |
| Movement in allowance: | | | |
| Balance at beginning of the year | - | - | - |
| Charged to profit or loss included in other losses (Note 7) | (70) | - | - |
| Balance at end of the year | <u>(70)</u> | <u>-</u> | <u>-</u> |
| Cost of inventories charged to profit or loss included in cost of sales – continuing operations | 23,798 | 38,649 | 14,791 |
| Cost of inventories charged to profit or loss included in cost of sales – discontinued operations | - | - | 77,736 |

Development properties of RM85.2 million (2017: RM77.3 million) are pledged as security for banking facilities (Note 28).

Certain properties are pledged for the redeemable preference shares (Note 28). The Group obtained approval from the lender on 25 April 2019 to proceed with the sale of these properties, however any sales proceeds need to be used to redeem the preference shares.

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21. Trade and other receivables

| | 31.12.2018 RM'000 | Group 31.12.2017 RM'000 (Restated) | 1.1.2017 RM'000 (Restated) |
|--|----------------------|---|----------------------------------|
| <u>Trade receivables:</u> | | | |
| Outside parties ^(a) | 31,665 | 32,362 | 24,040 |
| Less: allowance for impairment | (3,831) | (1,288) | (1,124) |
| Shareholder (Note 3) | 23,630 | 16,652 | – |
| Receivables from customers on long-term contracts (Note 19) | 30,585 | 35,059 | 27,470 |
| Retention receivables on long-term contracts | 2,882 | 2,421 | 1,056 |
| Subtotal | <u>84,931</u> | <u>85,206</u> | <u>51,442</u> |
| <u>Other receivables:</u> | | | |
| Outside parties ^(a) | 5,779 | 9,022 | 18,695 |
| Less : allowance for impairment | (742) | (68) | (548) |
| Subtotal | <u>5,037</u> | <u>8,954</u> | <u>18,147</u> |
| Total trade and other receivables | <u>89,968</u> | <u>94,160</u> | <u>69,589</u> |
| Movement in allowance: | | | |
| Balance at beginning of the year | (1,356) | (1,672) | |
| Effect on adoption of SFRS(I) 9 adjusted against opening retained earnings on 1.1.2018 | (2,151) | – | |
| Charged to profit or loss included in other losses (Note 7) | (1,093) | (306) | |
| Allowance written back included in other gains (Note 7) | 28 | 622 | |
| Translation exchange adjustment | (1) | – | |
| Balance at end of the year | <u>(4,573)</u> | <u>(1,356)</u> | |
| | 31.12.2018 | Company | 1.1.2017 |
| | RM'000 | 31.12.2017 | RM'000 |
| | RM'000 | RM'000 | RM'000 |
| <u>Other receivables:</u> | | | |
| Outside parties | – | – | 8,661 |
| Subsidiaries (Note 3) | 46,747 | 43,816 | 20,776 |
| Less: allowance for impairment | (42,383) | – | – |
| Subtotal | <u>4,364</u> | <u>43,816</u> | <u>29,437</u> |
| Total trade and other receivables | <u>4,364</u> | <u>43,816</u> | <u>29,437</u> |
| Movement in allowance: | | | |
| Balance at beginning of the year | – | – | |
| Charged to profit or loss included in other losses | (42,383) | – | |
| Balance at end of the year | <u>(42,383)</u> | <u>–</u> | |

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21. Trade and other receivables (cont'd)

- (a) Included in the Group's trade and other receivables from outside parties are amounts of RM13.9 million (2017: RM Nil) and RM0.8 million (2017: RM4.2 million) respectively that will be used to contra off future purchases of materials or services rendered by suppliers.

Other receivables at 1 January 2017 included an amount of RM8.7 million representing the second tranche sales consideration from the disposal of the precision business. In 2017, the Group obtained the leasehold property of RM8.7 million in exchange for these receivables.

The trade receivables and contract assets are subject to the expected credit loss model under the financial reporting standard on financial instruments. The methodology applied for impairment loss is the simplified approach to measuring expected credit losses ("ECL") which uses a lifetime expected loss allowance for all trade receivables and contract assets. The expected lifetime losses are recognised from initial recognition of these assets. These assets are grouped based on shared credit risk characteristics and the days past due for measuring the expected credit losses. The expected credit losses are based on the past payment experience and the corresponding historical credit losses experienced within this period. For sales of properties, as ownership and titles to properties are only transferred to customers upon full settlement of the purchase consideration, the Group regards the credit risk exposure as low. As construction contracts only involve a few customers, the Group assessed the risk of loss of each customer individually based on their financial information, historical payment trends and other external available information.

The amounts are written off when there are indications that there is no reasonable expectation of recovery or the failure of a debtor to make contractual payments over an extended period. There are no collateral held as security and other credit enhancements for the trade receivables, other than the titles as disclosed above.

At each subsequent reporting date, an evaluation is made whether there is a significant change in credit risk by comparing the debtor's credit risk at initial recognition (based on the original, unmodified cash flows) with the credit risk at the reporting date (based on the modified cash flows). Adjustment to the loss allowance is made for any increase or decrease in credit risk.

On that basis, the following table provides information about the exposure to credit risk and ECLs for trade receivables:

| | Gross carrying amount RM'000 | Group Loss allowance RM'000 | Net balance RM'000 |
|----------------------|---------------------------------|-----------------------------------|-----------------------|
| <u>31.12.2018</u> | | | |
| Not past due | 55,300 | - | 55,300 |
| Past due 1-30 days | 878 | - | 878 |
| Past due 31-60 days | 90 | - | 90 |
| Past due 61-90 days | 11,655 | - | 11,655 |
| Past due 91-120 days | 857 | - | 857 |
| Past due 121 days | 17,100 | (3,831) | 13,269 |
| Retention receivable | 2,882 | - | 2,882 |
| Total | <u>88,762</u> | <u>(3,831)</u> | <u>84,931</u> |

As part of the process of setting customer credit limits, different credit terms are used. The average credit period generally granted to trade customers is about 21-90 days (2017: 21-90 days). However, some customers take a longer period to settle the amounts.

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21. Trade and other receivables (cont'd)

Prior to 1 January 2018, the impairment of financial assets was assessed based on the incurred loss impairment model. The Group's credit risk exposure in relation to trade receivables as at 31 December 2017 and 1 January 2017 are set out as follows:

| | Group | |
|--------------------------------|----------------|----------------|
| | 31.12.2017 | 1.1.2017 |
| | <u>RM'000</u> | <u>RM'000</u> |
| Net trade receivables: | | |
| Not past due | 51,431 | 29,726 |
| Past due 1-30 days | 489 | 6,074 |
| Past due 31-60 days | 1,172 | 2,238 |
| Past due 61-90 days | 1,925 | 3,633 |
| Past due 91-120 days | 5,703 | 3,904 |
| Past due 121 days | <u>25,774</u> | <u>6,962</u> |
| | 86,494 | 52,537 |
| Less: Allowance for impairment | <u>(1,288)</u> | <u>(1,200)</u> |
| Total | <u>85,206</u> | <u>51,337</u> |

The allowance for impairment was made for trade receivables that were not secured.

Concentration of trade receivable external customers as at the end of reporting year:

| | Group | | |
|-----------------|---------------|---------------|---------------|
| | 31.12.2018 | 31.12.2017 | 1.1.2017 |
| | <u>RM'000</u> | <u>RM'000</u> | <u>RM'000</u> |
| Top 1 customer | 4,001 | 10,825 | 3,023 |
| Top 2 customers | 7,810 | 13,015 | 4,059 |
| Top 3 customers | <u>11,610</u> | <u>13,794</u> | <u>5,057</u> |

The other receivables at amortised cost shown above are subject to the expected credit loss model under the financial reporting standard on financial instruments. The other receivables at amortised cost and which can be graded as low risk individually are considered to have low credit risk. At the end of the first reporting period, a loss allowance is recognised at an amount equal to 12 month expected credit losses because there has not been a significant increase in credit risk since initial recognition. A loss allowance balance of RM742,000 (2017: RM68,000) is recognised.

At each subsequent reporting date, an evaluation is made whether there is a significant change in credit risk by comparing the debtor's credit risk at initial recognition (based on the original, unmodified cash flows) with the credit risk at the reporting date (based on the modified cash flows). Adjustment to the loss allowance is made for any increase or decrease in credit risk. As there is a significant increase in credit risk, a loss allowance is recognised based on the lifetime expected credit losses on the amount for certain individual debtors.

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22. Cash and cash equivalents

| | 31.12.2018 RM'000 | Group 31.12.2017 RM'000 | 1.1.2017 RM'000 |
|--|------------------------------|--|----------------------------|
| Not restricted in use | 4,344 | 7,916 | 13,499 |
| Cash under project accounts ^(a) | 440 | 203 | 224 |
| Restricted in use ^(b) | 1,306 | 1,261 | 1,447 |
| | <u>6,090</u> | <u>9,380</u> | <u>15,170</u> |
| Interest earning balances | <u>1,306</u> | <u>1,261</u> | <u>2,687</u> |
| | <u>31.12.2018 RM'000</u> | <u>Company 31.12.2017 RM'000</u> | <u>1.1.2017 RM'000</u> |
| Not restricted in use | <u>569</u> | <u>2,923</u> | <u>1,830</u> |
| Interest earning balances | <u>–</u> | <u>–</u> | <u>1,240</u> |

The rate of interest for the cash on interest earning balances is 0.25% – 3.20% (2017: 0.25% - 3.70%) per annum.

^(a) This is for monies to be deposited into and withdrawn from the project account as set out in the Malaysia Housing Development (Control and Licensing) Act 1966. These rules are designed to ensure that monies paid by purchasers in each development are segregated, and utilised only for designated types of payments that relate to the development.

^(b) This is for bank balances held by bankers to cover bank facilities granted.

22A. Cash and cash equivalents in the Group's statement of cash flows

| | 31.12.2018 RM'000 | Group 31.12.2017 RM'000 | 1.1.2017 RM'000 |
|--|----------------------|-------------------------------|--------------------|
| As shown above | 6,090 | 9,380 | 15,170 |
| Restricted in use | (1,306) | (1,261) | (1,447) |
| Bank overdrafts (Note 28) | (3,272) | (4,800) | (7,690) |
| Cash and cash equivalents at end of year | <u>1,512</u> | <u>3,319</u> | <u>6,033</u> |

Included in the cash and cash equivalents of the Group is an amount of RM700,000 (2017: RM700,000) which is not registered under the name of the Group as at 31 December 2018. It is registered in the name of Mr. Su Chung Jye and pledged for facilities granted to the Group.

22B. Non-cash transactions

- (a) There were certain assets under property, plant and equipment with a total cost of RM300,000 (2017: RM1,561,000) acquired by means of finance leases (Note 13).
- (b) In 2017, there were certain assets under property, plant and equipment with a total cost of RM8,719,000 reclassified from other receivables after the completion of the transfer of the leasehold property.
- (c) In 2017, a total of 24,803,192 ordinary shares of RM0.46 (S\$0.15) par value were issued for settlement of the acquisition of a subsidiary amounting to RM11,500,000. The assets purchased are disclosed in Note 31.
- (d) The Group incurred interest expense of RM6,205,000 (2017: RM5,433,000) of which RM617,000 (2017: RM Nil) remains unpaid at the end of the year and is included in other payables.

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22. Cash and cash equivalents (cont'd)

22C. Reconciliation of liabilities arising from financing activities:

| | 2017 RM'000 | Cash flows RM'000 | Non-cash changes RM'000 | 2018 RM'000 |
|---|----------------|----------------------|-------------------------------|----------------|
| Other financial liabilities excluding bank overdrafts | 78,298 | (5,630) | 300 ^(a) | 72,968 |
| Proceeds from Shareholders | 2,893 | 4,397 | (1,495) ^(b) | 5,795 |
| Proceeds from Associate | 568 | 2,672 | (685) ^(b) | 2,555 |

^(a) Please refer to Note 22B (a).

^(b) Relates to notional interest adjustments.

23. Share capital

The number of issued ordinary shares is analysed as follows:

| | Group | | Company | |
|--|-------------------------------|--|-------------------------------|--|
| | Number of shares issued | Issued and paid up share capital RM'000 | Number of shares issued | Issued and paid up share capital RM'000 |
| <u>Ordinary shares of no par value:</u> | | | | |
| Balance at 1 January 2017 | 200,114,059 | 133,052 | 200,114,059 | 369,551 |
| Issue of shares at RM0.46 (S\$0.15) each (Note 31) | 24,803,192 | 11,500 | 24,803,192 | 11,500 |
| Balance at 31 December 2017 and 31 December 2018 | 224,917,251 | 144,552 | 224,917,251 | 381,051 |

The ordinary shares of no par value are fully paid, carry one vote each and have no right to fixed income. The Company is not subject to any externally imposed capital requirements.

Capital management

The objectives when managing capital are: to safeguard the reporting entity's ability to continue as a going concern, so that it can continue to provide returns for owners and benefits for other stakeholders, and to provide an adequate return to owners by pricing the sales commensurately with the level of risk. Management sets the amount of capital to meet its requirements and the risk taken. There were no changes in the approach to capital management during the reporting year. Management manages the capital structure and makes adjustments to it where necessary or possible in the light of changes in conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, Management may adjust the amount of dividends paid to owners, return capital to owners, issue new shares, or sell assets to reduce debt.

In order to maintain its listing on the Singapore Stock Exchange, it has to have share capital with a free float of at least 10% of the shares. The Company met the capital requirement on its initial listing and the rules limiting treasury share purchases mean it will automatically continue to satisfy that requirement, as it did throughout the reporting year. Management receives a report from the share registrars frequently on substantial share interests showing the non-free float to ensure continuing compliance with the 10% limit throughout the reporting year.

Management does not set a target level of gearing but uses capital opportunistically to support its business and to add value for shareholders. The key discipline adopted is to widen the margin between the return on capital employed and the cost of that capital.

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23. Share capital (cont'd)

Management monitors the capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt/adjusted capital. Net debt is calculated as total borrowings less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e. share capital and retained earnings).

| | 31.12.2018 | Group 31.12.2017 | 1.1.2017 |
|---|-------------------|-----------------------------|-----------------|
| | RM'000 | RM'000 | RM'000 |
| Net debt: | | | |
| All current and non-current borrowings including finance leases | 76,240 | 83,098 | 58,776 |
| Less cash and cash equivalents | (6,090) | (9,380) | (15,170) |
| Net debt | <u>70,150</u> | <u>73,718</u> | <u>43,606</u> |
| Adjusted capital: | | | |
| Total equity | 16,661 | 54,293 | 45,866 |
| Adjusted capital | <u>16,661</u> | <u>54,293</u> | <u>45,866</u> |
| Debt-to-adjusted capital ratio | <u>421%</u> | <u>136%</u> | <u>95%</u> |

The unfavourable change as shown by the increase in the debt-to-adjusted capital ratio for the reporting year resulted primarily from the losses incurred during the period.

24. Share-based payments

24A. Employee share option scheme

On 3 June 2015, under the employee share option scheme (the “**Scheme**”), the Company offered and granted a total of 12,000,000 share options to the Group Executive Directors, Group Non-Executive Directors and Group employees comprising:

- (i) 6,000,000 options at S\$0.38, being the average of the closing market prices of the shares of the Company over a period of five consecutive market days immediately prior to the date of grant of Options; and
- (ii) 6,000,000 options at S\$0.30, being a 20% discount to the Market Price.

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24. Share-based payments (cont'd)

24B. Activities under the share option scheme:

The options granted at the Market Price are exercisable after the first anniversary of the date of grant and before the tenth anniversary of the date of grant; and

The options granted at a 20% discount to the Market Price are exercisable after the second anniversary of the date of grant and before the tenth anniversary of the date of grant.

The outstanding number of options at the end of the reporting year was:

| Exercise price outstanding | Grant date | Exercise period | Number of Options ('000) at | | |
|-------------------------------|-------------|---|-----------------------------|---------------|---------------|
| | | | 31.12.2018 | 31.12.2017 | 1.1.2017 |
| S\$0.38 | 3 June 2015 | 3 June 2016 to 2 June 2024 ^(a) | 4,905 | 5,235 | 5,395 |
| S\$0.30 | 3 June 2015 | 3 June 2017 to 2 June 2024 ^(a) | 4,905 | 5,235 | 5,395 |
| Balance at end of year | | | <u>9,810</u> | <u>10,470</u> | <u>10,790</u> |

^(a) The Options were not exercised during the year.

The following table summarises information about outstanding options of Directors and Controlling Shareholders and an Associate of a Controlling Shareholder at the end of the reporting year:

| Directors and Controlling Shareholders of the Company | Options in 2015 | Options from start of scheme to end of 2017 | Exercised/ lapsed from start of scheme to end of 2018 | Balance at 31.12.2018 | |
|--|------------------|---|--|--------------------------|----|
| | | | | | |
| Su Chung Jye | 600,000 | 600,000 | – | 600,000 | #a |
| | 600,000 | 600,000 | – | 600,000 | #b |
| Wong Pak Kiong | 240,000 | 240,000 | – | 240,000 | #a |
| | 240,000 | 240,000 | – | 240,000 | #b |
| Low Yew Shen | 100,000 | 100,000 | – | 100,000 | #a |
| | 100,000 | 100,000 | – | 100,000 | #b |
| <u>Associate of a Controlling Shareholder of the Company</u> | | | | | |
| Serena Su Chung Wen | 120,000 | 120,000 | – | 120,000 | #a |
| | 120,000 | 120,000 | – | 120,000 | #b |
| | <u>2,120,000</u> | <u>2,120,000</u> | <u>–</u> | <u>2,120,000</u> | |

#a Exercise price of S\$0.38. Exercise period from 3 June 2016 to 2 June 2024

#b Exercise price of S\$0.30. Exercise period from 3 June 2017 to 2 June 2024

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24. Share-based payments (cont'd)

24B. Activities under the share option scheme: (cont'd)

Other than the above Directors and Controlling Shareholders and an Associate of a Controlling Shareholder, other key management personnel receiving 5% or more of the total number of the options available are:

| Participants | Options in 2015 | Options from start of scheme to end of 2017 | Exercised/ lapsed from start of scheme to end of 2018 | Balance at 31.12.2018 | |
|--------------------------|------------------|---|---|-----------------------|----|
| Frederick Eng Meng Khuan | 525,000 | 525,000 | – | 525,000 | #c |
| | 525,000 | 525,000 | – | 525,000 | #d |
| Liang Ngee Ping | 525,000 | 525,000 | – | 525,000 | #c |
| | 525,000 | 525,000 | – | 525,000 | #d |
| | <u>2,100,000</u> | <u>2,100,000</u> | <u>–</u> | <u>2,100,000</u> | |

#c Exercise price of S\$0.38. Exercise period from 3 June 2016 to 2 June 2024.

#d Exercise price of S\$0.30. Exercise period from 3 June 2017 to 2 June 2024.

No participant has received 5% or more of the total number of the options available under the Scheme except for the above Directors and key management personnel.

24C. Accounting for the share options:

Share option reserve:

| | Group and Company | |
|--------------------------------------|----------------------|----------------------|
| | 31.12.2018 RM'000 | 31.12.2017 RM'000 |
| At beginning of the year | 3,600 | 3,193 |
| Expense recognised in profit or loss | – | 512 |
| Forfeited | (202) | (105) |
| At end of the year | <u>3,398</u> | <u>3,600</u> |

In 2017, the total charge to profit or loss amounted to RM512,000 and is included in employee benefits expense (Note 9).

The estimate of the grant date fair value of each option issued is based on the Black-Scholes option pricing model (Level 3). In order to approximate the expectations that would be reflected in a current market or negotiated exchange price for these options, the calculations take into consideration factors like behavioural considerations and non-transferability of the options granted.

| | Group and Company | |
|---|-------------------|----------------|
| | 2018 | 2017 |
| Grant date share price and exercise price | – | As shown above |
| Historical and expected volatility | – | 40% |
| Dividend yield | – | 2.6% |
| Risk-free interest rate | – | 1.7% |
| Forfeiture probability: leaving pre-vesting | – | 2% |

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24. Share-based payments (cont'd)

24C. Accounting for the share options: (cont'd)

Expected volatility was determined taking into consideration the specific factors faced by the Company and the volatility of comparable listed companies. Dividends used are those last known at the date the Scheme was approved.

25. Merger reserve

Merger reserve represents the difference between the consideration paid and the equity acquired under common control.

26. Other reserve

| | 31.12.2018 RM'000 | Group 31.12.2017 RM'000 | 1.1.2017 RM'000 |
|---------------------------|----------------------|-------------------------------|--------------------|
| Notional accrued interest | 1,495 | - | - |

On 31 December 2018, certain shareholders provided letters to the Group indicating that they will not demand repayment of the amount owed to them of RM7,290,000 (Note 29) over the next 36 months. Accordingly, the Group has classified the balances as non-current and present valued the amount at a rate of 8%. The difference has been recorded as other reserve.

27. Other liabilities, non-current

| | 31.12.2018 RM'000 | Group 31.12.2017 RM'000 | 1.1.2017 RM'000 |
|-------------------------|----------------------|-------------------------------|--------------------|
| Non-refundable deposits | 55 | - | - |

Management entered into a cancellable contract for leasing warehouse space for 3 years. The deposits will be forfeited if the tenant terminates the tenancy before the expiry of tenancy period.

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28. Other financial liabilities

| | 31.12.2018 RM'000 | Group 31.12.2017 RM'000 | 1.1.2017 RM'000 |
|--|----------------------|-------------------------------|--------------------|
| <u>Non-current:</u> | | | |
| <u>Financial instruments with floating interest rates:</u> | | | |
| Term loans (secured) (Note 28A) | 828 | 19,759 | 27,305 |
| <u>Financial instruments with fixed interest rates:</u> | | | |
| Finance leases (Note 28B) | 456 | 5,859 | 7,202 |
| Redeemable preference shares (secured) (Note 28E) | 20,000 | 25,000 | - |
| Non-current total | <u>21,284</u> | <u>50,618</u> | <u>34,507</u> |
| <u>Current:</u> | | | |
| <u>Financial instruments with floating interest rates:</u> | | | |
| Term loans (secured) (Note 28A) | 38,660 | 21,983 | 11,110 |
| Bank overdrafts (secured) (Note 28C) | 3,272 | 4,800 | 7,690 |
| Banker acceptance (secured) (Note 28D) | 1,414 | 2,434 | 2,601 |
| <u>Financial instruments with fixed interest rates:</u> | | | |
| Finance leases (Note 28B) | 6,610 | 3,263 | 2,868 |
| Redeemable preference shares (secured) (Note 28E) | 5,000 | - | - |
| Current total | <u>54,956</u> | <u>32,480</u> | <u>24,269</u> |
| Total | <u>76,240</u> | <u>83,098</u> | <u>58,776</u> |
| Non-current portion is repayable as follows: | | | |
| Due within 2 to 5 years | 20,456 | 48,747 | 31,158 |
| After 5 years | 828 | 1,871 | 3,349 |
| Total non-current portion | <u>21,284</u> | <u>50,618</u> | <u>34,507</u> |
| | 31.12.2018 | Company | 1.1.2017 |
| | RM'000 | 31.12.2017 | RM'000 |
| | | RM'000 | RM'000 |
| <u>Current:</u> | | | |
| <u>Financial instruments with floating interest rates:</u> | | | |
| Term loans (secured) (Note 28A) | 8,375 | 8,329 | - |
| Current total | <u>8,375</u> | <u>8,329</u> | <u>-</u> |
| Total | <u>8,375</u> | <u>8,329</u> | <u>-</u> |

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28. Other financial liabilities (cont'd)

The ranges of floating interest rates paid were as follows:

| | 31.12.2018 | 31.12.2017 | 1.1.2017 |
|-------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| Term loans | 3.27% – 11.95% | 3.27% – 11.75% | 4.50% – 11.75% |
| Bank overdrafts | BLR ^(a) + 1% - 2% | BLR ^(a) + 0.5% - 2% | BLR ^(a) + 0.5% - 2% |
| Banker acceptance | BLR ^(a) + 1.25% – 1.50% | BLR ^(a) + 1.25% – 1.50% | BLR ^(a) + 1.25% – 1.50% |

(a) Base lending rate

The ranges of fixed interest rates paid were as follows:

| | 31.12.2018 | 31.12.2017 | 1.1.2017 |
|----------------|---------------|---------------|----------|
| Finance leases | 2.40% – 8.30% | 2.40% – 8.30% | 2% – 5% |

28A. Term loans (secured)

| | 31.12.2018 RM'000 | Group 31.12.2017 RM'000 | 1.1.2017 RM'000 |
|---------------------------|----------------------|-------------------------------|--------------------|
| <u>Non-current:</u> | | | |
| Due within 2 to 5 years | – | 18,047 | 24,284 |
| After 5 years | 828 | 1,712 | 3,021 |
| Total non-current portion | 828 | 19,759 | 27,305 |
| <u>Current:</u> | | | |
| Term loans (secured) | 38,660 | 21,983 | 11,110 |
| Total | 39,488 | 41,742 | 38,415 |
| <u>Company</u> | | | |
| | 31.12.2018 RM'000 | 31.12.2017 RM'000 | 1.1.2017 RM'000 |
| <u>Current:</u> | | | |
| Term loans (secured) | 8,375 | 8,329 | – |
| Total | 8,375 | 8,329 | – |

| Term loan | Commencement date of repayment | Number of Monthly instalments | Monthly instalments RM | 2018 RM'000 | 2017 RM'000 |
|-----------|--------------------------------|-------------------------------|------------------------|-------------|-------------|
| 1 | January 2015 | 240 | 8,584 | 911 | 920 |
| 2 | January 2015 | 120 | 10,100 | 679 | 738 |
| 3 | February 2015 | 96 | 21,281 | – | 1,066 |
| 4 | August 2015 | Combined trade financing | | 499 | 536 |
| 5 | December 2015 | 180 | 6,554 | 602 | 628 |
| 6 | December 2015 | 180 | 6,056 | 555 | 579 |
| 7 | November 2016 | 48 | 73,750 | 1,632 | 2,234 |
| 8 | December 2016 | 84 | 17,467 | 788 | 899 |
| 9 | December 2016 | 48 | 73,977 | 1,835 | 2,463 |
| 10 | December 2016 | 36 | 657,579 | 22,785 | 23,350 |
| 11 | November 2017 | Rollover loan | | 8,375 | 8,329 |
| 12 | December 2018 | 120 | 9,742 | 827 | – |
| | | | | 39,488 | 41,742 |

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28. Other financial liabilities (cont'd)

28A. Term loans (secured) (cont'd)

The term loans are covered by the following:-

- (i) Upfront fixed deposit of RM260,000 and interest;
- (ii) Joint and several guarantees by certain Directors of the Company;
- (iii) Joint and several guarantee by ex-Director of one of the subsidiaries of the Company;
- (iv) Corporate guarantees provided by certain subsidiaries of the Company;
- (v) Legal charges on some of the subsidiaries' projects land and properties held for sale and leasehold property;
- (vi) Legal charge or power of attorney over properties held for sale;
- (vii) Assignment over the rights, title and interest to certain properties held for sale; and
- (viii) Guarantee by Syarikat Jaminan Pembiayaan Perniagaan Berhad under the Working Capital Guarantee Scheme.

During the reporting year, there were defaults in payment of instalments of RM418,000 on the borrowings of RM7,501,000 at the end of the reporting year. Due to callable clauses in the loan agreements, Management has classified the affected borrowings as current. However, the lenders have not recalled these facilities and the defaulted amount has been fully settled as at the date of the financial statements.

28B. Finance leases

| | Minimum payments RM'000 | Finance charges RM'000 | Present value RM'000 |
|--|--|---------------------------------------|---------------------------------|
| <u>Group</u> | | | |
| <u>31 December 2018</u> | | | |
| Minimum lease payments payable: | | | |
| Due within one year | 7,369 | (759) | 6,610 |
| Due within 2 to 5 years | 473 | (17) | 456 |
| Total | <u>7,842</u> | <u>(776)</u> | <u>7,066</u> |
| Carrying value of equipment under finance leases | | | <u>7,597</u> |
| | | | |
| | Minimum payments RM'000 | Finance charges RM'000 | Present value RM'000 |
| <u>Group</u> | | | |
| <u>31 December 2017</u> | | | |
| Minimum lease payments payable: | | | |
| Due within one year | 3,925 | (662) | 3,263 |
| Due within 2 to 5 years | 6,249 | (549) | 5,700 |
| Due after 5 years | 160 | (1) | 159 |
| Total | <u>10,334</u> | <u>(1,212)</u> | <u>9,122</u> |
| Carrying value of equipment under finance leases | | | <u>8,985</u> |
| | | | |
| | Minimum payments RM'000 | Finance charges RM'000 | Present value RM'000 |
| <u>Group</u> | | | |
| <u>1 January 2017</u> | | | |
| Minimum lease payments payable: | | | |
| Due within one year | 3,517 | (649) | 2,868 |
| Due within 2 to 5 years | 7,767 | (893) | 6,874 |
| Due after 5 years | 333 | (5) | 328 |
| Total | <u>11,617</u> | <u>(1,547)</u> | <u>10,070</u> |
| Carrying value of equipment under finance leases | | | <u>9,229</u> |

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FINANCIAL STATEMENTS
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28. Other financial liabilities (cont'd)

28B. Finance leases (cont'd)

During the reporting year, there were defaults in payment of instalments of RM656,000 on the finance leases that totalled RM5,887,000 at the end of the reporting year. This was due to shortage of liquid funds. Due to callable clauses in the finance lease agreements, Management has classified the affected balances as current. However, the lenders have not recalled these facilities and the defaulted amount has been fully settled as at the date of the financial statements.

There are leased assets under finance leases. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The obligations under finance leases are secured by the lessor's charge over the leased assets. Other details are as follows:

| | <u>2018</u> | <u>2017</u> |
|---|-----------------------|-----------------------|
| Average lease term, in years | 3 to 9 | 3 to 9 |
| Average effective borrowing rate per year | <u>2.40% to 8.30%</u> | <u>2.40% to 8.30%</u> |

The total for finance leases and the average effective borrowing rate per year is disclosed above. The fair value (Level 2) is a reasonable approximation of the carrying amount. The fair value of the finance leases was estimated by discounting the future cash flows payable under the terms of the finance leases using the interest rates ranging between 2.40% and 8.30% per annum applicable to similar finance leases (Level 2).

28C. Bank overdrafts (secured)

The bank overdrafts are covered by:

- (i) Joint and several guarantees of certain Directors of the Company;
- (ii) Assignment over the rights, title and interest to the properties held for sale;
- (iii) Corporate guarantees provided by certain subsidiaries of the Company;
- (iv) Legal charges on some of the subsidiaries' projects land and properties held for sale;
- (v) Legal charge or deed of assignment and power of attorney over certain properties held for sale; and
- (vi) Pledge of restricted in use cash and cash equivalents of the Group (Note 22).

28D. Banker acceptance (secured)

| Commencement date | <u>31.12.2018</u> RM'000 | <u>31.12.2017</u> RM'000 | <u>1.1.2017</u> RM'000 |
|-------------------|-----------------------------|-----------------------------|---------------------------|
| 1 February 2016 | 380 | 1,387 | 1,500 |
| 2 July 2016 | 1,034 | 1,047 | 1,101 |
| | <u>1,414</u> | <u>2,434</u> | <u>2,601</u> |

The banker acceptance is covered by:

- (i) Joint and several guarantees of certain Directors of the Company;
- (ii) Corporate guarantee by certain subsidiaries of the Group; and
- (iii) Legal charge or deed of assignment and power of attorney over the associate's properties held for sale.

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28. Other financial liabilities (cont'd)

28E. Redeemable preference shares (secured)

| | 31.12.2018 RM'000 | Group 31.12.2017 RM'000 | 1.1.2017 RM'000 |
|--|----------------------|-------------------------------|--------------------|
| Issued and fully paid: 25,000,000 shares issued at RM1 each | 25,000 | 25,000 | - |
| Fair value | 25,370 | 25,343 | - |
| Presented in the statement of financial position as follows: | | | |
| Other financial liabilities, non-current | 20,000 | 25,000 | - |
| Other financial liabilities, current | 5,000 | - | - |
| Total | 25,000 | 25,000 | - |

The fair value of redeemable preference shares (Level 2) is a reasonable approximation of the carrying amount. The fair value of the preference shares was estimated by discounting the future cash flows payable under the terms of the preference shares using the interest rate of 8% per annum.

The preference shares have a right to a fixed cumulative dividend of 8% per annum payable bi-annually. They are redeemable at their issue price of \$1 each in 3 tranches in 6 month intervals beginning from the 30th month from the date of the issuance. They rank ahead of ordinary shares in the event of liquidation, both for their entitlement to a return of capital and for any arrears of dividend. The preference shares are non-voting unless dividends become in arrears.

The preference shares are covered by the following:

- (i) Deed of assignment of development properties units; and
- (ii) Corporate guarantees provided by certain Directors of the Company.

Subsequent to year-end, the Group had managed to extend the repayment of RM5 million that was to be paid in July 2019 to July 2020.

29. Trade and other payables

| | 31.12.2018 RM'000 | Group 31.12.2017 RM'000 (Restated) | 1.1.2017 RM'000 (Restated) |
|---|----------------------|---|----------------------------------|
| <u>Trade payables:</u> | | | |
| Outside parties and accrued liabilities | 98,132 | 110,865 | 73,030 |
| Due to customers on construction contracts and development properties (Note 19) | 41,602 | 15,694 | 9,621 |
| Provision for liquidated and ascertained damages (Note 29A) | 9,671 | - | - |
| Subtotal | 149,405 | 126,559 | 82,651 |
| <u>Other payables:</u> | | | |
| Outside parties | 9,773 | 9,971 | 21,523 |
| Associate (Notes 3 and 16) | 2,555 | 568 | 1,168 |
| Directors of subsidiaries | 583 | 675 | 695 |
| Shareholders (Note 3) | 5,795 | 2,893 | 1,317 |
| Subtotal | 18,706 | 14,107 | 24,703 |
| Total trade and other payables | 168,111 | 140,666 | 107,354 |

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29. Trade and other payables (cont'd)

| | 31.12.2018 | Group | 1.1.2017 |
|--|-------------------|-------------------|-----------------|
| | RM'000 | 31.12.2017 | RM'000 |
| | RM'000 | RM'000 | RM'000 |
| Presented in the statement of financial position as follows: | | | |
| Trade and other payables, current | 159,132 | 140,666 | 107,354 |
| Trade and other payables, non-current | 8,979 | – | – |
| | <u>168,111</u> | <u>140,666</u> | <u>107,354</u> |
| | | Company | |
| | 31.12.2018 | 31.12.2017 | 1.1.2017 |
| | RM'000 | RM'000 | RM'000 |
| <u>Trade payables:</u> | | | |
| Outside parties and accrued liabilities | 3,223 | 1,819 | 1,421 |
| Subtotal | <u>3,223</u> | <u>1,819</u> | <u>1,421</u> |
| <u>Other payables:</u> | | | |
| Outside parties | 767 | 135 | 192 |
| Subtotal | <u>767</u> | <u>135</u> | <u>192</u> |
| Total trade and other payables | <u>3,990</u> | <u>1,954</u> | <u>1,613</u> |

29A. Provision for liquidated ascertained damages

| | Group |
|--|---------------|
| | RM'000 |
| Balance at 1 January 2017 and 31 December 2017 | – |
| Provision for the year | 9,671 |
| Balance at 31 December 2018 | <u>9,671</u> |

Provision relates to late delivery of 2 construction projects of the Group.

30. Other liabilities, current

| | 31.12.2018 | Group | 1.1.2017 |
|---------------------|-------------------|-------------------|-----------------|
| | RM'000 | 31.12.2017 | RM'000 |
| | RM'000 | RM'000 | RM'000 |
| Refundable deposits | <u>2,680</u> | <u>2,305</u> | <u>2,661</u> |

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31. Acquisition of assets

On 25 October 2017, the Group acquired 100% of the share capital of Wisma Majuniaga Sdn Bhd (incorporated in Malaysia) and from that date the Group gained control. It became a subsidiary (also see Note 15 for the principal activities). This transaction is an acquisition of assets in the form of development rights.

The consideration transferred is as follows

| | 2017 RM'000 |
|---|------------------------|
| <u>Consideration transferred:</u> | |
| 24,803,192 of the Company's shares issued at market price | <u>11,500</u> |

24,803,192 consideration shares at the price of RM0.46 (equivalent to S\$0.15) per share were issued and allotted to the Vendor on 25 October 2017 (Note 23).

This transaction was accounted for as follows:

| | 2017 RM'000 |
|--|------------------------|
| Non-cash consideration transferred (Note 22B) | 11,500 |
| Fair value of identifiable net assets acquired | <u>(224)</u> |
| Development rights acquired (Note 14) | <u>11,276</u> |

The excess of consideration over the identifiable net assets acquired represents development rights (Note 14) as this relates to the rights to develop, construct and complete the buildings to be built on parcels of land totaling approximately 1.35 hectares in the Samarahan District in Sarawak, Malaysia with a total of 515 units comprising of two blocks of residential/retail units (the "Project"). The Project's construction and sales was expected to commence in 2019, but Management has postponed this to 2020 and it is targeted for completion by 2023.

32. Operating lease payment commitments – as lessee

At the end of the reporting year, the total of future minimum lease payments commitments under non-cancellable operating leases are as follows:-

| | 31.12.2018 RM'000 | Group 31.12.2017 RM'000 | 1.1.2017 RM'000 |
|---|------------------------------|--|----------------------------|
| Not later than one year | 1,106 | 1,182 | 931 |
| Later than one year and not later than five years | 2,099 | 2,832 | 892 |
| Later than five years | <u>283</u> | <u>241</u> | <u>-</u> |
| Rental expense for the year | <u>1,085</u> | <u>1,229</u> | <u>991</u> |

The operating lease represents mainly rentals payable to related parties and third party for office premises.

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33. Capital commitments

Estimated amount committed at the end of the reporting year for future capital expenditure but not recognised in the financial statements are as follows:

| | 31.12.2018 RM'000 | Group 31.12.2017 RM'000 | 1.1.2017 RM'000 |
|---|------------------------------------|--|----------------------------------|
| Commitments to purchase property, plant and equipment | – | – | 100 |

34. Financial instruments: information on financial risks

34A. Categories of financial assets and liabilities

The following table categorises the carrying amount of financial assets and liabilities recorded at the end of the reporting year:

| | 31.12.2018 RM'000 | Group 31.12.2017 RM'000 | 1.1.2017 RM'000 |
|---|------------------------------------|--|----------------------------------|
| <u>Financial assets:</u> | | | |
| Financial assets at amortised cost | 82,903 | 100,854 | 86,310 |
| <u>Financial liabilities:</u> | | | |
| Financial liabilities at amortised cost | 205,429 | 210,375 | 159,170 |
| | | Company | |
| | 31.12.2018 RM'000 | 31.12.2017 RM'000 | 1.1.2017 RM'000 |
| <u>Financial assets:</u> | | | |
| At end of the year | 6,484 | 48,290 | 32,818 |
| <u>Financial liabilities:</u> | | | |
| At end of the year | 12,365 | 10,283 | 1,613 |

Further quantitative disclosures are included throughout the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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34. Financial instruments: information on financial risks (cont'd)

34B. Financial risk management

The main purpose for holding or issuing financial instruments is to raise and manage the finances for the entity's operating, investing and financing activities. The main risks arising from the entity's financial instruments are credit risk, interest risk, liquidity risk, foreign currency risk and market price risk comprising interest rate and currency risk exposures. Management has certain practices for the management of financial risks. The guidelines set up the short and long term objectives and action to be taken in order to manage the financial risks. The guidelines include the following:

1. Minimise interest rate, currency, credit and market risk for all kinds of transactions.
2. Maximise the use of "natural hedge": favouring as much as possible the natural off-setting of sales and costs and payables and receivables denominated in the same currency and therefore put in place hedging strategies only for the excess balance. The same strategy is pursued with regard to interest rate risk.
3. Enter into non-complex derivatives or any other similar instruments solely for hedging purposes.
4. All financial risk management activities are carried out and monitored by senior Management staff.
5. All financial risk management activities are carried out following good market practices.
6. May consider investing in shares or similar instruments only in the case of temporary excess of liquidity and such transactions have to be authorised by the Board of Directors.

There have been no changes to the exposures to risk; the objectives, policies and processes for managing the risk and the methods used to measure the risk.

34C. Fair value of financial instruments

The analyses of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 are disclosed in the relevant notes to the financial information. These include both the significant financial instruments stated at amortised cost and at fair value in the statement of financial position. The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value.

34D. Credit risk on financial assets

Financial assets are potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations in full or in a timely manner. These arise principally from cash balances with banks, cash equivalents, receivables and other financial assets. The maximum exposure to credit risk is the total of the fair value of the financial assets at the end of the reporting year. Credit risk on cash balances with banks and any other financial instruments is limited because the counter-parties are entities with acceptable credit ratings. For expected credit losses ("ECL") on financial assets, the three-stage approach in the financial reporting standard on financial instruments is used to measure the impairment allowance. Under this approach, the financial assets move through the three stages as their credit quality changes. However, a simplified approach is permitted by the financial reporting standards on financial instruments for financial assets that do not have a significant financing component, such as trade receivables. On initial recognition, a day-1 loss is recorded equal to the 12 month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired. For credit risk on trade receivables, an ongoing credit evaluation is performed on the financial condition of the debtors and an impairment loss is recognised in profit or loss. Reviews and assessments of credit exposures in excess of designated limits are made. Renewals and reviews of credits limits are subject to the same review process.

Cash and cash equivalents are also subject to the impairment requirements of the standard on financial instruments. There was no identified impairment loss.

NOTES TO THE FINANCIAL STATEMENTS

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34. Financial instruments: information on financial risks (cont'd)

34E. Liquidity risk – financial liabilities maturity analysis

The following table analyses the non-derivative financial liabilities by remaining contractual maturity (contractual undiscounted cash flows):

| | Less than 1 year RM'000 | 2 – 5 years RM'000 | After 5 years RM'000 | Total RM'000 |
|---------------------------------------|-------------------------------|-----------------------|----------------------------|-----------------|
| <u>Group</u> | | | | |
| Non-derivative financial liabilities: | | | | |
| <u>31 December 2018</u> | | | | |
| Gross borrowings commitments | 51,701 | 23,200 | 948 | 75,849 |
| Gross finance lease obligations | 7,369 | 473 | – | 7,842 |
| Trade and other payables | 117,530 | 11,333 | – | 128,863 |
| At end of the year | <u>176,600</u> | <u>35,006</u> | <u>948</u> | <u>212,554</u> |
| <u>31 December 2017</u> | | | | |
| Gross borrowings commitments | 30,824 | 55,353 | 2,251 | 88,428 |
| Gross finance lease obligations | 3,925 | 6,249 | 160 | 10,334 |
| Trade and other payables | 124,972 | – | – | 124,972 |
| At end of the year | <u>159,721</u> | <u>61,602</u> | <u>2,411</u> | <u>223,734</u> |
| <u>1 January 2017</u> | | | | |
| Gross borrowings commitments | 22,541 | 35,286 | 4,015 | 61,842 |
| Gross finance lease obligations | 3,517 | 7,767 | 333 | 11,617 |
| Trade and other payables | 97,733 | – | – | 97,733 |
| At end of the year | <u>123,791</u> | <u>43,053</u> | <u>4,348</u> | <u>171,192</u> |

The undiscounted amounts on the borrowings with fixed and floating interest rates are determined by reference to the conditions existing at the reporting date.

The liquidity risk refers to the difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. It is expected that all the liabilities will be paid at their contractual maturity. The average credit period taken to settle trade payables is about 30 – 120 days (2017: 30 – 60 days). The classification of the financial assets is shown in the statement of financial position as they may be available to meet liquidity needs and no further analysis is deemed necessary.

The above amounts disclosed in the maturity analysis are the contractual undiscounted cash flows and such undiscounted cash flows differ from the amount included in the statement of financial position. When the counterparty has a choice of when an amount is paid, the liability is included on the basis of the earliest date on which it can be required to pay. At the end of the reporting year, no claims on the financial guarantees are expected.

For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called. At the end of the reporting year, no claims on the financial guarantees are expected to be payable. The following table shows the maturity analysis of the contingent liabilities from financial guarantees:

| | Group | |
|--|----------------|----------------|
| | 2018 RM'000 | 2017 RM'000 |
| Corporate guarantees in favour of financial institutions for facilities extended to: | | |
| - Subsidiaries | <u>8,125</u> | <u>8,125</u> |

NOTES TO THE
FINANCIAL STATEMENTS
31 DECEMBER 2018

34. Financial instruments: information on financial risks (cont'd)

34E. Liquidity risk – financial liabilities maturity analysis (cont'd)

Bank facilities:

| | Group | |
|------------------------------|----------------|----------------|
| | 2018 RM'000 | 2017 RM'000 |
| Undrawn borrowing facilities | 10,753 | 10,000 |

The undrawn borrowing facilities are available for operating activities and to settle other commitments. Borrowing facilities are maintained to ensure funds are available for the operations. A monthly schedule showing the maturity of financial liabilities and unused bank facilities is provided to Management to assist them in monitoring the liquidity risk.

34F. Interest rate risk

Interest rate risk arises on interest-bearing financial instruments recognised in the statement of financial position and on some financial instruments not recognised in the statement of financial position. The following table analyses the breakdown of the significant financial instruments by type of interest rate:

| | Group | |
|-------------------------------|----------------|----------------|
| | 2018 RM'000 | 2017 RM'000 |
| <u>Financial liabilities:</u> | | |
| Fixed rate | 32,066 | 34,122 |
| Floating rate | 44,174 | 48,976 |
| Total at end of the year | 76,240 | 83,098 |

| | Group | |
|--------------------------|----------------|----------------|
| | 2018 RM'000 | 2017 RM'000 |
| <u>Financial assets:</u> | | |
| Floating rate | 1,306 | 1,261 |
| Total at end of the year | 1,306 | 1,261 |

The interest rates are disclosed in the respective notes. The floating rate debt obligations are with interest rates that are re-set regularly at one, three or six month intervals.

Sensitivity analysis:

| | Group | |
|--|----------------|----------------|
| | 2018 RM'000 | 2017 RM'000 |
| <u>Financial liabilities:</u> | | |
| A hypothetical variation in interest rates by 100 basis points with all other variables held constant, would have an increase / decrease in pre-tax profit or loss for the year by | 429 | 477 |

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

34. Financial instruments: information on financial risks (cont'd)

34G. Foreign currency risk

Foreign exchange risk arises on financial instruments that are denominated in a foreign currency, i.e. in a currency other than the functional currency in which they are measured. For the purpose of this financial reporting standard on financial instruments: disclosures, currency risk does not arise from financial instruments that are non-monetary items or from financial instruments denominated in the functional currency.

Analysis of significant amounts denominated in non-functional currencies:

| | <u>Cash</u> <u>RM'000</u> | <u>Loans and</u> <u>receivables</u> <u>RM'000</u> | <u>Total</u> <u>RM'000</u> |
|-------------------------------|------------------------------|---|-------------------------------|
| <u>Group</u> | | | |
| <u>Financial assets:</u> | | | |
| <u>31 December 2018:</u> | | | |
| United States dollars ("USD") | 173 | – | 173 |
| New Taiwan dollars ("NTD") | 92 | – | 92 |
| Singapore dollars ("SGD") | 676 | 1,551 | 2,227 |
| | <u>941</u> | <u>1,551</u> | <u>2,492</u> |
| <u>31 December 2017:</u> | | | |
| USD | 187 | – | 187 |
| NTD | 73 | – | 73 |
| SGD | 2,662 | 1,551 | 4,213 |
| | <u>2,922</u> | <u>1,551</u> | <u>4,473</u> |

NOTES TO THE
FINANCIAL STATEMENTS
31 DECEMBER 2018

34. Financial instruments: information on financial risks (cont'd)

34G. Foreign currency risk (cont'd)

| <u>Group</u> | Other financial liabilities | Other liabilities | Trade and other payables | Total |
|-------------------------------|------------------------------------|--------------------------|---------------------------------|---------------|
| <u>Financial liabilities:</u> | RM'000 | | RM'000 | RM'000 |
| <u>31 December 2018</u> | | | | |
| SGD | 8,375 | 157 | 14,384 | 22,916 |
| NTD | – | – | 37 | 37 |
| | <u>8,375</u> | <u>157</u> | <u>14,421</u> | <u>22,953</u> |
| <u>31 December 2017</u> | | | | |
| SGD | 8,329 | – | 11,529 | 19,858 |
| | <u>8,329</u> | <u>–</u> | <u>11,529</u> | <u>19,858</u> |

There is exposure to foreign currency risk as part of its normal business.

Sensitivity analysis:

| | 2018 | 2017 |
|---|---------------|---------------|
| | RM'000 | RM'000 |
| | | Group |
| A hypothetical 10% strengthening in the exchange rate of the functional currency against the USD with all other variables held constant would have an adverse effect on pre-tax profit or loss of | (17) | (19) |
| A hypothetical 10% strengthening in the exchange rate of the functional currency against the NTD with all other variables held constant would have an adverse effect on pre-tax profit or loss of | (6) | (7) |
| A hypothetical 10% strengthening in the exchange rate of the functional currency against the SGD with all other variables held constant would have an adverse effect on pre-tax profit or loss of | <u>2,069</u> | <u>1,565</u> |

The above table shows sensitivity to a hypothetical 10% variation in the functional currency against the relevant foreign currencies. The sensitivity rate used is the reasonably possible change in foreign exchange rates. For similar rate weakening of the functional currency against the relevant foreign currencies, there would be comparable impacts in the opposite direction on the profit or loss.

The hypothetical changes in exchange rates are not based on observable market data (unobservable inputs). The sensitivity analysis is disclosed for each currency to which the entity has significant exposure at the end of the reporting year. The analysis above has been carried out on the basis that there are no hedged transactions.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

35. Changes and adoption of financial reporting standard

For the current reporting year, new or revised financial reporting standards were issued by the Singapore Accounting Standards Council. Adoption of the applicable new or revised standards has resulted in some changes in the detailed application of the accounting policies and some modifications to financial statements presentation and measurement as disclosed in Note 37.

| <u>SFRS No.</u> | <u>Title</u> |
|-----------------|---|
| SFRS(I) 1-28 | Amendments to, Investments in Associates and Joint Venture – Sale or Contribution of Assets |
| SFRS(I) 1-40 | Amendments to, Transfer of Investment Property |
| SFRS(I) 2 | Amendments to, Classification and Measurement of Share-based Payment Transactions |
| SFRS(I) 9 | Financial Instruments |
| SFRS(I) 15 | Revenue from Contracts with Customers. |
| | Amendments to, Clarifications to SFRS 115 Revenue from Contracts with Customers |
| SFRS(I) INT 22 | Foreign Currency Transactions and Advance Consideration |

36. New or amended standards in issue but not yet effective

For the future reporting years, certain new or revised financial reporting standards were issued by the Singapore Accounting Standards Council and these will only be effective for future reporting years. Adoption of the applicable new or revised standards are expected to result in some changes in the detailed application of the accounting policies and some modifications to financial statements presentation and measurement. Those that are expected to have a material impact are described below.

| <u>SFRS No.</u> | <u>Title</u> | <u>Effective date for periods beginning on or after</u> |
|-----------------------------|---|---|
| SFRS(I) 1-28 | Amendments: Long-Term Interests In Associates And Joint Ventures | 1 Jan 2019 |
| SFRS(I) 16 | Leases (and Leases - Illustrative Examples & Amendments to Guidance on Other Standards) | 1 Jan 2019 |
| SFRS(I) INT 23 | Uncertainty over Income Tax Treatments | 1 Jan 2019 |
| SFRS(I) 1-12 | Improvements (2017) – Amendments: Income Taxes | 1 Jan 2019 |
| SFRS(I) 1-23 | Improvements (2017) – Amendments: Borrowing Costs | 1 Jan 2019 |
| SFRS(I) 3 | Improvements (2017) – Amendments: Business Combinations | 1 Jan 2019 |
| SFRS(I) 10 and SFRS(I) 1-28 | Sale or Contribution of Assets between and Investor and its Associate or Joint Venture | Not fixed yet |

Leases:

The financial reporting standard on leases is effective for annual periods beginning on or after 1 January 2019 and it supersedes the previous reporting standard and the related interpretations on leases. For the lessor, the accounting remains largely unchanged. As for the finance leases of a lessee, as the financial statements have already recognised an asset and a related finance lease liability for the lease arrangement, the application of the new reporting standard on leases is not expected to have a material impact on the amounts recognised in the financial statements. For the lessee, almost all leases will be brought onto the statements of financial position under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. For the entity's non-cancellable operating lease commitments as at 31 December 2018 shown in Note 32, a preliminary assessment indicates that these arrangements will continue to meet the definition of a lease under the new reporting standard on leases. Thus, the entity will have to recognise a right-of-use asset and a corresponding liability in respect of all these leases (unless they qualify for low value or short-term leases) which might have a material impact on the amounts recognised in the financial statements. However, it is not practicable to provide a reasonable financial estimate of that effect until the detailed review by Management is completed.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

37. Changes in accounting policies and restatements of comparative figures

Effective from beginning of the current reporting year, certain new or revised financial reporting standards were adopted as mentioned in Note 35. Adoption of those policies and any other changes have resulted in some changes in the application of the accounting policies and some modifications to financial statements presentation and these changes are summarised below.

SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International)

The reporting entity first adopted SFRS(I)s from 1 January 2018, with a date of transition to SFRS(I)s of 1 January 2017. Its last financial statements in accordance with previous GAAP were for the year ended 31 December 2017. The reporting entity's first SFRS(I) financial statements include the reconciliations and related notes shown below.

SFRS(I) 9 Financial Instruments

The standard on financial instruments contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and derecognition. It requires all recognised financial assets to be subsequently measured at amortised cost or fair value (through profit or loss or through other comprehensive income), depending on their classification. For financial liabilities, it also has requirements to cases where the fair value option is taken. For the impairment of financial assets, it introduces an ECL model; recognition of a credit loss should no longer wait for there to be objective evidence of impairment. Prior reporting periods need not be restated. The entity may restate prior periods if, and only if, it is possible without the use of hindsight. Therefore, the standard has been applied for the reporting year ended 31 December 2018 only.

SFRS(I) 15 Revenue from contracts with customers

The standard establishes a single and comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance (e.g., the point at which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract, etc.). It replaces the former revenue recognition standards and related interpretations.

The reporting entity applied the new standard fully retrospectively in accordance with SFRS(I) 1-8 Accounting Policies, Changes in Accounting Estimates and Errors and SFRS(I) 1. Therefore, the comparatives for the reporting year 2017 are restated. The opening equity was restated as at 1 January 2017. Where applicable, it also elected the permitted practical expedients for completed contracts and contract modifications as at 1 January 2017 being the beginning of the first SFRS(I) reporting period. The adoption of the new standard and any other changes have resulted in some changes in the application of the accounting policies and some modifications to financial statements presentation and these changes are summarised below.

The changes arose from:

- Change in revenue recognition for Malaysian development properties that previously used the completed contract method. In accordance with the guidance under SFRS(I) 15, revenue for these contracts have now been recognised under the over time method.
 - Costs incurred in fulfilling a contract. Under the previous GAAP, the Group expensed off sales commissions and legal fees of sales and purchase agreements ("SPA") as these costs do not qualify for recognition as an asset under any of the other accounting standards. However, the sales commissions and legal fees of SPA relate directly to contracts and are expected to be recovered through future fees for the services to be provided. Accordingly, under SFRS(I) 15, these costs will be eligible for capitalisation and recognised as property development costs and contract sales respectively.
 - Capitalisation of borrowing costs. Arising from the finalised Agenda Decision issued by IFRS Interpretation Committee ("IFRIC") in March 2019 relating to the capitalisation of borrowing costs for the construction and development projects, the Group has ceased capitalisation of certain borrowing costs on development properties and construction contracts and reversed the borrowing costs capitalised of RM2,229,000.
 - In addition, the Group rectified the classification of a block of residential apartments. The said property was constructed in 2016 and was classified as investment properties unintentionally in the financial statements. The principal activity of the subsidiary holding the investment property is that of a property developer since its incorporation and the subsidiary has launched the said property for sales since 2017. This adjustment was accounted for retrospectively in the financial statements to reclassify the said properties from investment properties to inventories.
-

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

37. Changes in accounting policies and restatements of comparative figures (cont'd)

Statements of Financial Position For the year ended 31 December 2017

| | Before restatement RM'000 | Group After restatement RM'000 | Difference RM'000 |
|---|---------------------------------|---|----------------------|
| ASSETS | | | |
| <u>Non-current assets</u> | | | |
| Property, plant and equipment | 18,598 | 18,598 | – |
| Development rights | 11,276 | 11,276 | – |
| Investment in associate | 5,172 | 5,172 | – |
| Investment properties | 17,813 | 8,465 | 9,348 |
| Deferred tax assets | 141 | 807 | (666) |
| Available-for-sale financial assets | 1,551 | – | 1,551 |
| Other assets | 2,410 | 3,901 | (1,491) |
| Total non-current assets | 56,961 | 48,219 | 8,742 |
| <u>Current assets</u> | | | |
| Development properties | 63,731 | – | 63,731 |
| Inventories | 71,796 | 131,835 | (60,039) |
| Trade and other receivables | 110,254 | 94,160 | 16,094 |
| Other assets | 3,789 | 16,765 | (12,976) |
| Cash and cash equivalents | 9,380 | 9,380 | – |
| Total current assets | 258,950 | 252,140 | 6,810 |
| Total assets | 315,911 | 300,359 | 15,552 |
| EQUITY AND LIABILITIES | | | |
| <u>Equity attributable to owners of the parent</u> | | | |
| Share capital | 144,552 | 144,552 | – |
| Accumulated losses | (87,695) | (97,969) | 10,274 |
| Share option reserve | 3,600 | 3,600 | – |
| Foreign currency translation reserve | 2,902 | 2,902 | – |
| Merger reserve | 1,563 | 1,563 | – |
| Equity, attributable to owners of the parent | 64,922 | 54,648 | 10,274 |
| Non-controlling interests | 1,080 | (355) | 1,435 |
| Total equity | 66,002 | 54,293 | 11,709 |
| <u>Non-current liabilities</u> | | | |
| Deferred tax liabilities | 267 | 267 | – |
| Other financial liabilities | 50,618 | 50,618 | – |
| Total non-current liabilities | 50,885 | 50,885 | – |
| <u>Current liabilities</u> | | | |
| Income tax payable | 19,462 | 19,730 | (268) |
| Trade and other payables | 124,924 | 140,666 | (15,742) |
| Other liabilities | 2,305 | 2,305 | – |
| Progress billings | 19,853 | – | 19,853 |
| Other financial liabilities | 32,480 | 32,480 | – |
| Total current liabilities | 199,024 | 195,181 | 3,843 |
| Total liabilities | 249,909 | 246,066 | 3,843 |
| Total equity and liabilities | 315,911 | 300,359 | 15,552 |

NOTES TO THE
FINANCIAL STATEMENTS
31 DECEMBER 2018

37. Changes in accounting policies and restatements of comparative figures (cont'd)

Statements of Financial Position
For the year ended 1 January 2017

| | Before restatement RM'000 | Group After restatement RM'000 | Difference RM'000 |
|---|---------------------------------|---|----------------------|
| ASSETS | | | |
| <u>Non-current assets</u> | | | |
| Property, plant and equipment | 12,439 | 12,439 | – |
| Investment in associate | 4,718 | 4,718 | – |
| Investment properties | 5,666 | 5,666 | – |
| Deferred tax assets | 1,070 | 1,214 | (144) |
| Available-for-sale financial assets | 1,551 | – | 1,551 |
| Other assets | 2,970 | 4,521 | (1,551) |
| Total non-current assets | 28,414 | 28,558 | (144) |
| <u>Current assets</u> | | | |
| Development properties | 107,589 | – | 107,589 |
| Inventories | 31,197 | 105,610 | (74,413) |
| Trade and other receivables | 66,612 | 69,589 | (2,977) |
| Other assets | 1,968 | 12,735 | (10,767) |
| Cash and cash equivalents | 15,170 | 15,170 | – |
| Total current assets | 222,536 | 203,104 | 19,432 |
| Total assets | 250,950 | 231,662 | 19,288 |
| EQUITY AND LIABILITIES | | | |
| <u>Equity attributable to owners of the parent</u> | | | |
| Share capital | 133,052 | 133,052 | – |
| Accumulated losses | (87,833) | (95,465) | (7,632) |
| Share option reserve | 3,193 | 3,193 | – |
| Foreign currency translation reserve | 2,857 | 2,857 | – |
| Merger reserve | 1,563 | 1,563 | – |
| Equity, attributable to owners of the parent | 52,832 | 45,200 | 7,632 |
| Non-controlling interests | 367 | 666 | (299) |
| Total equity | 53,199 | 45,866 | 7,333 |
| <u>Non-current liabilities</u> | | | |
| Deferred tax liabilities | 686 | 686 | – |
| Other financial liabilities | 34,507 | 34,507 | – |
| Total non-current liabilities | 35,193 | 35,193 | – |
| <u>Current liabilities</u> | | | |
| Income tax payable | 16,319 | 16,319 | – |
| Trade and other payables | 97,734 | 107,354 | (9,620) |
| Other liabilities | 2,661 | 2,661 | – |
| Progress billings | 21,575 | – | 21,575 |
| Other financial liabilities | 24,269 | 24,269 | – |
| Total current liabilities | 162,558 | 150,603 | 11,955 |
| Total liabilities | 197,751 | 185,796 | 11,955 |
| Total equity and liabilities | 250,950 | 231,662 | 19,288 |

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

37. Changes in accounting policies and restatements of comparative figures (cont'd)

Consolidated Statement of Profit or Loss and Other Comprehensive Income Year Ended 31 December 2017

| | Before restatement RM'000 | Group After restatement RM'000 | Difference RM'000 |
|---|---------------------------------|---|----------------------|
| Revenue | 168,592 | 155,645 | 12,947 |
| Cost of sales | (125,530) | (115,004) | (10,526) |
| Gross profit | 43,062 | 40,641 | 2,421 |
| Interest income | 61 | 61 | - |
| Other gains | 1,746 | 1,300 | 446 |
| Marketing and distribution costs | (1,925) | (1,989) | 64 |
| Administrative expenses | (32,005) | (31,920) | (85) |
| Other losses | (793) | (347) | (446) |
| Finance costs | (3,204) | (5,433) | 2,229 |
| Share of profit from equity-accounted associate | 454 | 454 | - |
| Profit before tax from continuing operation | 7,396 | 2,767 | 4,629 |
| Income tax benefit (expense) | (6,611) | (6,358) | (253) |
| Profit (loss) from continuing operation, net of tax | 785 | (3,591) | 4,376 |
| Other comprehensive income (loss) | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences on translating foreign operations, net of tax | 46 | 46 | - |
| Other comprehensive income for the year, net of tax | 46 | 46 | - |
| Total comprehensive income (loss) for the year | 831 | (3,545) | 4,376 |
| Profit (loss) attributable to owners of parent, net of tax | 33 | (2,609) | 2,642 |
| Profit (loss) attributable to non-controlling interests, net of tax | 752 | (982) | 1,734 |
| Profit (loss) net of tax | 785 | (3,591) | 4,376 |
| Total comprehensive income (loss) attributable to owners of the parent | 78 | (2,564) | 2,642 |
| Total comprehensive income (loss) attributable to non-controlling interests | 753 | (981) | 1,734 |
| Total comprehensive income (loss) for the year | 831 | (3,545) | 4,376 |
| The differences had the following impact to profit (loss) per share: | | | |
| Basic | 0.02 | (1.27) | (1.29) |
| Diluted | 0.02 | (1.27) | (1.29) |

NOTES TO THE
FINANCIAL STATEMENTS
31 DECEMBER 2018

37. Changes in accounting policies and restatements of comparative figures (cont'd)

Explanation of material adjustments to the consolidated statement of cash flows for 2017:

In view of the above changes, consequential reclassifications were made to the statement of cash flows. These included

- (a) Change in interest expense which caused a decrease in cash flows from financing activities of RM2,229,000 and a corresponding increase in operating activities; and
 - (b) Reclassifications within changes in working capital as a result of notes added in relation to contract assets and contract liabilities.
-

STATISTICS OF SHAREHOLDINGS

AS AT 19 JUNE 2019

| | |
|---|-------------------------------|
| Class of Shares | - Ordinary shares |
| No. of Shares (excluding treasury shares and subsidiary holdings) | - 224,917,251 ordinary shares |
| Voting Rights | - One Vote per share |
| No. of Treasury Shares and Percentage | Nil |
| No. of subsidiary holdings and percentage | Nil |

DISTRIBUTION OF SHAREHOLDINGS

| SIZE OF SHAREHOLDINGS | NO. OF SHAREHOLDERS | % | NO. OF SHARES | % |
|-----------------------|---------------------|---------------|--------------------|---------------|
| 1-99 | 15 | 2.11 | 859 | 0.00 |
| 100-1,000 | 128 | 17.95 | 88,693 | 0.04 |
| 1,001-10,000 | 285 | 39.97 | 1,446,164 | 0.64 |
| 10,001-1,000,000 | 276 | 38.71 | 20,416,071 | 9.08 |
| 1,000,001 AND ABOVE | 9 | 1.26 | 202,965,464 | 90.24 |
| TOTAL | 713 | 100.00 | 224,917,251 | 100.00 |

TWENTY LARGEST SHAREHOLDERS

| NO. | NAME | NO. OF SHARES | % |
|--------------|---|--------------------|--------------|
| 1 | UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED | 112,638,817 | 50.08 |
| 2 | PHILLIP SECURITIES PTE LTD | 26,550,445 | 11.80 |
| 3 | TWIN REVENUE SDN BHD | 24,803,192 | 11.03 |
| 4 | CITIBANK NOMINEES SINGAPORE PTE LTD | 14,863,638 | 6.61 |
| 5 | DBS NOMINEES (PRIVATE) LIMITED | 9,803,707 | 4.36 |
| 6 | LOW YEW SHEN (LIU YAOSHENG) | 6,389,000 | 2.84 |
| 7 | CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD. | 5,180,534 | 2.30 |
| 8 | RHB SECURITIES SINGAPORE PTE. LTD. | 1,374,433 | 0.61 |
| 9 | OCBC SECURITIES PRIVATE LIMITED | 1,361,698 | 0.61 |
| 10 | RAFFLES NOMINEES (PTE.) LIMITED | 827,396 | 0.37 |
| 11 | KAY LAY CHIN SANDY (GUO LIJUN SANDY) | 816,333 | 0.36 |
| 12 | LIM CHOON KEE | 638,000 | 0.28 |
| 13 | CHAN SIOK HUI | 545,266 | 0.24 |
| 14 | ONG BOK LIM OR TEOH JOK LAN | 496,666 | 0.22 |
| 15 | JESSICA ONG BOON CHIN | 477,166 | 0.21 |
| 16 | TEO CHIA CHIN | 446,900 | 0.20 |
| 17 | NG SOON PENG | 440,666 | 0.20 |
| 18 | CHNG KWEI HOONG | 422,333 | 0.19 |
| 19 | CHONG WAI MUN | 400,000 | 0.18 |
| 20 | LEE TEE BENG | 398,000 | 0.18 |
| TOTAL | | 208,874,190 | 92.87 |

STATISTICS OF SHAREHOLDINGS

AS AT 19 JUNE 2019

| NO | NAME | DIRECT INTEREST | | DEEMED INTERESTS | |
|----|------------------------------|--------------------|-------|--------------------|-------|
| | | NO. OF SHARES HELD | % | NO. OF SHARES HELD | % |
| 1 | Su Chung Jye | 16,138,381 | 7.18 | 109,424,076 | 48.65 |
| 2 | Wong Pak Kiong | 10,060,320 | 4.47 | 105,526,817 | 46.92 |
| 3 | Ikram Mahawangsa Sdn Bhd | 89,026,817 | 39.58 | 16,500,000 | 7.34 |
| 4 | Stratland Properties Sdn Bhd | 20,397,259 | 9.07 | - | - |
| 5 | Twin Revenue Sdn. Bhd. | 24,803,192 | 11.03 | - | - |

Notes:

- (1) Mr Su Chung Jye ("**Mr Su**") holds 50% of the shares in Ikram Mahawangsa Sdn. Bhd. ("**Ikram**") and is deemed interested in the shares that Ikram has an interest in. Mr. Su holds 99% of the shares in Stratland Properties Sdn. Bhd. ("**Stratland**") and is deemed interested in the shares that Stratland has an interest in.
- (2) Mr Wong Pak Kiong holds 20% of the shares in Ikram and is deemed to be interested in the shares that Ikram has an interest in.
- (3) Ikram is deemed to be interested in 16,500,000 shares where were lent to Mr Su, of which 10,000,000 shares are held by Stratland.

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

As at 19 June 2019, 25.83% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST which requires 10% of the equity securities (excluding preference shares, convertible equity securities, treasury shares and subsidiary holdings) in a class that is listed to be in the hands of the public.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting (“**AGM**”) of Regal International Group Ltd. (“**Company**”) will be held at 6 Battery Road #10-01 Singapore 049909 on Wednesday, 24 July 2019 at 11.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements and Directors’ Statement of the Company and the Group for the financial year ended 31 December 2018 together with the Auditors’ Report thereon. **(Resolution 1)**

2. To re-elect the following Directors of the Company who retire pursuant to Regulation 89 of the Constitution of the Company:

| | |
|-----------------------------|-----------------------|
| Mr. Su Chung Jye | (Resolution 2) |
| Mr Francis Hwang Huat Kuong | (Resolution 3) |

[See Explanatory Note (i)]

3. To approve the payment of Directors’ fees of S\$73,920 for the financial year ended 31 December 2018. (FY2017: S\$147,480) **(Resolution 4)**

4. To re-appoint Messrs RSM Chio Lim LLP, as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 5)**

5. To transact any other ordinary business which may properly transacted at an AGM.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

6. **Authority to issue shares in the capital of the Company pursuant to Section 161 of the Companies Act, Chapter 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited**

That pursuant to Section 161 of the Companies Act, Chapter 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), the Directors of the Company be authorised and empowered to:

- (a) (i) issue shares in the Company (“**Shares**”) whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, “**Instruments**”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

(the “**Share Issue Mandate**”)

NOTICE OF ANNUAL GENERAL MEETING

provided that:

- (1) the aggregate number of Shares (including shares to be issued in pursuant to the Instruments, made or granted pursuant to this Resolution and instruments to be issued pursuant to this Resolution shall not exceed 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares and Instruments to be issued other than on a pro-rata basis to existing shareholders of the Company shall not exceed 20% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares and Instruments that may be issued under sub-paragraph (1) above, the total number of issued shares and Instruments shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
 - (a) new shares arising from the conversion or exercise of any convertible securities;
 - (b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of passing of this Resolution, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and
 - (c) any subsequent bonus issue, consolidation or subdivision of shares;
- (3) in exercising the Share Issue Mandate conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and
- (4) unless revoked or varied by the Company in a general meeting, the Share Issue Mandate shall continue in force (i) until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of the Instruments.

[See Explanatory Note (ii)]

(Resolution 6)

7. **Authority to issue shares under the Regal International Group Employee Share Option Scheme**

That pursuant to Section 161 of the Companies Act, Chapter 50, the Directors of the Company be authorised and empowered to offer and grant share options under the Regal International Group Employee Share Option Scheme (“**Scheme**”) and to issue from time to time such number of shares in the capital of the Company (excluding treasury shares and subsidiary holdings) as may be required to be issued pursuant to the exercise of share options granted by the Company under the Scheme, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued and/or issuable pursuant to the Scheme and all shares awarded under the Regal International Group Performance Share Plan shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time and that such authority shall, unless varied or revoked by the Company in a general meeting, continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (iii)]

(Resolution 7)

NOTICE OF ANNUAL GENERAL MEETING

8. Authority to issue shares under the Regal International Group Performance Share Plan

That pursuant to Section 161 of the Companies Act, Chapter 50, the Directors of the Company be authorised and empowered to offer and grant share awards under the Regal International Group Performance Share Plan (“**Plan**”) and to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the vesting of share awards under the Plan, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the Plan and ordinary shares to be issued and/or issuable in respect of all share options granted under the Scheme shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time and that such authority shall, unless varied or revoked by the Company in a general meeting, continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (iv)]

(Resolution 8)

By Order of the Board

Siau Kuei Lian
Company Secretary

Singapore, 9 July 2019

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

- (i) Mr Su Chung Jye will, upon re-election as a Director of the Company, remain as Executive Chairman and Chief Executive Officer of the Company and will be considered non-independent. Please refer to Table A of the Corporate Governance Report on page 36 to page 38 of the Annual Report for the detailed information required pursuant to Rule 720(6) of the Listing Manual of SGX-ST.

Mr Francis Hwang Huat Kuong will, upon re-election as a Director of the Company, remain as the Chairman of Remuneration Committee and a member of Audit and Nominating Committees. He will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST. Please refer to Table A of the Corporate Governance Report on page 36 to page 38 of the Annual Report for the detailed information required pursuant to Rule 720(6) of the Listing Manual of SGX-ST.

- (ii) The Ordinary Resolution 6 in item 6 above, if passed, will empower the Directors of the Company from the date of this AGM until the date of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to 20% may be issued other than a pro-rata basis to existing shareholders of the Company.

For determining the aggregate number of shares that may be issued, the percentage of issued shares in the capital of the Company will be calculated based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of the Instruments or any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

- (iii) The Ordinary Resolution 7 in item 7 above, if passed, will authorise and empower the Directors of the Company from the date of this AGM until the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is earlier, to issue shares in the capital of the Company pursuant to the exercise of share options granted under the Scheme provided that the aggregate number of additional shares to be issued and/or issuable pursuant to the Scheme and all shares awarded under the Plan do not exceed in total (for the entire duration of the Scheme) fifteen per centum (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time.
- (iv) The Ordinary Resolution 8 in item 8 above, if passed, will authorise and empower the Directors of the Company, from the date of this AGM until the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is earlier, to issue shares in the capital of the Company pursuant to the vesting of share awards under the Plan provided that the aggregate number of additional shares to be issued pursuant to the Plan and ordinary shares to be issued and/or issuable in respect of all share options granted under the Scheme do not exceed in total (for the entire duration of the Plan) fifteen per centum (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time.

Notes:

1. A member of the Company (other than a Relevant Intermediary*) is entitled to attend and vote at the AGM is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
-

NOTICE OF ANNUAL GENERAL MEETING

2. A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified.)
3. If the member is a corporation, the instrument appointing the proxy must be under seal of the hand of an officer or attorney duly authorised.
4. The instrument appointing a proxy must be deposited at the office of the Company's Share Registrar, RHT Corporate Advisory Pte. Ltd. at 9 Raffles Place, #29-01 Republic Plaza Tower 1, Singapore 048619 not less than seventy-two (72) hours before the time appointed for holding the above Meeting.

* A Relevant Intermediary is:

- a) a banking corporation licensed under the Banking Act (Chapter 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
- b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Chapter 289) and who holds shares in that capacity; or
- c) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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REGAL INTERNATIONAL GROUP LTD.

(Company Registration No. 200508585R)

(Incorporated in the Republic of Singapore)

ANNUAL GENERAL MEETING

PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT:

1. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investor") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.
2. This Proxy Form is not valid for use by CPF and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We, _____ (Name) _____ (NRIC/Passport No)
of _____ (Address)

being a member/members of **REGAL INTERNATIONAL GROUP LTD.** (the "Company"), hereby appoint:

| Name | NRIC/Passport No. | Proportion of Shareholdings | |
|---------|-------------------|-----------------------------|---|
| | | No. of Shares | % |
| Address | | | |

and/or (delete as appropriate)

| Name | NRIC/Passport No. | Proportion of Shareholdings | |
|---------|-------------------|-----------------------------|---|
| | | No. of Shares | % |
| Address | | | |

as *my/our *proxy/proxies or failing him/her*, the Chairman of the Meeting, to attend and vote for *me/us on *my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at 6 Battery Road #10-01 Singapore 049909 on Wednesday, 24 July 2019 at 11.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion.

| No. | Resolutions relating to: | No. of Votes "For" ^ | No. of Votes "Against" ^ |
|--------------------------|---|-------------------------|-----------------------------|
| Ordinary Business | | | |
| 1 | Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2018 | | |
| 2 | Re-election of Mr. Su Chung Jye as a Director | | |
| 3 | Re-election of Mr. Francis Hwang Huat Kuong as a Director | | |
| 4 | Approval of Directors' fees amounting to S\$73,920 for the financial year ended 31 December 2018 | | |
| 5 | Re-appointment of Messrs RSM Chio Lim LLP as Auditors and to authorise the Directors of the Company to fix their remuneration | | |
| Special Business | | | |
| 6 | Authority to issue shares | | |
| 7 | Authority to issue shares under the Regal International Group Employee Share Option Scheme | | |
| 8 | Authority to issue shares under the Regal International Group Performance Share Plan | | |

^ If you wish to exercise all your votes 'For' or 'Against', please tick (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2019

**Total Number of Ordinary
Shares Held:**

Signature of Shareholder(s)

or/and Common Seal of Corporate Shareholder

*Delete where inapplicable

IMPORTANT: PLEASE READ NOTES OVERLEAF



Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act Chapter 289 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
 2. A member of the Company (other than a Relevant Intermediary*) entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
 3. Where a member (other than a Relevant Intermediary*) appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
 4. A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number or class of shares shall be specified).
 5. Subject to Note 9, completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
 6. The instrument appointing a proxy or proxies must be deposited at the office of the Company's Share Registrar, RHT Corporate Advisory Pte. Ltd. at 9 Raffles Place, #29-01 Republic Plaza Tower 1, Singapore 048619 not less than seventy-two (72) hours before the time appointed for holding the above meeting.
 7. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter of power of attorney or a duly certified copy thereof must be lodged with the instrument.
 8. A corporation which is a member may be authorised by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Singapore Companies Act, Chapter 50, and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.
 9. An investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investors**") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.
- * A Relevant Intermediary is:
- a) a banking corporation licensed under the Banking Act (Chapter 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
 - b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Chapter 289) and who holds shares in that capacity; or
 - c) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy and proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the members, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at seventy two (72) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 9 July 2019.



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