Regal 耀傑集团 International Group

DRIVING GROWTH

2017 ANNUAL REPORT

OUR MISSION

To create sustainable values for our stakeholders.

OUR VISION

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

DUN Sarawak Building,
by the Sarawak River

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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
CHONG WENG HOE 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
CHONG WENG HOE
FRANCIS HWANG HUAT KUONG

REMUNERATION COMMITTEE

CHONG WENG HOE Chairman
GOON KOK LOON
FRANCIS HWANG HUAT KUONG
SU CHUNG JYE

NOMINATING COMMITTEE

GOON KOK LOON Chairman
CHONG WENG HOE
FRANCIS HWANG HUAT KUONG
SU CHUNG JYE

COMPANY SECRETARY

SHIRLEY TAN SEY LIY (ACS)

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: Peter Jacob

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**") (Stock code: UV1.SI) and as Taiwan Depository Receipts (TDR) on Taiwan Stock Exchange Corporation ("**TWSE**") (Stock code: 911619.TW), Regal International Group Ltd. ("**RIG**" or the "**Group**") is one of the first Sarawak-based companies to list on the mainboard of the SGX. 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 13 years, the Group has achieved an impressive track record of constructing and completing a range of property development projects in Kuching and Kota Samarahan areas of East Malaysia. This diverse property portfolio includes shop houses, landed residential properties, 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 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 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.

Kemena Heights @ Bintulu

EXECUTIVE CHAIRMAN & CEO'S MESSAGE

DEAR SHAREHOLDERS,

On behalf of Regal International Group Ltd. ("**RIG**" or the "**Group**"), I am pleased to present you the humble fruits of initial success achieved during the financial year ended 31 December 2017 ("**FY2017**"). Since the completion of the reverse takeover exercise in October 2014, we have weathered hectic and arduous times to bring on the first taste of victorious turn-around, reaping the rewards for the past years' endeavors.

VICTORIOUS TURN-AROUND

As anticipated, FY2017 has proved to be a year of growth, with revenue registering 13% progress over the previous corresponding year. Compared to the past financial year ended 31 December 2016 ("**FY2016**"), our gross profit and profit before tax in FY2017 has also increased to RM43.0 million and RM7.4 million respectively, from RM40.0 million and RM3.5 million previously. The resulting growth was essentially due to the efforts of the team in executing the Group's marketing and branding strategies.

Although total revenue increased to RM168.6 million in FY2017 against RM149.0 million in FY2016, the Group experienced a slight dip in gross profit margins, sliding from 26.8% in FY2016 to 25.5% in FY2017, as a result of higher sales from lower profit yielding development projects completed during the year.

Without the previous detrimental impairment expenses and loss generated by the former legacy precision business, RIG has finally executed its victorious turn-around with a modest overall profit after tax of RM 0.8 million in FY2017, as opposed to the overall loss after tax of RM 21.3 million in FY2016.

NEW BEGINNINGS

Since the completion of the disposal of its former legacy precision business under Hisaka International Holdings Pte. Ltd. on 16 December 2016, the Group has been reverently focused on its core property and property-related businesses. Steps have been taken towards property portfolio building and revenue generation.

In May 2017, RIG completed the transfer of the Singapore leasehold property located at 63 Sungei Kadut Loop, from the previously disposed legacy business unit to the Group's subsidiary, Regal International Investments Pte. Ltd. The Group will be finalizing plans to further fortify its presence in Singapore, possibly with new business ventures or collaborations in complementary trades.

Wrestled through the previous years and progressing into 2018, the Group has emerged stronger, tougher and more resilient. In the year ahead, we will continue to set revenue growth and shareholders' interests as our top priorities.

RECOVERING PROPERTY INDUSTRY

Stricter lending policies, escalating cost of building, coupled with increased numbers of completions due to large numbers of project launches previously, created a slower than expected Sarawak property market in 2017.[1]

Nevertheless, healthy sales were observed for the Group's various property development projects completed in 2017 such as Malihah shophouse phase 1, Rafflesia Garden phase 1, Taman Sri Landeh and Airtrollis phase 1. With an average sold-out rate of 60-90%, the projects were popular choices for genuine home buyers and property investors.

In terms of project delivery, constructions for deferred projects such as Tropics Bazaar, Million Gifted 2 and Regalia are scheduled for eventual completion by the first quarter of 2018.

> "Without the previous detrimental impairment expenses and loss generated by the former legacy precision business, RIG has finally executed its victorious turn-around with a modest overall profit after tax of RM 0.8 million, as opposed to the overall loss after tax of RM 21.3 million in FY2016."

Despite lacklustre sales of its development projects in FY2017, resulting in the built-up of the Group's inventory of unsold completed units, most of the Group's development projects are reasonably priced and in prime attractive locations, hence discharging majority of the inventory units is deemed manageable.

In addition, with Malaysia's forecasted GDP growth of 5% to 5.5% in 2018, coupled with gradual strengthening of the Malaysian Ringgit, stable low unemployment rate and oil prices, experts are positive about a recovering property market in 2018[2]. The Group is prepared to capitalise on this upcoming trend with more value-enhanced market-centric development projects.

DRIVING GROWTH AND VALUE-CREATION

Beyond manoeuvring the challenging property market, RIG continues to explore strategic ventures and opportunities, fostering innovation and collaboration and building new capabilities for new growth and value-creation. During the year, the Group has benefited from the embracing and execution of the following "**3-IN**" strategies:

- 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.

With the above core strategies in view, RIG successfully completed the acquisition of Wisma Majuniaga Sdn. Bhd. via the issuance of 24.8 million new shares at S$0.15 each and secured the development rights for 515 units comprising of two blocks of residential or retail units in the budding Samarahan District, near Kuching. The new acquisition is expected to build up the Group's existing property portfolio and team capabilities.

As RIG continues to push its boundaries beyond Sarawak and Malaysia, the Group leveraged on its corporate reputation as a mainboard-listed company on the SGX and undertook the first "Malaysia Durian Festival 2017" in Nanning, China in November 2017. (See page 19 of this annual report for more details.) The event has proved to be an invaluable investment platform matching agriculture-related trade collaborations worth total projected value of RM2.9 billion (by 2020) with an impressive turnout of approximately 165,000 people.

In alignment with RIG's expansion plan to drive growth and value-creation, the Group also sealed a series of complementary collaborations with like-minded partners. These various agreements were targeted at opening up land development opportunities; exploring affordable housing solutions; entering into innovative hospitality management, as well as linking up tourism and education prospects. With minds focused on streamlining cost structure and enhancing revenue production, RIG will continue to seek opportunities for growth to create enduring value for all its stakeholders.

IN APPRECIATION

On behalf of the Board of Directors, I would like to extend our deepest appreciation to our staff, Management, business partners, and customers who have been supporting us all these times. To our shareholders, I want to thank you for your valuable guidance and commitment in the face of daunting challenges. RIG will strive on to achieve higher grounds with your steadfast faith and encouragements in 2018 and the years to come.

Thank you.

Mr Su Chung Jye

Executive Chairman and CEO

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[1] Source: Sarawak Property Bulletin – 1H2017; CH Williams Talhar Wong & Yeo

[2] Source: BorneoPost Online "What to expect in 2018"

OPERATIONS REVIEW

For the FY2017, the Group experienced a gradual increase in sales revenue and managed to record overall profitability for the first time since the completion of its reverse takeover exercise in October 2014.

Proving its capabilities to turnaround after the disposal of its loss-making legacy precision business unit in December 2016, the Group registered a profit before tax of RM7.4 million in FY2017, compared to profit before tax of RM3.5 million in FY2016. Hence, without the liability of its discontinued operations, RIG recognised an overall net profit of RM0.8 million in FY2017, as opposed to the overall net loss of RM28.0 million in FY2016.

REVENUE

The Group's revenue increased marginally by RM19.6 million or 13% to RM168.6 million in FY2017 against RM149.0 million in FY2016, mainly due to the increase in construction contracts.

Registering a RM34.0 million increase, the Group's construction business hiked from RM12.7 million in FY2016 to RM46.7 million in FY2017, resulting in 268% jump. Nevertheless, this increase was partially offset by a slight 12% slip in the revenue contribution from the sale of development properties by RM15.5 million, from RM125.4 million in FY2016 to RM109.9 million in FY2017.

GROSS PROFIT MARGINS

Gross profit margins for the Group was a lower 25.5% in FY2017, as compared to the gross profit margins of 26.8% in FY2016.

Rising building costs coupled with keen market competitions contributed mainly to the lower profit yield in FY2017, despite increase in number of project completions. In comparison, sales from higher profit yielding development projects were higher in FY2016. Moreover, lower profit yielding construction projects contribute a higher proportion of the overall revenue in FY2017.

KEY EXPENSES

The Group's marketing and distribution costs in FY2017 witnessed a drastic incline as compared to FY2016, as a result of the heightened marketing and promotional activities necessary to drive sales in an increasingly competitive market.

Proving its capabilities to turnaround after the disposal of its loss-making legacy precision business unit in December 2016, the Group registered a profit before tax of RM7.4 million in FY2017, compared to profit before tax of RM3.5 million in FY2016.

The Group's administrative and finance expenses were rather constant at RM32.0 million and RM3.2 million in FY2017, as compared to RM32.8 million and RM3.2 million in FY2016. Efforts have been in place to monitor, control and further reduce these two areas of business outlays, in order to enhance the Group's cost efficiency.

OTHER GAINS/LOSSES

While other losses increased from RM0.4 million in FY2016 to RM0.8 million in FY2017 mainly due to foreign exchange losses, other gains improved from RM0.7 million in FY2016 to RM1.7 million in FY2017 as a result of reversal impairment for receivables and foreign exchange for gains.

SHARE OF RESULT FROM EQUITY-ACCOUNTED ASSOCIATES

The share of result from equity-accounted associate was mainly contributed by the Group's associate, Tiya Development Sdn. Bhd. ("**Tiya**"), for both FY2016 and FY2017. The share of result from the associate was reversed this year from a RM0.3 million loss in FY2016 to a RM0.5 million profit in FY2017.

This increase in share of profit from Tiya was a result of reduced operating expenses and expanded profits from increased sales of development properties.

NET PROFIT/LOSS

The Group expanded on its profit before tax of RM3.5 million in FY2016 to RM7.4 million in FY2017 on the upswing of its increased revenue contributions, registering a 111% growth. This significant improvement denotes the Group's capabilities to turnaround after the disposal of its loss-making legacy precision business unit in FY2016.

As compared to overall net loss of RM28.0 million in FY2016, the Group recognised an overall net profit of RM0.8 million in FY2017 after taking into account its tax expense and exchange difference on foreign operations translation, net of tax.

BALANCE SHEET

As at 31 December 2017, the total assets of the Group increased to RM315.9 million, from RM251.0 million in FY2016.

ASSETS

The non-current assets of the Group increased by RM28.6 million from RM28.4 million as at FY2016 to RM57.0 million as at FY2017 due mainly to the following:

1. An increase in property, plant and equipment mainly arising from the completion of the transfer of leasehold property in Singapore during the mid of the year;

2. The development rights arising from the acquisition of Wisma Majuniaga Sdn. Bhd.; and

3. An increase in investment properties under construction.

The current assets of the Group increased by RM36.5 million from RM222.5 million as at FY2016 to RM259.0 million as at FY2017. This is due to an inventories surge by RM40.6 million owing to the increase of unsold completed development projects units, plus a rise in trade and other receivables by RM43.7 million due to increase in receivables from construction contracts and development projects. Providentially, the current assets increment was partially offset by the decrease in development properties by RM43.9 million.

LIABILITIES

Total liabilities of the Group increased by RM52.1 million from RM197.8 million as at FY2016 to RM249.9 million as at FY2017.

Non-current liabilities of the Group increased by RM15.7 million from RM35.2 million for FY2016 to RM50.9 million for FY2017 due to the increase in other financial liabilities mainly resulting from the issuance of redeemable preference shares.

Current liabilities of the Group increased by RM36.4 million from RM162.6 million in FY2016 to RM199.0 million in FY2017. This was mainly due to an increase in trade and other payables by RM27.2 million arising from the development projects and construction projects and increase in other financial liabilities by RM8.2 million owing to the increase in borrowings.

Overall, despite the increase in total liabilities, the larger increment in total assets resulted in the Group's net asset or equity attributable to owners of the parent improved from RM52.8 million in FY2016 to RM64.9 million in FY2017.

CASH FLOWS

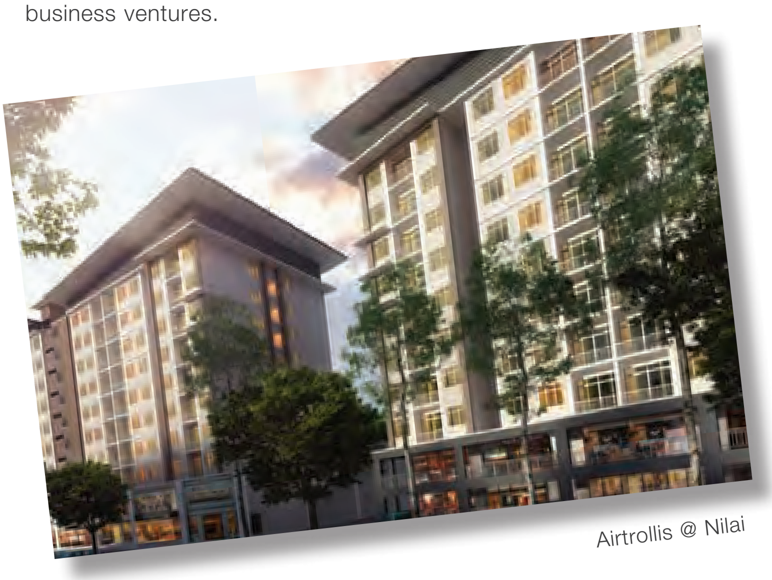
Net cash and cash equivalents held by the Group decreased from RM6.0 million in FY2016 to RM3.3 million in FY2017.

The decrease was largely contributed by a net cash outflow from the operating activities amounting to RM14.1 million. The net cash inflow from financing activities was mainly due to the proceeds from borrowings.

OUTLOOK

Previously weighed down by the detrimental impairment costs and losses brought by the former legacy business unit, the Group has gone through arduous times since its completion of the reverse takeover exercise in 2014. FY2017 was the first full financial year where the Group is able to illustrate the business capabilities and potentials of its core property business.

Despite challenging market conditions, the perseverance and enthusiasm of RIG's dedicated team yielded positive results in FY2017. The Group is confident and will strive even harder to build up its property development portfolio, seeking revenue growth and further expansion through a steady pipeline of affordable development projects and new business ventures.



Airtrollis @ Nilai

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 23 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 consecutively, Mr Su Chung Jye was duly recognised for his achievements in property development and entrepreneurship.

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.

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 22 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.

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 23 April 2015.

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.

GOON KOK LOON LEAD INDEPENDENT DIRECTOR

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

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 22 April 2016.

He is the Executive Chairman of Global Maritime and Port Services Pte. Ltd. With over 40 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.

CHONG WENG HOE INDEPENDENT DIRECTOR

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

Mr Chong Weng Hoe is the 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 22 April 2016.

With over 25 years of experience in financial management, marketing and customer support and project management, Mr Chong stepped down as CEO (ASEAN) of TUV SUD PSB Pte. Ltd. in 2013 and remains as a director of the company to provide support in the development of the business in the region until September 2017. Thereafter, Mr Chong was relocated to TUV SUD Asia Pacific Pte. Ltd., assuming the position of Executive Vice President, looking at the global development of wireless test services.

He currently sits on the board of Keong Hong Holdings Limited and HC Surgical Specialists Ltd. and was previously an independent director of PCA Technology Ltd.

Mr Chong holds a Bachelor Degree of Engineering from the National University of Singapore, and a Master of Business Administration (Accountancy) from Nanyang Technological University in Singapore. He is also a member of the Singapore National Council for International Electrotechnical Commission and is the President of the NTU MBA Alumni Association.

FRANCIS HWANG HUAT KUONG INDEPENDENT DIRECTOR

- Member, Nominating Committee
- Member, 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 25 years of experience in the architectural industry, Mr Hwang is also registered with the Board of Architects, Singapore.

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 10 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 18 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 16 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

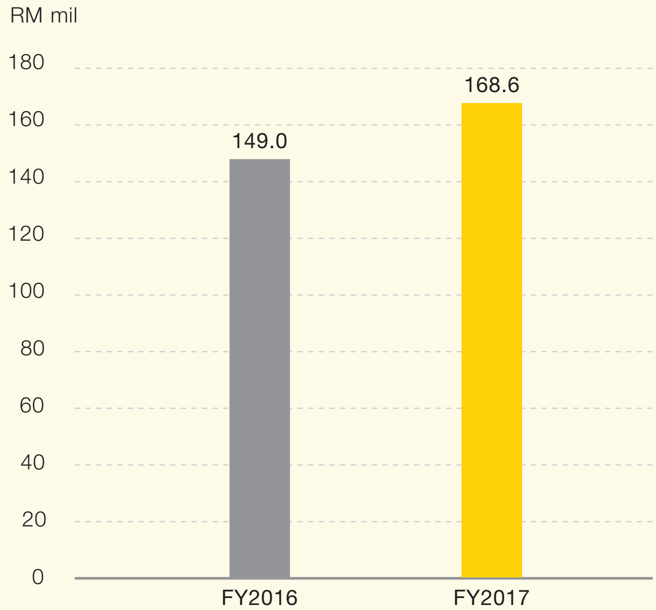
Ms Elizabeth Wong Sing Hui is the Chief Accountant of the Malaysia Operations under Regal International Group Ltd.

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.

FINANCIAL HIGHLIGHTS

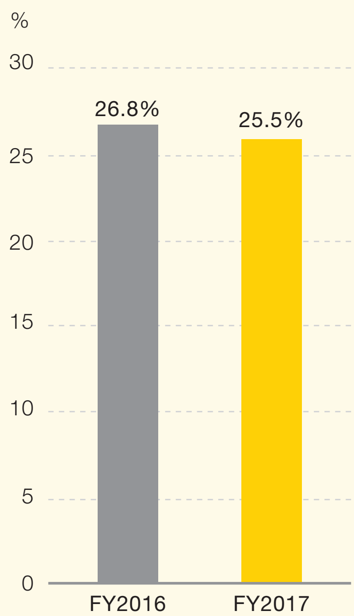
REVENUE*



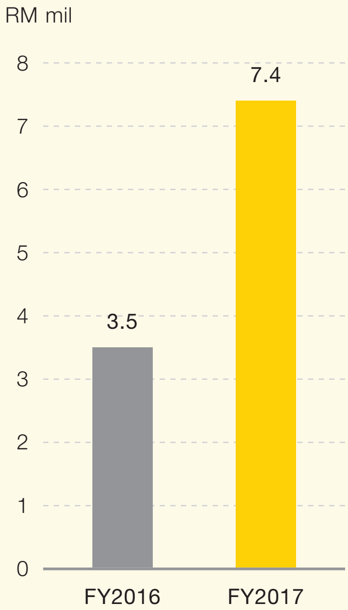
111%

Profit before tax grew from RM3.5 million in FY2016 to RM7.4 million in FY2017

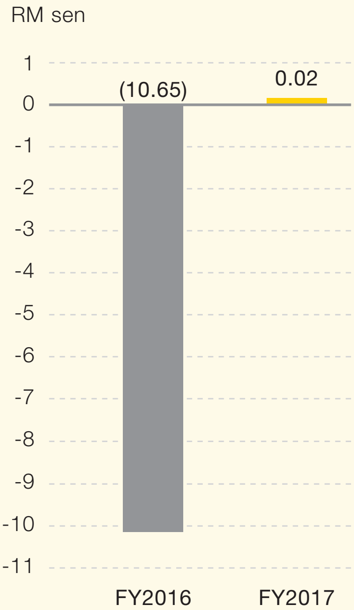
GROSS PROFIT MARGINS



PROFIT BEFORE TAX



EARNINGS (LOSSES) PER SHARE



PROJECT PORTFOLIO HIGHLIGHTS

COMPLETED IN 2017

TAMAN SRI LANDEH

- 40 units of double-storey terrace houses near Giant Padawan, Siburan.
- Floor area per unit: 1200 – 2000 sqft

SIBIYU SQUARE

- 30 units of 3-storey shophouses in Bintulu.
- Floor area per unit: 3900 – 5000 sqft

RAFFLESIA GARDEN

- 12 units of terrace houses (Phase 1) completed in Lundu area.
- Floor area per unit: 1300 – 1420 sqft

SINARAN SIBURAN

- 40 units of double-storey terrace houses in the Siburan district.
- Floor area per unit: 1350 – 1400 sqft

BATU KAWA SHOPHOUSE

- 10 units of 3-storey shophouses located within the vicinity of Batu Kawa.
- Floor area per unit: 4000 - 9000 sqft

MALIHAH SHOPHOUSE

- 10 units of 3-storey shophouses (Phase 1) near Batu Kawa-Matang road.
- Floor area per unit: 3830 – 4860 sqft

TROPICS CITY

- 604 units of SOHO, apartments and an enrichment mall within the prime area of Jalan Song in Kuching, Sarawak.
- 5 tower blocks of residential, commercial and retail units.
- Estimated completion in 2021.

MASTER DEVELOPMENT PLAN

As the third project to commence after Tropics Condominium and 72 Residences, Tropics City is posed to be the enrichment center within the 25-acres master development blueprint designated to roof up to 6,000 residents.

Tropics City Enrichment Mall will be the first captivating landmark in Sarawak, with its defining concept of Live-Safe-Work-Play. Defining convenience, the mall will house an assortment offerings of food and beverages, education, cultural, health and beauty services.

Floor area per residential unit: 600 – 1400 Sqft

PROJECT PORTFOLIO HIGHLIGHTS

REGAL CORPORATE PARK

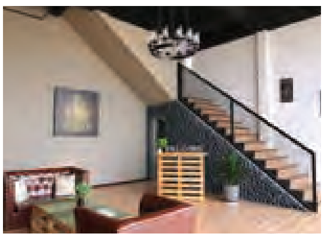
- Total 3 phases; 384 units of double-storey light industrial units set in the township of Bandar Baru Samariang, Sarawak.
- Floor area per unit: 1840 – 2000 sqft
- Phase 2 estimated completion in 2020.

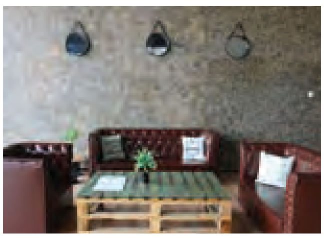
DRIVING NEW BUSINESS POTENTIALS

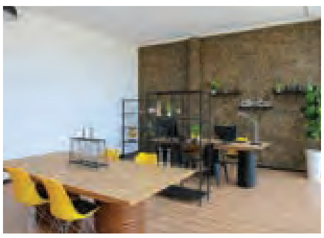
Only 7 km from the Kuching City Centre, Regal Corporate Park is set within the up and coming township of Bandar Baru Samariang, a new revolutionary hub of education, healthcare, tourism, financial and business activities. This well-planned industrial park features effective business units that meet the needs for stylish showroom, efficient office space, as well as basic inventory storage capabilities all under one roof.

63 UNITS UNDER PHASE 1

COMPLETED IN 2017







AIRTROLLIS

- Total 3 phases; 1112 units of apartments, commercial and retail units at Nilai, Negeri Sembilan, in close proximity to Kuala Lumpur city area.
- Floor area per unit: 820 – 970 sqft
- Phase 3 estimated completion in 2020.

AIRTROLLIS
@ Bukit Ara Perdana

CONNECTIVITY AND GROWTH

Located within half-an-hour's drive to the Kuala Lumpur International Airport (KLIA) and Low Cost Carrier Terminal (LCCT), the Airtrollis is equally accessible to key education institutions, major hypermarkets and public transportation.

Airtrollis emphasizes on modern residential and community development thoughtfully designed to house eccentric mix of retails and corporate offices, offering an array of shopping, dining, business, and entertainment options.

This mini township carefully crafted on freehold land, provides gated residence with maximum comfort and security.

348 UNITS UNDER PHASE 1

COMPLETED IN 2017

CORPORATE SOCIAL RESPONSIBILITY

Running for a good cause – RIG staff and management partook in “Into the Woods Hash Run 2017” to raise funds for better public education in Kuching.

Help raise funds for Kuching Life Care Society during the annual charity food fair.

Regal’s Chinese New Year red packets handouts for seniors at Sarawak Cheshire Home.

SPREADING JOY AND WARMTH

Initiated more than 12 years ago, RIG has been tenacious in supporting the local communities, welfare associations for the underprivileged and educational institutions through participations in food fairs, charity runs and donation drives on a regular basis. The Group believes in spreading joy and warmth to the less privileged groups by organizing festive charitable giving, charity lunches and movie outings.

The Group believes in sowing seeds of kindness, giving back to the society and cultivating employees with compassion.

Some sample recounts of the CSR activities undertaken by the staff and management of RIG were listed as follows.

“It is important for us to take a step back and focus on the less privileged, so that we can be grateful and compassionate to those around us. Company wise, it brings us closer as a team and advocates greater empathy for each other.”

Movie time with families and children from Sarawak Children's Cancer Society in August 2017.

Raising funds in a charity food fair by Sarawak Cheshire Home.

Christmas charity lunch at the Salvation Army brings festive joys to the kids in December 2017.

Donation drive to support the upgrading of school facilities for Kuching Chung Hua Middle School No.3 in March 2017.

EVENTS & ACCOLADES

VOTE OF CONFIDENCE

In January and May 2017, RIG, through its subsidiary Temasek Regal Capital, issued a total of RM 25 million worth of cumulative redeemable preference shares to KOJADI, a leading Malaysian co-operative.

DRIVING GROWTH AND VALUE-CREATION

As part of RIG's forward strategy, the Group endeavours to enhance its development projects through complementary new business ventures. Adopting the strategy of value-creation and product innovation to heighten new demands and broaden customer base, RIG is set to capitalise on opportunities and collaborations to drive new growth.

Followings are highlights of the Group's growth footprints and achievements:

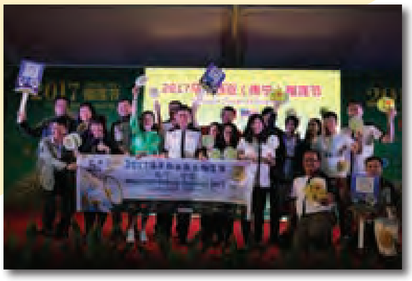
2017 KUCHING SHEDA PROPERTY EXPO

RIG garnered upbeat responses during the annual SHEDA Property Expo 2017 at the Borneo Convention Centre Kuching, Sarawak from 14-16 July 2017.

With a positive turnout of 12,000 visitors, the annual expo is indicative of an optimistic future for the property industry in Sarawak.

MALAYSIA DURIAN FESTIVAL 2017

Million Sunray, a subsidiary of RIG, undertook the first "Malaysia Durian Festival 2017" in Nanning, China from 3rd to 5th November 2017. With an impressive turnout of about 165,000 people, the event was an invaluable investment platform matching trade collaborations worth total projected value of RM2.9 billion (by 2020).



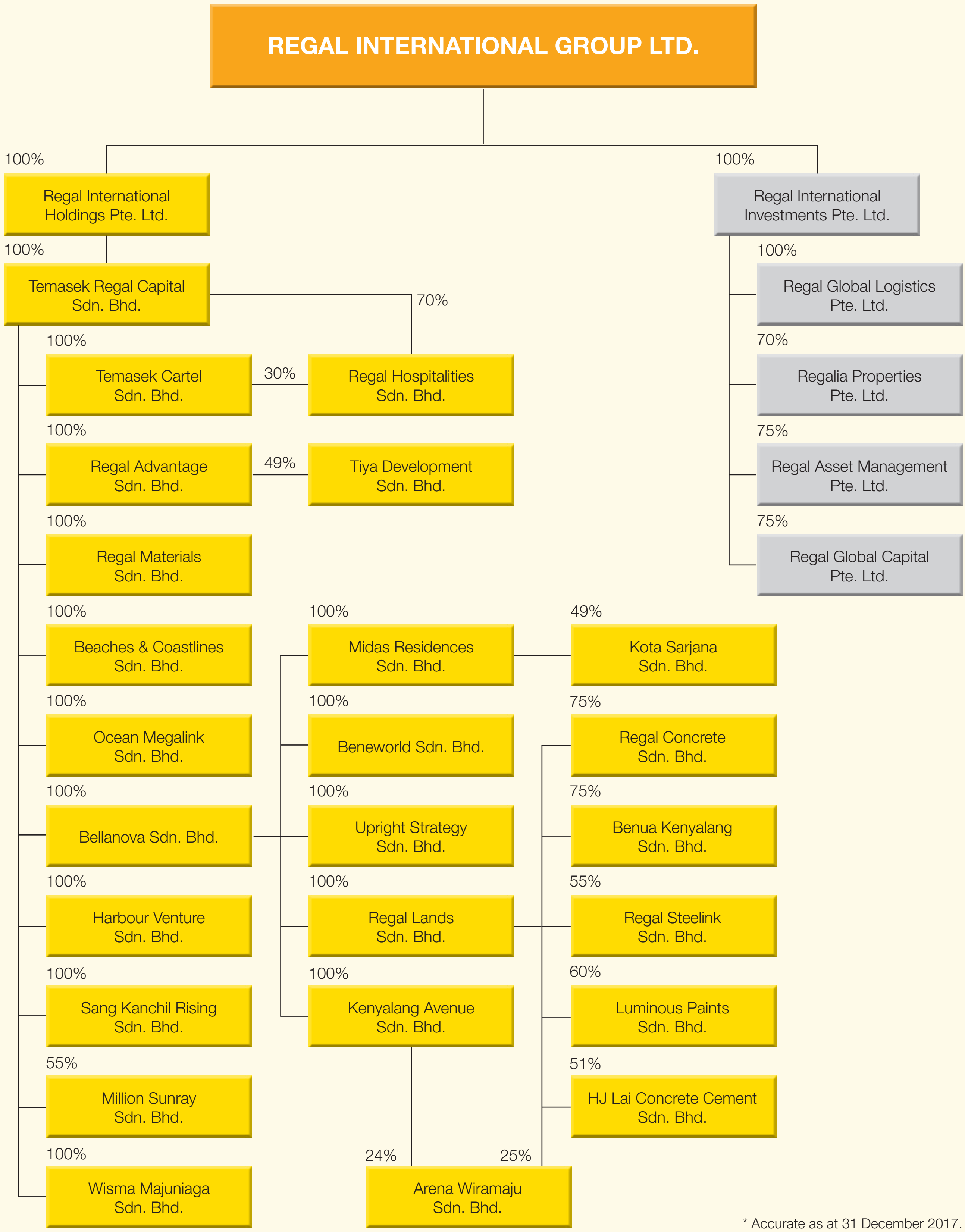
BUILT ENVIRONMENT INDUSTRY (BEI) ASIA DISTINGUISHED AWARD 2017

CEO of RIG was presented with the prestigious Built Environment Industry (BEI) Asia Distinguished Award on 26 October 2017, at the BEI Asia Awards 2017 Awards Ceremony and Gala dinner held at The Fullerton Hotel Singapore.

XY HOTEL COLLABORATION IN HOSPITALITY

Regal Lands, the wholly-owned subsidiary of RIG, collaborated with XY Hotel Holdings to explore joint venture possibilities in hospitality management services in Kuching, Sarawak. The collaboration aimed to promote Sarawak as an attractive overseas study destination for students from China.

GROUP STRUCTURE



* Accurate as at 31 December 2017.

CORPORATE GOVERNANCE

The Board of Directors ("**Board**") of Regal International Group Ltd. ("**Company**" and together with its subsidiaries, "**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 ("**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.

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 overseeing 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:

(a) the Audit Committee ("**AC**");

(b) the Remuneration Committee ("**RC**"); and

(c) the Nominating Committee ("**NC**").

(collectively, "**Board Committees**")

CORPORATE GOVERNANCE

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 Committees 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 the financial year ended 31 December 2017 ("**FY2017**") 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**	**3**	**1**
Su Chung Jye	4	4(1)	3	1
Wong Pak Kiong	4	4(1)	3(1)	1(1)
Low Yew Shen	4	4(1)	3(1)	1(1)
Goon Kok Loon	4	4	3	1
Chong Weng Hoe	4	4	3	1
Francis Hwang Huat Kuong	3	3	2	1

Note:
(1) By invitation

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;

(d) audited results and annual reports;

(e) annual budgets, investment and divestment proposals;

(f) material acquisition and disposal of assets;

CORPORATE GOVERNANCE

(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 be given opportunities to 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 the 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.

News releases issued by the SGX-ST and Accounting and Corporate Regulatory Authority ("**ACRA**") which are relevant to the Directors are 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 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. The Company had arranged the training and updates to the directors and the Management during FY2017 which included the following:

(a) the 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 FY2017.

CORPORATE GOVERNANCE

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 as at the date of this statement are:

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	Independent Director	Member	Member	Chairman
Francis Hwang Huat Kuong	Independent Director	Member	Member	Member

There is presently a strong and independent element on the Board. The Company is in compliance with the Guideline 2.2 of the Code where Independent Directors make up half of the Board.

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 and the need for the Board's refreshment against the tenure of services of the Independent Directors, the NC has conducted a rigorous review on the independence of the Independent Directors, Mr Goon Kok Loon and Mr Chong Weng Hoe and considers that Mr Goon Kok Loon and Mr Chong Weng Hoe are independent even though they have served on the Board beyond nine 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 26 of this annual report.

The Board is of the opinion that its current Board size of six (6) Directors is appropriate, taking into account the nature and scope of the Company's operations. The Board's composition reflects the broad range of experience, skills and knowledge necessary for the effective stewardship of the Group. The current 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.

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 has not created 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, 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 is the Lead Independent Director who 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 contact through the normal channels of the EC or the CEO has failed to resolve, or where such contact is inappropriate.

CORPORATE GOVERNANCE

BOARD MEMBERSHIP

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

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

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

CORPORATE GOVERNANCE

address time 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. Final approval of a candidate is determined by the Board.

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, 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 FY2017.

The NC has recommended to the Board that Mr Low Yew Shen and Mr Goon Kok Loon be nominated for re-election under Regulation 89 of the Company's Constitution at the forthcoming AGM. The Board had accepted the NC's recommendation.

Each member of the NC shall abstain from voting on any resolutions in respect to his or her re-nomination as a Director.

In respect to FY2017, the NC is of the view that each Director had discharged his duties adequately.

CORPORATE GOVERNANCE

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.

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.

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

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 performance 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 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.

CORPORATE GOVERNANCE

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 FY2017, 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 40 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 used in FY2017.

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.

CORPORATE GOVERNANCE

A breakdown showing the level and mix of each individual Director's remuneration in all forms by the Group for FY2017 is set out below:

Remuneration band (in SGD)	Name of Directors	Salary (%)	Bonus (%)	Fees (%)	Total (%)	Options granted during the year
Above S$500,000 and Below S$750,000	Su Chung Jye	79.8	19.9	0.3	100	–
Above S250,000 and Below S$500,000	Wong Pak Kiong	80.0	20.0	–	100	–
Below S$250,000	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 FY2017 is set out below:

Name of key management personnel	Salary (%)	Bonus (%)	Fees (%)	Total (%)	Options granted during the year
Below S$250,000					
Serena Su Chung Wen	100	–	–	100	–
Frederick Eng Meng Khuan	97.9	–	2.3	100	–
Elizabeth Wong Sing Hui	100	–	–	100	–
Liang Ngee Ping	100	–	–	100	–
Helen Poh Yan Peng	72.7	27.3	–	100	–
Kong Mei Yen	88.8	11.2	–	100	–

For FY2017, the aggregate total remuneration paid to the top five (5) key management personnel (who are not Directors or the CEO) amounted to S$1,013,000.

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

CORPORATE GOVERNANCE

Remuneration of employees related to a Director

Ms Serena Su Chung Wen and Ms Chai Shao Ping, the sister and spouse of the EC and CEO, Mr Su Chung Jye respectively, had received remuneration exceeding S$50,000 in FY2017.

Details of the remuneration paid to Ms Serena Su Chung Wen and Ms Chai Shao Ping for FY2017 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	Serena Su Chung Wen	100	–	–	100	–
	Chai Shao Ping	13.5	–	86.5	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 SGX-ST Listing Manual, 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.

The Board oversees the Company's risk management policies in areas of significant risk to the Company's operations and puts in place the 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 eliminate or contain 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 35 set out on page 117 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 2017.

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 FY2017 give a true and fair view of the Company's operations and finances; and

(b) the Company maintains an effective risk management and internal control system.

CORPORATE GOVERNANCE

AUDIT COMMITTEE

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

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

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 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 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 statue, 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 FY2017 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 17 set out on pages 93 to 97 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 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.

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.

CORPORATE GOVERNANCE

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 acknowledges responsibility for the overall internal control framework of the Company. However, the Board also recognises that no cost effective internal control system will preclude all errors and irregularities as the system is designed to manage rather than eliminate the risk of failure in order to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

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 and managing internal controls and risks of the Group.

The role of the internal auditors is to assist the AC in ensuring 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 has adequate resources to perform its function effectively 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 comply with continuous disclosure obligations of the Company under the SGX-ST's Listing Rules and the Singapore Companies Act. All major developments that impact the Group would be released via SGXNet.

CORPORATE GOVERNANCE

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.

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.

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.

CORPORATE GOVERNANCE

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 FY2017, 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 the financial year ended 31 December 2017, 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, which involve the interests of any Director and/or Controlling Shareholder, which were entered into by the Company or any of its subsidiaries in FY2017.

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 2017.

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
Chong Weng Hoe
Francis Hwang Huat Kuong

STATEMENT BY DIRECTORS

3. Directors' interests in shares and debentures

The Directors of the Company holding office at the end of the reporting year had no interests in the share capital of the Company and related companies as recorded in the register of Directors' shareholdings kept by the Company under section 164 of the Companies Act, Chapter 50 except as follows:

	Shareholding in which the Director has direct beneficial interest			Shareholding in which the Director is deemed to have a beneficial interest		
Name of Directors the Company	At beginning of the reporting year	At end of the reporting year	At 21 January 2018	At beginning of the reporting year	At end of the reporting year	At 21 January 2018
	Number of shares of no par value					
Su Chung Jye	9,138,381	16,138,381	16,138,381	116,424,076	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	2,389,000	6,389,000	6,389,000	–	–	–

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 Companies Act, Chapter 50, Mr Su Chung Jye and Mr Wong Pak Kiong with shareholdings 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.

STATEMENT BY DIRECTORS

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 EGM on 20 January 2010.

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

Chong Weng Hoe (Chairman)
Goon Kok Loon
Francis Hwang Huat Kuong
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.

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.

STATEMENT BY DIRECTORS

5. Performance share plan and employee share option scheme (Continued)

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:

Chong Weng Hoe (Chairman)
Goon Kok Loon
Francis Hwang Huat Kuong
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.

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.

STATEMENT BY DIRECTORS

5. Performance share plan and employee share option scheme (Continued)

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 the 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 From	Exercise period To	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 the year	Exercise price S$
03/06/2016	02/06/2024	5,395,000	–	(160,000)	5,235,000	0.38
03/06/2017	02/06/2024	5,395,000	–	(160,000)	5,235,000	0.30
		10,790,000	–	(320,000)	10,470,000	

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 2016	Exercised/ lapsed from start of Scheme to end of 2017	Balance at 31.12.2017
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
Associate of a Controlling Shareholder of the Company				
Serena Su Chung Wen	120,000	120,000	–	120,000 #a
	120,000	120,000	–	120,000 #b
	1,920,000	1,920,000	–	1,920,000

#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.

STATEMENT BY DIRECTORS

6. Options

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

7. Audit Committee

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

Goon Kok Loon (Chairman)
Chong Weng Hoe
Francis Hwang Huat Kuong

The Audit Committee performs the functions specified by section 201B(5) of the Companies 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 the 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 the 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.

8. Independent auditor

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

STATEMENT BY DIRECTORS

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 2017.

10. Subsequent developments

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 2018, 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

27 March 2018

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. ("**Company**") and its subsidiaries ("**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 2017, 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 Financial Reporting Standards in Singapore ("**FRSs**") 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 2017 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.

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) 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 21 on 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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF REGAL INTERNATIONAL GROUP LTD.

Key audit matters (Continued)

1) Net realisable value of development properties (Continued)

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 the 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. In addition, the audit team evaluated the estimated costs to complete by comparing the costs incurred to date to Management budgets and, where the works were contracted to third parties, agreed to the contracts. The audit team also tested significant items of the cost components to ascertain the existence and accuracy of these cost components.

2) Impairment assessment of development rights

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

The Group has paid RM11.3 million for rights for development on a land parcel in connection with the acquisition of a subsidiary, Wisma Majuniaga Sdn. Bhd. ("**Wisma**") during the reporting year ended 31 December 2017.

In assessing the impairment of the development rights, a valuation of the property development project was carried out by an independent valuer by evaluating the gross development value ("**GDV**") and gross development cost ("**GDC**").

The impairment assessment involved the independent valuer and Management's subjective and complex judgements regarding future market and economic conditions, which affect certain assumptions used in the impairment assessment. As such, we determined this to be a KAM.

We tested the estimates made in the determination of the net present value ("**NPV**") of the development properties in Wisma. The NPV is computed based on the net of the GDV and 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 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 to compute the NPV for the purpose of the impairment assessment.

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 (Continued)

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 17 on investments in subsidiaries.

The carrying amount of the cost of investment in the subsidiary, Regal International Holdings Pte. Ltd. ("**RIH**") amounted to RM393.6 million, which accounted for approximately 89.0% of Regal International Group Ltd's separate financial statements (Company level) 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. Despite RIH being in a profitable position, the net assets of RIH as at 31 December 2017 amounted to RM29.5 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.

In September 2014, a valuation of the projects was carried out by an independent valuer for the purpose of a reverse take-over. As most of the projects assessed then are now completed, this valuation is no longer applicable in the current year.

Management has assessed the recoverable amount of the cost of investment by carrying out a valuation exercise of their existing projects as at 31 December 2017 using the same methodology as the above independent valuer. Based on this valuation, the NPV of the existing projects on hand was estimated to be RM501.8 million which is approximately 27.5% higher 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 GDV and 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.

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 FRSs, 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 (see Note 1) 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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF REGAL INTERNATIONAL GROUP LTD.

Auditor's responsibilities for the audit of the financial statements (Continued)

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.

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 Peter Jacob.

RSM Chio Lim LLP
Public Accountants and
Chartered Accountants
Singapore

27 March 2018

Engagement partner – effective from year ended 31 December 2016

CONSOLIDATED STATEMENT OF
PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
YEAR ENDED 31 DECEMBER 2017

	Notes	Group 2017 RM'000	Group 2016 RM'000
Continuing operations			
Revenue	5	168,592	149,013
Cost of sales		(125,530)	(109,012)
Gross Profit		43,062	40,001
Interest income	6	61	25
Other gains	7	1,746	712
Marketing and distribution costs	10	(1,925)	(646)
Administrative expenses	10	(32,005)	(32,766)
Other losses	7	(793)	(361)
Finance costs	8	(3,204)	(3,163)
Share of profit (loss) from equity-accounted associate		454	(307)
Profit before tax		7,396	3,495
Income tax expense	11	(6,611)	(3,165)
Profit from continuing operations, net of tax		785	330
Discontinued operations			
Loss from discontinued operations, net of tax	12	–	(21,657)
Profit (Loss), net of tax		785	(21,327)
Other comprehensive income (loss)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations, net of tax		46	483
Reclassification adjustment relating to foreign operations disposed		–	(7,186)
Other comprehensive income (loss) for the year, net of tax		46	(6,703)
Total comprehensive income (loss) for the year		831	(28,030)
Profit (Loss) attributable to owners of parent, net of tax		33	(21,320)
Profit (Loss) attributable to non-controlling interests, net of tax		752	(7)
Profit (Loss), net of tax		785	(21,327)
Total comprehensive income (loss) attributable to owners of the parent		78	(28,032)
Total comprehensive income attributable to non-controlling interests		753	2
Total comprehensive income (loss) for the year		831	(28,030)
Earnings (Losses) per share			
Earnings (Losses) per share currency unit		**Sen**	**Sen**
Basic	13		
Continuing operations		0.02	0.17
Discontinued operations		–	(10.82)
		0.02	(10.65)
Diluted	13		
Continuing operations		0.02	0.17
Discontinued operations		–	(10.82)
		0.02	(10.65)

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Notes	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	14	18,598	12,439	24	70
Development rights	15	11,276	–	–	–
Available-for-sale financial assets	16	1,551	1,551	1,551	1,551
Investments in subsidiaries	17	–	–	393,597	393,597
Investment in associate	18	5,172	4,718	–	–
Investment properties	19	17,813	5,666	–	–
Deferred tax assets	11	141	1,070	–	–
Other assets	20	2,410	2,970	–	–
Total non-current assets		56,961	28,414	395,172	395,218
Current assets					
Development properties	21	63,731	107,589	–	–
Inventories	22	71,796	31,197	–	–
Trade and other receivables	23	110,254	66,612	43,816	29,437
Other assets	20	3,789	1,968	136	154
Cash and cash equivalents	24	9,380	15,170	2,923	1,830
Total current assets		258,950	222,536	46,875	31,421
Total assets		315,911	250,950	442,047	426,639
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	26	144,552	133,052	381,051	369,551
Accumulated losses		(87,695)	(87,833)	(23,155)	(17,986)
Share option reserve	27	3,600	3,193	3,600	3,193
Foreign currency translation reserve		2,902	2,857	70,268	70,268
Merger reserve	28	1,563	1,563	–	–
Equity, attributable to owners of the parent		64,922	52,832	431,764	425,026
Non-controlling interests		1,080	367	–	–
Total equity		66,002	53,199	431,764	425,026
Non-current liabilities					
Deferred tax liabilities	11	267	686	–	–
Other financial liabilities	29	50,618	34,507	–	–
Total non-current liabilities		50,885	35,193	–	–
Current liabilities					
Income tax payable		19,462	16,319	–	–
Trade and other payables	30	124,924	97,734	1,954	1,613
Other liabilities	31	2,305	2,661	–	–
Progress billings		19,853	21,575	–	–
Other financial liabilities	29	32,480	24,269	8,329	–
Total current liabilities		199,024	162,558	10,283	1,613
Total liabilities		249,909	197,751	10,283	1,613
Total equity and liabilities		315,911	250,950	442,047	426,639

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

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2017

Group	Total equity RM'000	Attributable to owners of the parent sub-total RM'000	Share capital RM'000	Accumulated losses RM'000	Share option reserve RM'000	Foreign currency translation reserve RM'000	Merger reserve RM'000	Non-controlling interests RM'000
Current year:								
Opening balance at 1 January 2017	53,199	52,832	133,052	(87,833)	3,193	2,857	1,563	367
Changes in equity:								
Issue of share capital (Note 26)	11,500	11,500	11,500	–	–	–	–	–
Total comprehensive income for the year	831	78	–	33	–	45	–	753
Dividends paid to non-controlling interests	(40)	–	–	–	–	–	–	(40)
Share-based payments (Note 27)	512	512	–	–	512	–	–	–
Share options forfeited (Note 27)	–	–	–	105	(105)	–	–	–
Closing balance at 31 December 2017	66,002	64,922	144,552	(87,695)	3,600	2,902	1,563	1,080
Previous year:								
Opening balance at 1 January 2016	80,914	80,549	133,052	(66,881)	1,631	9,569	3,178	365
Changes in equity:								
Total comprehensive (loss) income for the year	(28,030)	(28,032)	–	(21,320)	–	(6,712)	–	2
Adjustment arising from merger reserve	(1,615)	(1,615)	–	–	–	–	(1,615)	–
Share-based payments (Note 27)	1,930	1,930	–	–	1,930	–	–	–
Share options forfeited (Note 27)	–	–	–	368	(368)	–	–	–
Closing balance at 31 December 2016	53,199	52,832	133,052	(87,833)	3,193	2,857	1,563	367

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 2017	425,026	369,551	(17,986)	3,193	70,268
Changes in equity:					
Issue of share capital (Note 26)	11,500	11,500	–	–	–
Total comprehensive loss for the year	(5,274)	–	(5,274)	–	–
Share-based payments (Note 27)	512	–	–	512	–
Share options forfeited (Note 27)	–	–	105	(105)	–
Closing balance at 31 December 2017	431,764	381,051	(23,155)	3,600	70,268
Previous year:					
Opening balance at 1 January 2016	394,524	369,551	(38,750)	1,631	62,092
Changes in equity:					
Total comprehensive income for the year	28,572	–	20,396	–	8,176
Share-based payments (Note 27)	1,930	–	–	1,930	–
Share options forfeited (Note 27)	–	–	368	(368)	–
Closing balance at 31 December 2016	425,026	369,551	(17,986)	3,193	70,268

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

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2017

	Group	
	2017 RM'000	2016 RM'000
Cash flows from operating activities		
Profit before tax from continuing operations	7,396	3,495
Loss before tax from discontinued operations	–	(21,693)
Profit (Loss) before tax, total	7,396	(18,198)
Adjustments for:		
Depreciation of property, plant and equipment	4,495	5,736
Interest expense	3,204	3,163
Interest income	(61)	(25)
Loss on disposal of discontinued operations	–	20,564
Share-based payments	512	1,930
Share of (profit) loss from equity-accounted associate	(454)	307
Operating cash flows before changes in working capital	15,092	13,477
Development properties	44,098	646
Inventories	(40,599)	(11,103)
Trade and other receivables	(52,360)	(35,103)
Other assets, current	(1,821)	2,938
Trade and other payables	26,486	50,175
Progress billings	(1,722)	(55,448)
Other liabilities	(356)	(1,555)
Net cash flows used in operations before tax	(11,182)	(35,973)
Income tax paid	(2,960)	(2,141)
Net cash flows used in operating activities	(14,142)	(38,114)
Cash flows from investing activities		
Purchase of property, plant and equipment	(592)	(2,334)
Investment properties	(12,147)	(5,666)
Proceeds from sale of property, plant and equipment	–	463
Dividends from associate	–	3,540
Other assets, non-current	560	3,311
Disposal of subsidiary, net of cash acquired (Note 12)	–	7,504
Interest received	61	25
Net cash flows (used in) from investing activities	(12,118)	6,843
Cash flows from financing activities		
Net movements in amounts due to directors	1,215	844
Net movements in amounts due to shareholders	341	169
Net movements in amounts due to associate	(600)	(1,975)
Proceeds from borrowings	37,890	35,882
Repayment of borrowings	(12,239)	(8,383)
Cash restricted in use	186	823
Dividends paid to non-controlling interests	(40)	–
Interest paid	(3,204)	(3,163)
Net cash flows from financing activities	23,549	24,197
Net decrease in cash and cash equivalents	(2,711)	(7,074)
Cash and cash equivalents, statement of cash flows, beginning balance	6,033	13,363
Effect of exchange rate of changes on cash and cash equivalents	(3)	(256)
Cash and cash equivalents, statement of cash flows, ending balance (Note 24A)	3,319	6,033

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

1. GENERAL

The Company is incorporated in Singapore with limited liability. The financial statements are presented in Malaysian 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 17 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 Depositary 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.

Accounting convention

The financial statements have been prepared in accordance with the Financial Reporting Standards in Singapore ("**FRS**") and the related Interpretations to FRS ("**INT FRS**") as issued by the Singapore Accounting Standards Council and the Companies Act, Chapter 50. The financial statements are prepared on a going concern basis under the historical cost convention except where a FRS requires an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements. The accounting policies in FRSs need not be applied when the effect of applying them is immaterial. The disclosures required by FRSs need not be made if the information is immaterial. Other comprehensive income comprises items of income and expense (including reclassification adjustments) that are not recognised in the income statement, as required or permitted by FRS. Reclassification adjustments are amounts reclassified to profit or loss in the income statement in the current period that were recognised in other comprehensive income in the current or previous periods.

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 in note 2C below, where applicable.

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 in which the assets, liabilities, equity, income, expenses and cash flows of the parent and its subsidiaries are 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, including income, expenses and cash flows 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. Control exists when the Group has the power to govern the financial and operating policies so as to gain benefits from its activities.

1. GENERAL (CONTINUED)

Basis of presentation (Continued)

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 available-for-sale financial assets in accordance with FRS 39.

The Company's separate financial statements have been prepared on the same basis, and as permitted by the Companies Act, Chapter 50, the Company's separate statement of profit or loss and other comprehensive income is not presented.

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 had net operating cash outflows 2017 and 2016. The cash outflows from operating activities were RM14,142,000 (2016: RM38,114,000) for the reporting year ended 31 December 2017. Notwithstanding the above, the Group generated profit from continuing operations after tax of RM785,000 (2016: RM330,000) for the year ended 31 December 2017 and had net current asset and net asset positions of RM59,926,000 (2016: RM59,978,000) and RM66,002,000 (2016: RM53,199,000) respectively as at 31 December 2017. The Group'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 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. The Group has unrestricted cash and cash equivalents of RM3,319,000 and there are completed unsold development properties of RM71,002,000, which it is able to pledge with financial institutions to obtain additional financing, to enter into contra arrangements with suppliers in exchange for services, or for eventual sale to third parties. The Group has multiple ongoing projects with innovative property contents and values 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.

If the Group is unable to continue on a going concern, adjustments would 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 statement of financial position. In addition, the Group may have to provide for further liabilities which may arise.

As at the date of these financial statements, the Directors believe that the Group is well placed to manage its business risks and has adequate resources to meet its obligations as and when they fall due for at least 12 months from the reporting year which is supported by the Group's cash flow forecast for 2018. Accordingly, the Directors are of the opinion that it is appropriate for the financial statements to be prepared using the going concern basis.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

2A. Significant accounting policies

Revenue recognition

The revenue amount is the fair value of the consideration received or receivable from the gross inflow of economic benefits during the reporting year arising from the course of the ordinary activities of the entity and it is shown net of any related sales taxes, estimated returns and rebates.

Revenue from sales of goods

Revenue from the sale of goods is recognised when significant risks and rewards of ownership are transferred to the buyer, there is neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the amount of revenue and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from development properties

Development properties are classified into (a) development properties completed and held for sale; (b) development properties held for sale in the process of development; and (c) development properties in the process of development accounted under the stage of completion method.

For (a) development properties completed and held for sale, revenue is normally recognised when risks and rewards of ownership have been transferred which is usually taken to be when legal title passes to the buyer or when the equitable interest in a property vest in the buyer before legal title passes and provided that the reporting entity has no further substantial acts to complete under the contract. These 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 held for sale in the process of development, revenue is recognised and is regarded as earned from the sale of goods within the scope of FRS 18 and is accounted in the same manner as development properties held for sale. These are with or without an agreement for the construction of real estate in which buyers have only limited ability to influence the design of the real estate. Project costs consist of costs that relate directly to the specific project, costs that are attributable to project activity in general and can be allocated to the project and such other costs as are specifically chargeable to the project. These 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 (c) development properties in the process of development accounted under the stage of completion method, the reporting entity transfers continuously as construction progresses to the buyer the control and the significant risks and rewards of ownership of the work in progress in its current state. In this case revenue is recognised by reference to the stage of completion using the stage of completion method for the construction contract. See the accounting policy on stage of completion method for construction contracts – revenues and results.

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONTINUED)

2A. Significant accounting policies (Continued)

Revenue recognition (Continued)

Revenue from Malaysia development properties

The revenue and cost of sales of the residential projects in West Malaysia and residential projects in East Malaysia that commenced after the implementation of the Housing Development (Control and Licensing) Ordinance 2013 and Housing Development (Control and Licensing) Regulations 2014 on 1 November 2014 are recognised using the stage of completion method.

The revenue and cost of sales of projects in East Malaysia are recognised using the completion of contract method for all projects and for residential projects that commenced prior to 1 November 2014.

The stage of completion method is used as the criteria for continuous transfer of control under INT FRS 115 are met as:

(i) the Group could not encumber the land without the approval of the buyer;

(ii) the buyer has the ability to deal, sub-sell, mortgage and lodge caveat; and

(iii) the Group retained neither continuing managerial involvement to the degree usually associated with the ownership nor effective control over the uncompleted property units sold because the Malaysia Housing Development (Control and Licensing) Act 1966 Section 7A requires a project account to be set up.

Revenue from construction contracts

When the outcome of a construction contract for development properties under the stage of completion method can be estimated reliably, the contract revenue and contract costs associated with the contract are recognised in profit or loss by reference to the stage of completion of the contract activity at the end of the reporting year using (a) the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs method except where this would not be representative of the stage of completion; and (b) the surveys of work performed method. Contract costs consist of costs that relate directly to the specific project, costs that are attributable to contract activity in general and can be allocated to the project and such other costs as are specifically chargeable to the customer under the terms of the contract. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer. The stage of completion method relies on estimates of total expected contract revenue and costs, as well as dependable measurement of the progress made towards completing a particular project. Recognised revenues and profits are subject to revisions during the project in the event that the assumptions regarding the overall project outcome are revised. The cumulative impact of a revision in estimates is recorded in the period such revisions become likely and estimable.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. The work-in-progress projects have operating cycles longer than one year. The Management includes in current assets amounts relating to the contracts realisable over a period in excess of one (1) year.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONTINUED)

2A. Significant accounting policies (Continued)

Revenue recognition (Continued)

Revenue from rendering services

Revenue from rendering of services that are of short duration is recognised when the services are completed.

Rental revenue

Rental revenue 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

A government grant is recognised at fair value when there is reasonable assurance that the conditions attaching to it will be complied with and that the grant will be received. A grant in recognition of specific expenses is recognised as income over the periods necessary to match them with the related costs that they are intended to compensate, on a systematic basis. A grant related to depreciable assets is allocated to income over the period in which such assets are used in the project subsidised by the grant.

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.

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONTINUED)

2A. Significant accounting policies (Continued)

Borrowing costs

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds. Interest expense is calculated using the effective interest rate method. Borrowing costs are recognised as an expense in the period in which they are incurred except that borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that necessarily take a substantial period of time to get ready for their intended use or sale are capitalised as part of the cost of that asset until substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

Foreign currency transactions

The functional currency of the Company is the Malaysian 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 dates respectively. All realised and unrealised exchange adjustment gains and losses are dealt with in profit or loss except when recognised in other comprehensive income and if applicable deferred in equity such as for qualifying cash flow hedges. The presentation is in the functional currency.

In the preceding reporting year, the functional currency of the Company was the Singapore dollar. In the current reporting year, the company reassessed and determined the functional currency to be RM as it reflects the primary economic environment in which the entity operates. The Company applied the changes prospectively with effect from 2017.

Under FRS 21, when there is a change in an entity's functional currency, the entity shall apply the translation procedures applicable to the new functional currency prospectively from the date of the change. The Company translates all items in the statement of comprehensive income into the new functional currency using the average exchange rate of S$1 to RM3.114 (2016: S$1 to RM2.991). The Company translates all items in the statement of financial position into the new functional currency using the exchange rate of S$1 to RM3.029 (2016: S$1 to RM3.093) on 31 December 2017. The resulting translated amounts for non-monetary items are at their historical rates. The resulting exchange difference were recognised in other comprehensive income.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONTINUED)

2A. Significant accounting policies (Continued)

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. Income tax expense represents the sum of the tax currently payable and deferred tax. Current and deferred income taxes are recognised as income or 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 associates, and interests in joint ventures 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 joint ventures and associates the reporting entity is not in the position to determine their dividend policies. As a result, all significant deferred tax liabilities for all such taxable temporary differences are recognised.

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 term of lease that is 2% to 20%.
Plant and equipment	–	9% to $33^1/_3$%

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONTINUED)

2A. Significant accounting policies (Continued)

Property, plant and equipment (Continued)

The gain or loss arising from the derecognition of an item of property, plant and equipment is measured as the difference between the net disposal proceeds, if any, and the carrying amount of the item and 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, borrowing cost capitalised 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.

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.

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 2017

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONTINUED)

2A. Significant accounting policies (Continued)

Leases

Whether an arrangement is, or contains, a lease, it is based on the substance of the arrangement at the inception date, that is, whether (a) fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset. 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 determined 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 in the reporting years in which 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONTINUED)

2A. Significant accounting policies (Continued)

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.

In the equity-accounted financial statements (economic interest financial statements), the accounting for investments in an associate is on the equity method. An investment in an associate includes goodwill on acquisition, which is accounted for in accordance with FRS 103 Business Combinations. However the entire carrying amount of the investment is tested under FRS 36 for impairment, by comparing its recoverable amount (higher of value in use and fair value) with its carrying amount, whenever application of the requirements in FRS 39 indicates that the investment may be impaired. 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 of an 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 FRS 39 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.

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 2017

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONTINUED)

2A. Significant accounting policies (Continued)

Business combinations

The acquisition method of 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 FRS 32 and FRS 39. 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 FRS 103. 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.

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 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 what would otherwise have been charged is recognised immediately in profit and loss.

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. A write down on cost is made where the cost is not recoverable or if the selling prices have declined. 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, borrowing costs and other related expenditure.

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONTINUED)

2A. Significant accounting policies (Continued)

Impairment of non-financial assets

Irrespective of whether there is any indication of impairment, an annual impairment test is performed at 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.

Financial assets

Initial recognition, measurement and derecognition:

A financial asset is recognised on the statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument. The initial recognition of financial assets is at fair value normally represented by the transaction price. The transaction price for financial asset not classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition or issue of the financial asset. Transaction costs incurred on the acquisition or issue of financial assets classified at fair value through profit or loss are expensed immediately. The transactions are recorded at the trade date. When the settlement date accounting is applied, any change in the fair value of the asset to be received during the period between the trade date and the settlement date is recognised in net profit or loss for assets classified as trading.

Irrespective of the legal form of the transactions performed, financial assets are derecognised when they pass the "substance over form" based on the derecognition test prescribed by FRS 39 relating to the transfer of risks and rewards of ownership and the transfer of control. Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is currently a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONTINUED)

2A. Significant accounting policies (Continued)

Financial assets (Continued)

Subsequent measurement:

Subsequent measurement based on the classification of the financial assets in one of the following categories under FRS 39 is as follows:

1. Financial assets at fair value through profit or loss: As at the end of the reporting year, there were no financial assets classified in this category.

2. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Assets that are for sale immediately or in the near term are not classified in this category. These assets are carried at amortised costs using the effective interest method (except that short-duration receivables with no stated interest rate are normally measured at original invoice amount unless the effect of imputing interest would be significant) minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility. Impairment charges are provided only when there is objective evidence that an impairment loss has been incurred as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The methodology ensures that an impairment loss is not recognised on the initial recognition of an asset. Losses expected as a result of future events, no matter how likely, are not recognised. For impairment, the carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. Typically the trade and other receivables are classified in this category.

3. Held-to-maturity financial assets: As at end of the reporting year, there were no financial assets classified in this category.

4. Available-for-sale financial assets: These are non-derivative financial assets that are designated as available-for-sale on initial recognition or are not classified in one of the previous categories. These assets are carried at fair value. Changes in fair value of available-for-sale financial assets (other than those relating to foreign exchange translation differences on monetary investments) are recognised in other comprehensive income and accumulated in a separate component of equity under the heading revaluation reserves. Such reserves are reclassified to profit or loss when realised through disposal. When there is objective evidence that the asset is impaired, the cumulative loss is reclassified from equity to profit or loss as a reclassification adjustment. A significant or prolonged decline in the fair value of the investment below its cost is considered to be objective evidence of impairment. If, in a subsequent period, the fair value of an equity instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss, it is reversed against revaluation reserves and is not subsequently reversed through profit or loss. However, for debt instruments classified as available-for-sale impairment losses recognised in profit or loss are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss. For non-equity instruments classified as available-for-sale the reversal of impairment is recognised in profit or loss. The weighted average method is used when determining the cost basis of publicly listed equities being disposed of. Usually non-current investments in equity shares and debt securities are classified in this category but it does not include subsidiaries, joint ventures, or associates. Unquoted investments are stated at cost less allowance for impairment in value where there are no market prices, and Management is unable to establish fair value by using valuation techniques except that where Management can establish fair value by using valuation techniques the relevant unquoted investments are stated at fair value. For unquoted equity instruments impairment losses are not reversed.

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONTINUED)

2A. Significant accounting policies (Continued)

Cash and cash equivalents

Cash and cash equivalents 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.

Financial liabilities

Initial recognition, measurement and derecognition:

A financial liability is recognised on the statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument and it is derecognised when the obligation specified in the contract is discharged or cancelled or expires. The initial recognition of financial liability is at fair value normally represented by the transaction price. The transaction price for financial liability not classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition or issue of the financial liability. Transaction costs incurred on the acquisition or issue of financial liability classified at fair value through profit or loss are expensed immediately. The transactions are recorded at the trade date.

Subsequent measurement:

Subsequent measurement based on the classification of the financial liabilities in one of the following two categories under FRS 39 is as follows:

1. Liabilities at fair value through profit or loss: Liabilities are classified in this category when they are incurred principally for the purpose of selling or repurchasing in the near term (trading liabilities) or are derivatives (except for a derivative that is a designated and effective hedging instrument) or have been classified in this category because the conditions are met to use the "fair value option" and it is used. All changes in fair value relating to liabilities at fair value through profit or loss are charged to profit or loss as incurred.

2. Liabilities at amortised cost: These liabilities are carried at amortised cost using the effective interest method.

Fair value measurement

When measuring fair value, management uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. It is a market-based measurement, not an entity-specific measurement. 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. In making the fair value measurement, Management determines the following: (a) the particular asset or liability being measured (these are identified and disclosed in the relevant notes below); (b) for a non-financial asset, the highest and best use of the asset and whether the asset is used in combination with other assets or on a stand-alone basis; (c) the market in which an orderly transaction would take place for the asset or liability; and (d) the appropriate valuation techniques to use when Measuring fair value. The valuation techniques used maximise the use of relevant observable inputs and minimise unobservable inputs. These inputs are consistent with the inputs a market participant may use when pricing the asset or liability.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONTINUED)

2A. Significant accounting policies (Continued)

Fair value measurement (Continued)

The fair value measurements and related disclosures categorise the inputs to valuation techniques used to measure fair value by using a fair value hierarchy of three levels. These are recurring fair value measurements unless stated otherwise in the relevant notes to the financial statements. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. The level is measured on the basis of the lowest level input that is significant to the fair value measurement in its entirety. Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting year. If a financial instrument measured at fair value has a bid price and an ask price, the price within the bid-ask spread or mid-market pricing that is most representative of fair value in the circumstances is used to measure fair value regardless of where the input is categorised within the fair value hierarchy. If there is no market, or the markets available are not active, the fair value is established by using an acceptable valuation technique.

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONTINUED)

2B. Other explanatory information (Continued)

Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operations meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of profit or loss is re-presented as if the operations had been discontinued from the start of the comparative year.

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 and other puttable financial instruments 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 cost.

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2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONTINUED)

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:

A review is made on inventory of development properties held for sale for 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 development properties. 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 value require Management to make an estimate of the expected selling price of the unsold development properties based on recent transactions or open market-based measurements of the unsold units. The related amounts are disclosed in the note on development properties.

For development properties in the process of development accounted under the stage of completion method, the method relies on estimates of total expected contract revenue and costs, as well as dependable measurement of the progress made towards completing a particular project. Recognised revenues and profits are subject to revisions during the contract in the event that the assumptions regarding the overall contract outcome are revised. The cumulative impact of a revision in estimates is recorded in the period such revisions become likely and estimable. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. The related amounts are disclosed in the note on development properties.

Measurement of impairment of subsidiary:

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. The disclosure about the cost of investment in subsidiary is included in Note 17, which explains that a change in the key assumption could give rise to an impairment of the cost of investment in subsidiary. 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 subsidiary affected. The carrying amount of the specific cost of investment of the subsidiary at the end of the reporting year affected by the assumption is RM393.6 million.

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONTINUED)

2C. Critical judgements, assumptions and estimation uncertainties (Continued)

Construction contracts:

On construction contracts, revenues are recorded on the stage of completion basis. The stage of completion is determined by dividing the cumulative costs incurred as at end of the reporting period by the sum of incurred costs and anticipated costs for completing a contract. The stage of completion is then applied to the contract value to determine the cumulative revenue earned. This method of revenue recognition requires Management to prepare cost estimates to complete contracts in progress, and in making such estimates, judgements are required to evaluate contingencies such as potential variances in scheduling, cost of materials, labour costs and productivity, the impact of change orders or liability claims. All known or anticipated losses based on these estimates are provided for in their entirety without regard to the stage of completion. Estimated revenues on contracts include future revenues from claims when such additional revenues can be reliably established. These estimates are based on Management's business practices as well as its historical experience, and Management regularly reviews underlying estimates of project profitability. Revenue from contracts is recognised on the stage of completion method when the outcome of the contract can be estimated reliably. Recognised revenues and profits are subject to revisions during the project in the event that the assumptions regarding the overall project outcome are revised. Current sales and profit estimates for projects may materially change due to the early stage of a long-term project, new technology, changes in the project scope, changes in costs, changes in timing, changes in customers' plans, realisation of penalties, and other corresponding factors.

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 doubtful trade accounts:

An allowance is made for doubtful trade accounts for estimated losses resulting from the subsequent inability of the customers to make required payments. If the financial conditions of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required in future periods. To the extent that it is feasible impairment and uncollectibility is determined individually for each item. In cases where that process is not feasible, a collective evaluation of impairment is performed. At the end of the reporting year, the trade receivables carrying amount approximates the fair value and 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 and other receivables.

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2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONTINUED)

2C. Critical judgements, assumptions and estimation uncertainties (Continued)

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 RM9.1 million. If the actual useful lives of these items of assets were to differ by 10% from Management's estimates, the depreciation charge for these assets would be an estimated RM49,740 higher or RM16,300 lower.

Assessment of impairment of development rights:

The amount of development rights is tested annually for impairment. This annual impairment test is significant and the process is complex and highly judgemental and is based on assumptions that are affected by expected future market or economic conditions. As a result, 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 15, 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 has exposure to income tax in several jurisdictions of which a portion of the taxes arose from certain transactions and computations for which ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities of expected tax issues based on their best estimates of the likely taxes due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax positions in the period in which such determination is made. The amounts are disclosed in Note 11.

3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

FRS 24 on related party disclosure 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.

3A. Members of the Group:

The Company is a subsidiary of Ikram Mahawangsa Sdn. Bhd., incorporated in Malaysia. The ultimate controlling party is Su Chung Jye, a Director and Shareholder.

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.

3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

3B. Related party transactions:

There are transactions and arrangements between the Group 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 are unsecured without fixed repayment terms and interest unless stated otherwise. For any balances and financial guarantees no interest or charge is imposed 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	
	2017	**2016**
	RM'000	**RM'000**
Related parties		
Rendering of services	597	–
Revenue from construction contracts	14,823	93
Sales of goods	2,448	2,107
Sales of development properties	9,066	–
Contract expenses	(5,419)	(2,863)
Rental expenses	(400)	(400)

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

	Group	
	2017	**2016**
	RM'000	**RM'000**
Associate		
Rendering of services	24	53
Sales of construction materials	62	8

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3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

3C. Key management compensation:

	Group	
	2017	2016
	RM'000	RM'000
Salaries and other short-term employee benefits	4,088	8,795
Contributions to defined contribution plan	101	287
Share-based payments	60	742
	4,249	9,824

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

	Group	
	2017	2016
	RM'000	RM'000
Remuneration of Directors of the Company	2,616	2,153
Fees to Directors of the Company	465	587
Share-based payments to Directors of the Company	25	306
Remuneration of Directors of the subsidiary companies	–	4,793

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

Key management personnel are 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 six (2016: eight) 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	
	2017	2016
Group	RM'000	RM'000
Other payables:		
Balance at beginning of the year	(1,168)	(3,143)
Amounts paid out and settlement of liabilities on behalf of associate	602	3,855
Amounts paid in and settlement of liabilities on behalf of Group	(2)	(1,880)
Balance at end of the year (Note 30)	(568)	(1,168)

3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

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

	Directors	
Group	**2017 RM'000**	**2016 RM'000**
Other payables:		
Balance at beginning of the year	(1,843)	(999)
Amounts paid out and settlement of liabilities to Directors	492	13
Amounts paid in and settlement of liabilities on behalf of Group	(1,707)	(857)
Balance at end of the year (Note 30)	(3,058)	(1,843)

	Shareholders	
Group	**2017 RM'000**	**2016 RM'000**
Other payables:		
Balance at beginning of the year	(169)	–
Amounts paid out and settlement of liabilities to Shareholders	39	165
Amounts paid in and settlement of liabilities on behalf of Group	(380)	(334)
Balance at end of the year (Note 30)	(510)	(169)

	Subsidiaries	
Company	**2017 RM'000**	**2016 RM'000**
Other receivables:		
Balance at beginning of the year	20,776	4,812
Amounts paid out and settlement of liabilities on behalf of subsidiaries	25,656	22,326
Amounts paid in and settlement of liabilities on behalf of Company	(1,584)	(6,981)
Translation exchange adjustment	(1,032)	619
Balance at end of the year (Note 23)	43,816	20,776

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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, geographical areas, and the major customers are made as required by FRS 108 Operating Segments. This disclosure standard has no impact on the reported results or financial position of the Group.

During the preceding reporting year, the precision business had been discontinued (see Note 12). Due to the above streamlining of the segments, the chief operating decision maker organised the business to reflect current and prospective economic segments: property development, construction and trading. 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.

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 unallocated entities.

Inter-segment sales are measured on the basis that the entity actually used to price the transfers. Internal transfer pricing policies of the Group 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 one 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.

4. FINANCIAL INFORMATION BY OPERATING SEGMENTS (CONTINUED)

4B. Profit of loss from continuing operations and reconciliations

31 December 2017	Property development RM'000	Construction RM'000	Trading RM'000	Others RM'000	Total RM'000
Revenue					
External revenue	109,927	46,744	9,539	2,382	168,592
Recurring EBITDA	14,464	1,495	3,409	(4,727)	14,641
Depreciation	(895)	(996)	(327)	(2,277)	(4,495)
Finance costs	(591)	(450)	(628)	(1,535)	(3,204)
ORBIT	12,978	49	2,454	(8,539)	6,942
Share of profit from equity-accounted associate	454	–	–	–	454
Profit before tax from continuing operations					7,396
Income tax expense					(6,611)
Profit after tax from continuing operations					785

Restated 31 December 2016	Property development RM'000	Construction RM'000	Trading RM'000	Others RM'000	Total RM'000
Revenue					
External revenue	125,432	12,672	9,995	914	149,013
Recurring EBITDA	19,636	–	(1)	(8,576)	11,059
Depreciation	(1,101)	(963)	(280)	(1,750)	(4,094)
Finance costs	(1,508)	(243)	(256)	(1,156)	(3,163)
ORBIT	17,027	(1,206)	(537)	(11,482)	3,802
Share of loss from equity-accounted associate	(307)	–	–	–	(307)
Profit before tax from continuing operations					3,495
Income tax expense					(3,165)
Profit after tax from continuing operations					330

NOTES TO THE FINANCIAL STATEMENTS

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4. FINANCIAL INFORMATION BY OPERATING SEGMENTS (CONTINUED)

4C. Assets and reconciliations

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	261,223	24,305	14,374	16,353	(12,895)	303,360
Unallocated:						
Property, plant and equipment	–	–	–	7,750	–	7,750
Available-for-sale financial assets	–	–	–	1,551	–	1,551
Trade and other receivables	–	–	–	43,828	(43,816)	12
Other assets	–	–	–	145	–	145
Cash and cash equivalents	–	–	–	3,093	–	3,093
Total Group assets	261,223	24,305	14,374	72,720	(56,711)	315,911

Restated 31 December 2016	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	184,924	22,277	14,450	16,855	–	238,506
Unallocated:						
Property, plant and equipment	–	–	–	80	–	80
Available-for-sale financial assets	–	–	–	1,551	–	1,551
Trade and other receivables	–	–	–	28,677	(20,015)	8,662
Other assets	–	–	–	155	–	155
Cash and cash equivalents	–	–	–	1,996	–	1,996
Total Group assets	184,924	22,277	14,450	49,314	(20,015)	250,950

4. FINANCIAL INFORMATION BY OPERATING SEGMENTS (CONTINUED)

4D. Liabilities and reconciliations

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	93,543	47,434	33,159	61,441	(12,895)	222,682
Unallocated:						
Trade and other payables	–	–	–	44,979	(26,081)	18,898
Other financial liabilities	–	–	–	8,329	–	8,329
Total Group liabilities	93,543	47,434	33,159	114,749	(38,976)	249,909

Restated 31 December 2016	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	130,993	20,331	31,866	25,317	(20,943)	187,564
Unallocated:						
Trade and other payables	–	–	–	10,187	–	10,187
Total Group liabilities	130,993	20,331	31,866	35,504	(20,943)	197,751

4E. Information about sales to major customers

Revenue of RM21.3 million are derived from a single external customer, which are attributable to the property development segment.

In 2016, there were no customers with revenue transactions over 10% of the Group's continuing operations.

NOTES TO THE FINANCIAL STATEMENTS

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4. FINANCIAL INFORMATION BY OPERATING SEGMENTS (CONTINUED)

4F. Geographical information

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

	2017 RM'000	2016 RM'000
Revenue		
Continuing operations		
Singapore	498	–
Malaysia	168,094	149,013
	168,592	149,013
Discontinued operations		
Singapore	–	82,060
The People's Republic of China	–	21,126
	–	103,186
	168,592	252,199
Other geographical information:		
Continuing operations		
Singapore		
– Addition of capital expenditure	8,721	9
– Depreciation	831	45
Malaysia		
– Addition of capital expenditure	2,151	5,996
– Depreciation	3,664	4,049
– (Reversal of) Allowance for impairment losses	(316)	101
Discontinued operations		
Singapore		
– Addition of capital expenditure	–	384
– Depreciation	–	1,595
– Impairment losses	–	1,173
The People's Republic of China		
– Addition of capital expenditure	–	6
– Depreciation	–	47
– Reversal of impairment losses	–	(476)
Segment assets		
Continuing operations		
Singapore		
– Non-current	9,297	1,625
Malaysia		
– Non-current	47,664	26,789

Revenues are 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.

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5. REVENUE

	Group 2017 RM'000	Group 2016 RM'000
Sale of goods	9,539	9,995
Sale of development properties	109,927	125,432
Revenue from construction contracts	46,744	12,672
Rendering of services	797	600
Rental income	884	261
Others	701	53
	168,592	149,013

6. INTEREST INCOME

	Group 2017 RM'000	Group 2016 RM'000
Interest income	61	25

7. OTHER GAINS (OTHER LOSSES)

	Group 2017 RM'000	Group 2016 RM'000
Allowance for impairment for trade and other receivables	(306)	(281)
Reversal of impairment for trade and other receivables	622	180
Compensation received	–	10
Foreign exchange adjustment losses	(487)	(80)
Foreign exchange adjustment gains	446	–
Sundry gains	678	522
Net	953	351
Presented in profit or loss as:		
Other gains	1,746	712
Other losses	(793)	(361)
Net	953	351

8. FINANCE COSTS

	Group 2017 RM'000	Group 2016 RM'000
Interest expenses to financial institutions	2,204	3,163
Redeemable preference shares dividends	1,000	–
	3,204	3,163

NOTES TO THE FINANCIAL STATEMENTS

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9. EMPLOYEE BENEFITS EXPENSE

	Group	
	2017	**2016**
	RM'000	**RM'000**
Employee benefits expense	15,695	14,787
Contributions to defined contribution plans	1,406	1,357
Share-based payments (Note 27)	512	1,930
Total employee benefits expenses	17,613	18,074

The employee benefits expenses charged to profit or loss are as follows:

Cost of sales	984	913
Marketing and distribution costs (Note 10)	703	344
Administrative expenses (Note 10)	15,926	16,817
Total employee benefits expenses	17,613	18,074

10. MARKETING AND DISTRIBUTION COSTS AND ADMINISTRATIVE EXPENSES

The major components include the following:

	Group	
	2017	**2016**
	RM'000	**RM'000**
Marketing and distribution costs:		
Employee benefits expense (Note 9)	703	344
Administrative expenses:		
Auditors' remuneration:		
Auditor of the Company	267	230
Other auditors:		
– current year	389	356
– underprovision in previous financial year	–	18
Non-audit fees paid and payable to:		
– Auditor of the Company	19	11
– Other auditors	95	105
Employee benefits expense (Note 9)	15,926	16,817
Depreciation of property, plant and equipment	4,495	4,094
Rental expenses	1,229	991

11. INCOME TAX

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

	Group	
	2017 RM'000	2016 RM'000
Current tax expense:		
Current tax expense	5,547	3,726
Under (Over) adjustments to current tax in respect of prior periods	554	(685)
Subtotal	6,101	3,041
Deferred tax expense:		
Deferred tax expense	329	168
Under (Over) adjustments to deferred tax in respect of prior periods	181	(44)
Subtotal	510	124
Total income tax expense	6,611	3,165

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% (2016: 17%) to profit or loss before income tax as a result of the following differences:

	Group	
	2017 RM'000	2016 RM'000
Profit before tax	7,396	3,495
Share of (profit) loss from equity-accounted associate	(454)	307
	6,942	3,802
Income tax expense at the above rate	1,180	646
Not deductible items	904	4,179
Unrecognised deferred tax assets	3,908	3,771
Utilisation of previously unrecognised deferred tax assets	(359)	(5,596)
Effect of different tax rates in different countries	211	894
Under (Over) adjustment to current tax in respect of previous periods	554	(685)
Under (Over) adjustment to deferred tax in respect of previous periods	181	(44)
Others	32	–
Total income tax expense	6,611	3,165

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

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11. INCOME TAX (CONTINUED)

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

	Group	
	2017 RM'000	2016 RM'000
Excess of carrying value of plant and equipment over tax values	(419)	685
Excess of tax values over carrying value of plant and equipment	(488)	(1,655)
Tax losses carryforwards and unabsorbed capital allowances	(2,147)	2,420
Difference in tax and accounting profit recognition for development properties	–	21
Provisions	29	512
Unrecognised deferred tax assets	3,908	3,771
Utilisation of previously unrecognized deferred tax assets	(359)	(5,596)
Others	(14)	(34)
Total deferred tax expense recognised in profit or loss	510	124

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

	Group	
	2017 RM'000	2016 RM'000
Deferred tax liabilities:		
Excess of carrying value over tax values of plant and equipment	(267)	(686)
Total deferred tax liabilities	(267)	(686)
Deferred tax assets:		
Excess of tax values over carrying value of plant and equipment	2,490	2,002
Tax losses carryforwards and unabsorbed capital allowances	4,354	2,207
Provisions	344	373
Other	14	–
Total deferred tax assets	7,202	4,582
Net total of deferred tax assets	6,935	3,896
Unrecognised deferred tax assets	(7,061)	(3,512)
Net balance	(126)	384
Presented in the statement of financial position as follows:		
Deferred tax assets	141	1,070
Deferred tax liabilities	(267)	(686)
	(126)	384

11. INCOME TAX (CONTINUED)

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

It is impracticable to estimate the amount expected to be settled or used within one year.

Profits recognised for all development properties for the Group are taxed based on percentage of completion of the projects.

The realisation of the future income tax benefits from tax loss carryforwards 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 RM18,146,000 (2016: RM9,177,000) as at 31 December 2017. 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.

Temporary differences arising in connection with interests in subsidiaries and associate are insignificant to the extent of the accumulated losses as at end of the reporting year date.

12. LOSS FROM DISCONTINUED OPERATIONS, NET OF TAX

On 15 December 2016, the Company had successfully obtained Shareholders' approval for the disposal of the Company's entire precision business division ("discontinued operations"). On 16 December 2016 the sale was completed. On this date control of the following subsidiaries passed to the acquirer:

(i) Hisaka International Holdings Pte. Ltd.

(ii) Hisaka (Singapore) Pte. Ltd.

(iii) Hisaka Mechatronic (Suzhou) Co. Ltd

(iv) Tech Motion (Shanghai) Co. Ltd.

For the discontinued operations, the results for the period from the beginning of the previous reporting year to 16 December 2016, which have been included in the consolidated financial statements, were as follows:

	Group Period ended 16/12/2016 RM'000
Revenue	103,186
Expenses	(104,315)
Loss before income tax from discontinued operations	(1,129)
Income tax credit	36
Loss after income tax before disposal loss	(1,093)
Loss on disposal of subsidiaries	(20,564)
Loss from discontinued operations, net of tax	(21,657)

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12. LOSS FROM DISCONTINUED OPERATIONS, NET OF TAX (CONTINUED)

In 2016, a loss of RM20,564,000 arose on the disposal of subsidiaries, being the consideration receivable on disposal less the carrying amount of the subsidiaries' net assets.

The following table summarises the carrying value of the account balances of the discontinued operations that was sold on 16 December 2016:

	Group At date of disposal in 2016 RM'000
Property, plant and equipment	10,498
Deferred tax assets	1,064
Cash and cash equivalents	13,144
Trade and other receivables	51,481
Other assets	431
Inventories	17,020
Income tax recoverable	36
Trade and other payables	(14,436)
Other financial liabilities	(20,878)
Deferred tax liabilities	(1,112)
Income tax payable	(189)
Net assets disposed of	57,059
Cumulative exchange differences in respect of the net assets of the foreign operations reclassified from equity on the loss of control	(7,186)
Loss on disposal	(20,564)
Total consideration	29,309
Satisfied by:	
Cash proceeds	20,648
Deferred consideration (Note 23)	8,661
Total consideration	29,309

	Group At date of disposal in 2016 RM'000
Net cash inflow on disposal:	
Cash consideration	20,648
Cash balance disposed of	(13,144)
Net cash inflow	7,504

12. LOSS FROM DISCONTINUED OPERATIONS, NET OF TAX (CONTINUED)

The impact of the discontinued operations on the cash flows of the Group was as follows:

	Group Period ended 16/12/2016 RM'000
Operating activities	(5,806)
Investing activities	(283)
Financing activities	3,717
Total cash flows	(2,372)

The above cash flows were not separately disclosed in the statement of cash flows.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative consolidated statement of profit or loss is re-presented as if the operation had been discontinued from the start of the comparative year.

In order to disclose items that form part of the discontinued operations, certain reclassifications as disclosed above have been made to the consolidated statement of profit or loss and related notes to group these items under the separate heading of discontinued operations. These were not regarded as retrospective restatement or reclassification of items in the financial statements as envisaged by FRS 1. These reclassifications have not resulted in any change to the balances in the statement of financial position. Accordingly, a statement of financial position at the beginning of the earliest comparative period was not presented.

13. EARNINGS (LOSSES) PER SHARE

Basic earnings (losses) per ordinary share is computed by dividing the earnings (losses) attributable to the equity holders of the Group in each financial year by the weighted average number of ordinary shares in issue during the respective financial year.

There were no dilutive ordinary shares in existence during the current financial year reported on and the previous corresponding year. Accordingly, the basic and fully diluted earnings (losses) per share for the respective financial year were the same.

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

	Group	
	2017	2016
Numerator: Profit (Loss) attributable to equity holders – RM'000		
– Continuing operations: profit for the year	33	337
– Discontinued operations: loss for the year	–	(21,657)
Total basic earnings (losses)	33	(21,320)
Denominator: Weighted average number of ordinary shares on Issue:		
– Basic	204,734,928	200,114,059
– Diluted	204,734,928	200,114,059

The ordinary share equivalents included in the calculations in year 2017 and year 2016 are: (1) the average number of ordinary shares assumed to be outstanding during the reporting year and (2) ordinary shares issuable upon assumed exercise of options which (if any) would have a dilutive effect.

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14. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold properties and improvements RM'000	Plant and equipment RM'000	Total RM'000
Cost:			
At 1 January 2016	11,471	26,033	37,504
Additions	82	6,313	6,395
Disposals	–	(1,062)	(1,062)
Disposal of subsidiaries	(11,325)	(8,215)	(19,540)
Translation exchange adjustment	58	75	133
At 31 December 2016	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	8,766	25,290	34,056
Accumulated depreciation:			
At 1 January 2016	1,343	13,461	14,804
Depreciation for the year	730	5,006	5,736
Disposals	–	(599)	(599)
Disposal of subsidiaries	(2,037)	(7,005)	(9,042)
Translation exchange adjustment	18	74	92
At 31 December 2016	54	10,937	10,991
Depreciation for the year	818	3,677	4,495
Disposals	–	(5)	(5)
Translation exchange adjustment	(21)	(2)	(23)
At 31 December 2017	851	14,607	15,458
Carrying value :			
At 1 January 2016	10,128	12,572	22,700
At 31 December 2016	232	12,207	12,439
At 31 December 2017	7,915	10,683	18,598

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Plant and equipment RM'000
Cost:	
At 1 January 2016	130
Additions	5
Translation exchange adjustment	2
At 31 December 2016	137
Translation exchange adjustment	(2)
At 31 December 2017	135
Accumulated depreciation:	
At 1 January 2016	21
Depreciation for the year	44
Translation exchange adjustment	2
At 31 December 2016	67
Depreciation for the year	46
Translation exchange adjustment	(2)
At 31 December 2017	111
Carrying value:	
At 1 January 2016	109
At 31 December 2016	70
At 31 December 2017	24

Allocation of the depreciation expense as follows:

Group	Cost of sales RM'000	Marketing and distribution costs RM'000	Administrative expenses RM'000	Total RM'000
31 December 2017				
– continuing operations	–	–	4,495	4,495
31 December 2016				
– continuing operations	–	–	4,094	4,094
– discontinued operations	154	648	840	1,642
	154	648	4,934	5,736

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14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Cost of sales RM'000	Marketing and distribution costs RM'000	Administrative expenses RM'000	Total RM'000
31 December 2017	–	–	46	46
31 December 2016	–	–	44	44

Certain items are under finance lease agreements (Note 29).

Certain leasehold buildings are pledged as security for the banking facilities (Note 29).

15. DEVELOPMENT RIGHTS

	Group	
	2017 RM'000	2016 RM'000
Cost:		
At 1 January 2017	–	–
Additions (Note 32)	11,276	–
At 31 December 2017	11,276	–

The value in use was measured by a firm of independent financial advisers. 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:

Development rights Valuation technique and unobservable inputs	Range (weighted average) 2017	2016
Discounted cash flow method:		
Estimated discount rates using pre-tax rates that reflect current market assessments at the risks specific to the asset	8%	–
Cash flow forecasts period	4 years	–

Selling price range per square foot:	Approximates RM335 – 571
Development rights per square foot:	Approximates RM78

There has been no amortisation for development rights as the construction has not commenced (Note 32).

Based on the sensitively analysis performed, any reasonable changes in the key assumptions would not result in any impairment adjustments.

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16. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group and Company	
	2017	2016
	RM'000	RM'000
Keyman life insurance policy as available-for-sale at fair value through profit or loss:		
Balance at beginning of year	1,551	1,523
Translation exchange adjustment	–	28
Balance at end of the year	1,551	1,551

A keyman insurance asset (life insurance settlement contract) may be accounted under (a) the investment method or (b) the fair value method on an instrument-by-instrument basis and is irrevocable. The Company must have control of the policy before it can record it as an asset.

Keyman insurance asset (life insurance settlement contract) is accounted under the fair value method. The initial investment is recognised at the transaction price. In subsequent periods, the investment is re-measured at fair value (Level 3) in its entirety at each reporting period. The changes in fair value are recognised in profit or loss in the period in which the changes occur. The fair value (Level 3) of the investment was measured.

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 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$389,000 (equivalent to RM1,178,000) as at 31 December 2017. The difference between premium of S$501,000 paid and the cash surrender value of S$389,000 at inception date is recoverable over the policy period of 25 years.

17. INVESTMENTS IN SUBSIDIARIES

	Company	
	2017	2016
	RM'000	RM'000
Carrying value:		
Unquoted equity shares, at cost	393,597	327,374
Translation exchange adjustment	–	66,223
Total at cost	393,597	393,597
Movements during the year:		
At beginning of the year, at cost	393,597	386,308
Translation exchange adjustment	–	7,289
At end of the year, at cost	393,597	393,597
Movements in allowance for impairment:		
Balance at beginning of the year	–	(546)
Disposal/written off	–	546
Balance at end of the year	–	–
Carrying value of subsidiaries in the books of the Company	27,835	21,770

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17. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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	
	2017 RM'000	2016 RM'000	2017 %	2016 %
Regal International Holdings Pte. Ltd.[(a) (d)] Singapore Investment holding company	393,597	393,597	100	100
Regal International Investments Pte. Ltd.[(a)] Singapore Investment holding company	–#	–#	100	100
	393,597	393,597		

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	
	2017 %	2016 %
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

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17. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The subsidiaries held through subsidiaries are listed below: (Continued)

Name of subsidiaries, country of incorporation, place of operations and principal activities	Percentage of equity held by Company	
	2017	2016
	%	%
Held through Regal International Holdings Pte. Ltd. (Continued)		
HJ Lai Cement Concrete 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
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

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17. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The subsidiaries held through subsidiaries are listed below: (Continued)

Name of subsidiaries, country of incorporation, place of operations and principal activities	Percentage of equity held by Company	
	2017 %	2016 %
Held through Regal International Holdings Pte. Ltd. (Continued)		
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)] 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
Million Sunray Sdn. Bhd.[(b)] Malaysia Property investment, development and construction	55	55
Wisma Majuniaga Sdn. Bhd.[(b)(e)] Malaysia Property investment, development and construction	100	–

17. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The subsidiaries held through subsidiaries are listed below: (Continued)

Name of subsidiaries, country of incorporation, place of operations and principal activities	Percentage of equity held by Company 2017 %	2016 %
Held through Regal International Investments Pte. Ltd.		
Regal Global Logistics Pte. Ltd.[(a)] Singapore Investment holding company	100	100
Regalia Properties Pte. Ltd.[(a)] Singapore Real estate agencies and valuation services	70	70
Regal Asset Management Pte. Ltd.[(a)] Singapore Asset and portfolio management company	75	75
Regal Global Capital Pte. Ltd.[(a)] 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 Horwath, 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) Management has assessed the recoverable amount of the investment in Regal International Holdings Pte. Ltd. based on an update of the valuation exercise on their remaining projects as at 31 December 2017 using the same basis as a third party assessment for the purpose of the RTO. Based on these valuations, the value of the remaining projects on hand is estimated to be RM501.8 million which is 27.5% higher than the carry amount of the cost of investment in Regal International Holdings Pte. Ltd. Updating this and taking into account any potential decline in the value of the projects due to current economic conditions, Management is of the view that there is no impairment in the Company's cost of investment in Regal International Holdings Pte. Ltd. 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 subsidiary affected. The carrying amount of the specific cost of investment of the subsidiary at the end of the reporting year affected by the assumption is RM393.6 million.

(e) The subsidiary was acquired during the year (Note 32).

\# Cost of investment is less than RM1,000.

There are no subsidiaries that have non-controlling interest 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.

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18. INVESTMENT IN ASSOCIATE

	Group 2017 RM'000	Group 2016 RM'000
Carrying value:		
Unquoted equity shares, at cost	678	678
Dividends	(3,540)	(3,540)
Share of post acquisition profit	8,016	7,562
Translation exchange adjustment	18	18
	5,172	4,718
Movement in carrying value:		
Balance at beginning of year	4,718	8,565
Dividends	–	(3,540)
Share of post acquisition profit (loss)	454	(307)
	5,172	4,718
Share of carrying value of associate	5,172	4,718

The associate held by the Group is listed below:

Name of associate, country of incorporation, place of operations and principal activities	Cost of investment 2017 RM'000	Cost of investment 2016 RM'000	Percentage of effective equity held by Group 2017 %	Percentage of effective equity held by Group 2016 %
Tiya Development Sdn. Bhd.[(a) (b)] Malaysia Property development	678	678	50	50
	678	678		

(a) Other independent auditors. Audited by Crowe Horwath, Malaysia, 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 Deeds of Assignment with 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 the above associates. Pursuant thereto, the Group is entitled to 50% of the economic benefits in Tiya Development Sdn. Bhd.

18. INVESTMENT IN ASSOCIATE (CONTINUED)

The summarised financial information in respect of Tiya Development Sdn. Bhd. based on its FRS financial statements and reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

Summarised of statement of financial position:

	Tiya Development Sdn. Bhd.	
	2017	**2016**
	RM'000	**RM'000**
Current assets	21,790	23,546
Non-current assets	583	588
Total assets	22,373	24,134
Current liabilities	(12,030)	(14,698)
Total liabilities	(12,030)	(14,698)
Net assets	10,343	9,436
Proportion of the Group's ownership	50.0%	50.0%
Group's share of net assets/carrying amount of the investment	5,172	4,718

Summarised statement of comprehensive income (loss):

	Tiya Development Sdn. Bhd.	
	2017	**2016**
	RM'000	**RM'000**
Revenue	3,796	5,249
Profit (Loss) after tax	907	(614)
Total comprehensive income (loss)	907	(614)
Dividends paid during the year	–	7,080

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19. INVESTMENT PROPERTIES

	Group 2017 RM'000	Group 2016 RM'000
Under construction at cost:		
At beginning of the year	5,666	–
Additions	12,147	5,666
At end of the year	17,813	5,666

The investment properties consisted of 4 blocks of commercial and office spaces and a block of condominium that are still under construction as at year end. Their stage of completion approximated 17% and 56% respectively as at year end and are expected to be completed in the year 2021 and 2018. These properties are located at Jalan Song in Kuching, Malaysia.

The properties will be built on leasehold lands with unexpired lease terms ranging between 21 to 98 years.

For fair value measurements categorized 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:

Fair value	:	RM19,740,000 (2016: 5,920,000)
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 RM224 (2016: RM260)
Sensitivity on Management's estimates – 10% variation from estimate	:	Impact – Lower or higher by RM1,974,000 (2016: RM592,000)

20. OTHER ASSETS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deposits to secure services	61	59	57	58
Deposits to secure land for development	3,290	1,581	–	–
Prepayments	438	328	79	96
Land held for property development	371	371	–	–
Payments in advance to landowners(*)	2,039	2,599	–	–
	6,199	4,938	136	154
Presented in statement of financial position:				
Non-current	2,410	2,970	–	–
Current	3,789	1,968	136	154
	6,199	4,938	136	154

(*) 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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21. DEVELOPMENT PROPERTIES

	Group	
	2017	2016
	RM'000	RM'000
Development properties held for sale in the process of development	36,627	74,087
Development properties in the process of development accounted under the stage of completion method (Note 21A)	27,104	33,502
	63,731	107,589

21A. Development properties in the process of development accounted under the stage of completion method

	Group	
	2017	2016
	RM'000	RM'000
Aggregate amount of costs incurred and recognised profits (less recognised losses) to date on uncompleted contracts	117,271	52,257
Less progress payments received and receivable and advances to date	(115,039)	(51,359)
Net amount arising from customer at end of the year	2,232	898
Included in the accompanying statement of financial position as follows:		
Under trade receivables, current	16,679	898
Under progress billings	(14,447)	–
	2,232	898
Contract costs that relate to future activity recognised as an asset:		
Balance at beginning of the year	33,502	39,086
Aggregate amount of costs incurred	62,343	16,055
Less amounts recognised in profit or loss	(68,741)	(21,639)
Balance at end of the year – contract costs that relate to future activity recognised as an asset	27,104	33,502

The amount of development properties expected to be recovered after 12 months amounted to RM36,626,000 (2016: RM74,087,000).

The development properties are mortgaged for credit facilities granted to the Group (Note 29).

The Group has entered into co-operative agreements with certain third parties and shareholder (known as the "**parties**") to develop certain plots of land (the "**land**") owned by these parties. Pursuant to these agreements, the Group had made payments to these parties in return for the rights to develop the land. The terms of the agreement include, among other things:

(i) The Group is responsible for making payments for the land acquired to the parties at mutually agreed prices; but the land continues to be recorded in the books of these parties; and

(ii) The Group retains full control over the development and subsequent sale of these properties arising from the development of these land plots.

As a result of the arrangements arising from these agreements, the Group has accounted for 100% interest in these projects.

Borrowing costs capitalised in the development properties for the reporting year is RM1,930,000.

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22. INVENTORIES

	Group	
	2017 RM'000	2016 RM'000
Construction materials	794	900
Completed properties	71,002	30,297
	71,796	31,197
Cost of inventories charged to profit or loss included in cost of sales – continuing operations	74,626	14,791
Cost of inventories charged to profit or loss included in cost of sales – discontinued operations	–	77,736

Certain completed properties are pledged as security for facilities (Note 29).

23. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Trade receivables:				
Outside parties	28,466	24,011	–	–
Shareholders	16,655	–	–	–
Accrued receivables	30,527	8,599	–	–
Less: allowance for impairment	(884)	(1,200)	–	–
Due from customers on construction contracts (Note 25)	20,803	16,000	–	–
Retention sums on construction contracts (Note 25)	2,409	1,055	–	–
Subtotal	97,976	48,465	–	–
Other receivables:				
Outside parties[a]	12,826	18,695	–	8,661
Subsidiaries (Note 3)	–	–	43,816	20,776
Less: allowance for impairment	(548)	(548)	–	–
Subtotal	12,278	18,147	43,816	29,437
Total trade and other receivables	110,254	66,612	43,816	29,437

23. TRADE AND OTHER RECEIVABLES (CONTINUED)

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Movement in allowance:				
Balance at beginning of the year	(1,748)	(1,923)	–	(258)
Charged to profit or loss included in other losses – continuing operations	(306)	(281)	–	–
Allowance written back included in other gains – continuing operations	622	180	–	245
Bad debts written off	–	245	–	–
Disposal of subsidiaries	–	18	–	–
Translation exchange adjustment	–	13	–	13
Balance at end of the year	(1,432)	(1,748)	–	–

(a) Included in other receivables from outside parties were:

(i) Amounts of RM4.2 million (2016: RM0.9 million) that will be used to contra future purchases of land. The fair value of land was determined at that point of transfer of land title.

(ii) An amount of RM8.7 million (S$2.8 million) in the reporting year 31 December 2016, representing the 2nd tranche sales consideration from the disposal of the precision business that was outstanding. Accordingly, the value of the 2nd tranche consideration shall comprise the proceeds from the sale of the precision business's property. For the purpose of the Circular on the disposal, the value of the 2nd tranche consideration based on the valuation report dated in May 2016 was estimated to be approximately RM17.1 million (S$5.5 million). However, in view of the weakened industrial property market, and after weighted references to actual market selling prices, a more realistic amount of RM8.7 million was recognised to fairly reflect the value of the 2nd tranche consideration.

24. CASH AND CASH EQUIVALENTS

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Not restricted in use	7,916	13,499	2,923	1,830
Cash under project accounts[(a)]	203	224	–	–
Restricted in use[(b)]	1,261	1,447	–	–
	9,380	15,170	2,923	1,830
Interest earning balances	1,261	2,687	–	1,240

The rate of interest for the cash on interest earning balances is 0.25% – 3.70% (2016: 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.

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24. CASH AND CASH EQUIVALENTS (CONTINUED)

24A. Cash and cash equivalents in the Group statement of cash flows

	Group	
	2017 RM'000	2016 RM'000
As shown above	9,380	15,170
Restricted in use	(1,261)	(1,447)
Bank overdrafts (Note 29)	(4,800)	(7,690)
Cash and cash equivalents at end of year	3,319	6,033

Included in the cash and cash equivalents of the Group is an amount of RM700,000 (2016 – RM700,000) which are not registered under the name of the Group as at 31 December 2017. It is registered in the name of Mr. Su Chung Jye.

24B. Non-cash transactions

(a) There were certain assets under property, plant and equipment with a total cost of RM1,561,000 as at 31 December 2017 (2016: RM4,061,000) acquired by means of finance leases (Note 14).

(b) There were certain assets under property, plant and equipment with a total cost of RM8,719,000 as at 31 December 2017 (2016: nil) reclassed from other receivables after the completion of the transfer of the leasehold property.

(c) A total of 24,803,192 ordinary shares of approximately RM0.46 (S$0.15) per share were issued in settlement for the acquisition of a subsidiary amounting to RM11,500,000. The net assets of the subsidiary are disclosed in Note 32.

24C. Reconciliation of liabilities arising from financing activities:

	2016 RM'000	Cash flows RM'000	Non-cash changes RM'000	2017 RM'000
Other financial liabilities excluding bank overdrafts	51,086	25,651	1,561	78,298

25. CONSTRUCTION CONTRACTS IN PROGRESS

	Group	
	2017 RM'000	2016 RM'000
Aggregate amount of costs incurred and recognised profits to date on uncompleted contracts	445,805	317,979
Less: progress payments received and receivables	(425,002)	(301,979)
Net amount due from contract customers at end of the year (Note 23)	20,803	16,000
Construction contract retention receivables as an asset under trade receivables (Note 23)	2,409	1,055

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26. 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
Ordinary shares of no par value:				
Balance at 1 January and 31 December 2016	200,114,059	133,052	200,114,059	369,551
Issue of shares at RM0.46 (S$0.15) each (Note 32)	24,803,192	11,500	24,803,192	11,500
Balance at 31 December 2017	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. The 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. The 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, the 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 SGX-ST, 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.

The 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.

The 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).

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26. SHARE CAPITAL (CONTINUED)

Capital management (Continued)

	Group	
	2017	**2016**
	RM'000	**RM'000**
Net debt:		
All current and non-current borrowings including finance leases	83,098	58,776
Less cash and cash equivalents	(9,380)	(15,170)
Net debt	73,718	43,606
Adjusted capital:		
Total equity	66,002	53,199
Adjusted capital	66,002	53,199
Debt-to-adjusted capital ratio	111.69%	81.97%

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

27. SHARE-BASED PAYMENTS

27A. 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 share options; and

(ii) 6,000,000 options at S$0.30, being a 20% discount to the Market Price.

27. SHARE-BASED PAYMENTS (CONTINUED)

27B. 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 December 2017	2016
S$0.38	3 June 2015	3 June 2016 to 2 June 2024[(a)]	5,235	5,395
S$0.30	3 June 2015	3 June 2017 to 2 June 2024[(a)]	5,235	5,395
Balance at end of year			10,470	10,790

(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 as the end of the reporting year:

Directors and Controlling Shareholders of the Company	Options in 2015	Options from start of scheme to end of 2016	Exercised/ lapsed from start of scheme to end of 2017	Balance at 31.12.2017
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]
Associate of a Controlling Shareholder of the Company				
Serena Su Chung Wen	120,000	120,000	–	120,000[#a]
	120,000	120,000	–	120,000[#b]
	1,920,000	1,920,000	–	1,920,000

#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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27. SHARE-BASED PAYMENTS (CONTINUED)

27B. Activities under the share option scheme: (Continued)

Other than the above Directors and Controlling Shareholders and an Associate of a Controlling Shareholders, 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 2016	Exercised/ lapsed from start of scheme to end of 2017	Balance at 31.12.2017
Frederick Eng Meng	525,000	525,000	–	525,000[#c]
Khuan	525,000	525,000	–	525,000[#d]
Liang Ngee Ping	525,000	525,000	–	525,000[#c]
	525,000	525,000	–	525,000[#d]
	2,100,000	2,100,000	–	2,100,000

#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.

27C. Accounting for the share options:

Share option reserve:

	Group and Company 2017 RM'000	2016 RM'000
At beginning of the year	3,193	1,631
Expense recognised in profit or loss	512	1,930
Forfeited	(105)	(368)
At end of the year – included in share option reserve	3,600	3,193

For the reporting year, the total charge to profit or loss amounted to RM512,000 (2016: RM1,930,000) and it is also included in employee benefits expense (Note 9).

27. SHARE-BASED PAYMENTS (CONTINUED)

27C. Accounting for the share options: (Continued)

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	
	2017	**2016**
Grant date share price and exercise price	As shown above	As shown above
Historical and expected volatility	40%	40%
Dividend yield	2.6%	2.6%
Risk-free interest rate	1.7%	1.7%
Forfeiture probability: leaving pre-vesting	2%	2%

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 plan was approved.

28. MERGER RESERVE

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

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29. OTHER FINANCIAL LIABILITIES

	Group		Company	
	2017	2016	2017	2016
Non-current:	RM'000	RM'000	RM'000	RM'000
Financial instruments with floating interest rates:				
Term loans (secured) (Note 29A)	19,759	27,305	–	–
Financial instruments with fixed interest rates:				
Finance leases (Note 29B)	5,859	7,202	–	–
Redeemable preference shares (secured) (Note 29E)	25,000	–	–	–
Non-current total	50,618	34,507	–	–
Current:				
Financial instruments with floating interest rates:				
Term loans (secured) (Note 29A)	21,983	11,110	8,329	–
Bank overdrafts (secured) (Note 29C)	4,800	7,690	–	–
Banker acceptance (secured) (Note 29D)	2,434	2,601	–	–
Financial instruments with fixed interest rates:				
Finance leases (Note 29B)	3,263	2,868	–	–
Current total	32,480	24,269	8,329	–
Total	83,098	58,776	8,329	–
Non-current portion is repayable as follows:				
Due within 2 to 5 years	48,747	31,158	–	–
After 5 years	1,871	3,349	–	–
Total non-current portion	50,618	34,507	–	–

The ranges of floating interest rates paid were as follows:

	2017	2016
Term loans	1.85% – 11.75%	1.50% – 11.75%
Bank overdrafts	7.15% – 8.65%	7.10% – 8.60%
Banker acceptance	1.25% – 1.50%	1.25% – 1.50%

The ranges of fixed interest rates paid were as follows:

	2017	2016
Finance leases	2.40% – 8.30%	2% – 5%
Redeemable preference share	8%	–

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29A. Term loans (secured)

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Non-current:				
Due within 2 to 5 years	18,047	24,284	–	–
After 5 years	1,712	3,021	–	–
Total non-current portion	19,759	27,305	–	–
Current:				
Term loans (secured)	21,983	11,110	8,329	–
Total	41,742	38,415	8,329	–

Term Loan	Commencement date of repayment	Number of Monthly instalments	Monthly instalments RM	2017 RM'000	2016 RM'000
1	May 2014	Payable on demand		–	1,315
2	August 2014	Payable on demand		–	4,361
3	January 2015	240	8,584	920	944
4	January 2015	120	10,100	738	809
5	February 2015	96	21,281	1,066	1,225
6	August 2015	Combined trade financing		536	596
7	December 2015	180	6,554	628	664
8	December 2015	180	6,056	579	613
9	November 2016	48	73,750	2,234	2,896
10	December 2016	84	17,467	899	992
11	December 2016	48	73,977	2,463	3,000
12	December 2016	36	657,579	23,350	21,000
13	November 2017	Rollover loan		8,329	–
				41,742	38,415

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29. OTHER FINANCIAL LIABILITIES (CONTINUED)

29A. Term loans (secured) (Continued)

The term loans are covered by the following:–

(i) Upfront fixed deposit of RM260,000 and interest;

(ii) Joint and several guarantee by certain Directors of the Company;

(iii) Yearly fixed deposits of RM30,000 to commence 6 months after initial release of facilities;

(iv) Joint and several guarantee by ex-Director of one of the subsidiaries of the Company;

(v) Corporate guarantees provided by certain subsidiaries of the Company;

(vi) Legal charges on some of the subsidiaries' projects land, properties held for sale and leasehold property;

(vii) Assignment over the rights, title and interest to certain properties held for sale;

(viii) Guarantee by Syarikat Jaminan Pembiayaan Perniagaan Berhad (SJPP) under the Working Capital Guarantee Scheme (WCGS); and

(ix) Fresh deed of subordination of amount owing to one of the subsidiaries for RM3,500,000 throughout the loan tenure.

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29. OTHER FINANCIAL LIABILITIES (CONTINUED)

29B. Finance leases

Group 31 December 2017	Minimum payments RM'000	Finance charges RM'000	Present value RM'000
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	10,334	(1,212)	9,122
Carrying value of plant and equipment under finance leases			8,985

31 December 2016	Minimum payments RM'000	Finance charges RM'000	Present value RM'000
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	11,617	(1,547)	10,070
Carrying value of plant and equipment under finance leases			9,229

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:

	2017	2016
Average lease term, in years	3 to 9	3 to 9
Average effective borrowing rate per year	2.40% to 8.30%	2.00% to 5.00%

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% applicable to similar finance leases (Level 2).

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29. OTHER FINANCIAL LIABILITIES (CONTINUED)

29C. 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 properties held for sale; and

(vi) Pledge at restricted in use cash and cash equivalents of the Group (Note 24).

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29D. Banker acceptance (secured)

Commencement date	2017 RM'000	2016 RM'000
1 February 2016	1,387	1,500
2 July 2016	1,047	1,101
	2,434	2,601

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.

29E. Redeemable preference shares (secured)

	Group	
	2017 RM'000	**2016 RM'000**
Issued and fully paid:		
25,000,000 shares issued at RM1 each	25,000	–
Fair value	26,603	–

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%.

29. OTHER FINANCIAL LIABILITIES (CONTINUED)

29E. Redeemable preference shares (secured) (Continued)

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 months 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 followings:

(i) Deed of assignment of development properties units; and

(ii) Corporate guarantees provided by certain Directors of the Company.

30. TRADE AND OTHER PAYABLES

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Trade payables:				
Outside parties and accrued liabilities	110,864	73,030	1,819	1,421
Other payables:				
Outside parties	9,924	21,524	135	192
Associate (Note 3)	568	1,168	–	–
Directors (Note 3)	3,058	1,843	–	–
Shareholders (Note 3)	510	169	–	–
Subtotal	14,060	24,704	135	192
Total trade and other payables	124,924	97,734	1,954	1,613

31. OTHER LIABILITIES

	Group	
	2017	2016
	RM'000	RM'000
Refundable deposits	2,305	2,661

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32. 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 17 for the principal activities). The transaction is an acquisition of assets in the form of development rights.

The consideration transferred is as follows

	2017 RM'000
Consideration transferred:	
24,803,192 of the Company's shares issued at market price	11,500

24,803,192 consideration shares at the price of approximately RM0.46 (S$0.15) per share were issued and allotted to the Vendor on 25 October 2017 (Note 26).

The transaction was accounted for as follows:

	2017 RM'000
Non-cash consideration transferred (Note 24B)	11,500
Fair value of identifiable net assets acquired	(224)
Development rights acquired (Note 15)	11,276

The excess of consideration over the identifiable net assets acquired represents development rights (Note 15) 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 are expected to commence in 2018 and targeted for completion by 2020.

33. OPERATING LEASE PAYMENT COMMITMENTS – AS LESSEE

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

	Group	
	2017 RM'000	**2016 RM'000**
Not later than one year	1,182	931
Later than one year and not later than five years	2,832	892
Later than five years	241	–
Rental expense for the year	1,229	991

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

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34. 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:

	Group	
	2017	**2016**
	RM'000	**RM'000**
Commitments to purchase of property, plant and equipment	–	100

35. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS

35A. 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:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Financial assets:				
Cash and bank balances	9,380	15,170	2,923	1,830
Loan and receivables	110,254	66,612	43,816	29,437
Available-for-sale financial assets	1,551	1,551	1,551	1,551
At end of the year	121,185	83,333	48,290	32,818
Financial liabilities:				
Other financial liabilities at amortised cost	83,098	58,776	8,329	–
Payables and other liabilities at amortised cost	127,229	100,395	1,954	1,613
At end of the year	210,327	159,171	10,283	1,613

Further quantitative disclosures are included throughout the financial statements.

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35. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONTINUED)

35B. 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.

35C. 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.

35. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONTINUED)

35D. Credit risk on financial assets

Financial assets that are potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations in full or in a timely manner consist principally of cash balances with banks, cash equivalents, receivables and certain other financial assets. The maximum exposure to credit risk is: the total of the fair value of the financial assets; the maximum amount the entity could have to pay if the guarantee is called on; and the full amount of any payable commitments 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. Credit risk on other financial assets is limited because the other parties are entities with acceptable credit ratings. For credit risk on receivables an ongoing credit evaluation is performed on the financial condition of the debtors and a loss from impairment is recognised in profit or loss. The exposure to credit risk with customers is controlled by setting limits on the exposure to individual customers and these are disseminated to the relevant persons concerned and compliance is monitored by Management. There is no significant concentration of credit risk on receivables, as the exposure is spread over a large number of counter-parties and customers unless otherwise disclosed in the notes to the financial information below.

Note 24 disclose the maturity of the cash and cash equivalents balances.

As part of the process of setting customer credit limits, different credit terms are used. The average credit period generally granted to non-related trade receivable customers is about 30 – 150 days (2016: 30 to 150 days). But some customers take a longer period to settle the amounts.

Ageing analysis of the age of trade receivable amounts that are past due as at the end of reporting year but not impaired:

	Group	
	2017	**2016**
	RM'000	**RM'000**
Net trade receivables:		
Past due 1-60 days	20,519	2,238
Past due 61-90 days	1,172	3,633
Past due 91-120 days	1,925	3,904
Past due 121 days	20,588	6,962
Total	44,204	16,737

The allowance which is disclosed in the note on trade receivables is based on individual accounts totalling RM884,000 (2016: RM1,200,000) that are determined to be impaired at the end reporting year. These are not secured.

Other receivables are normally with no fixed terms and therefore there is no maturity.

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

	Group	
	2017	**2016**
	RM'000	**RM'000**
Top 1 customer	10,825	3,023
Top 2 customers	13,015	4,059
Top 3 customers	13,794	5,057

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35. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONTINUED)

35E. Liquidity risk – financial liabilities maturity analysis

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

Group	Less than 1 year RM'000	2 – 5 years RM'000	After 5 years RM'000	Total RM'000
Non-derivative financial liabilities:				
31 December 2017:				
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	127,229	–	–	127,229
At end of the year	161,978	61,602	2,411	225,991
31 December 2016:				
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	100,395	–	–	100,395
At end of the year	126,453	43,053	4,348	173,854

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.

Financial guarantee contracts – For financial guarantee contracts the maximum earliest period in which the guarantee could be called is used. At the end of the reporting year, no claims on the financial guarantees are expected. The following table shows the analysis of the contingent liabilities:

	Group 2017 RM'000	Group 2016 RM'000
Corporate guarantees in favour of financial institutions for facilities extended to:		
– Subsidiaries	8,125	8,125
	8,125	8,125

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 – 60 days. The other payables are with short-term durations. 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.

35. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONTINUED)

35E. Liquidity risk – financial liabilities maturity analysis (Continued)

Bank facilities:

	Group	
	2017	**2016**
	RM'000	**RM'000**
Undrawn borrowing facilities	10,000	13,000

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.

35F. Interest rate risk

The interest rate risk exposure is mainly from changes in fixed rate and floating interest rates. The following table analyses the breakdown of the significant financial instruments by type of interest rate:

	Group	
	2017	**2016**
	RM'000	**RM'000**
Financial liabilities:		
Fixed rate	34,122	10,070
Floating rate	48,976	48,706
Total at end of the year	83,098	58,776
Financial assets:		
Floating rate	1,261	2,687
Total at end of the year	1,261	2,687

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	
	2017	**2016**
	RM'000	**RM'000**
Financial liabilities:		
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	477	460

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35. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONTINUED)

35G. Foreign currency risk

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

Analysis of significant amounts denominated in non-functional currencies:

Group	Cash RM'000	Loans and receivables RM'000	Total RM'000
Financial assets:			
31 December 2017:			
United States dollars ("**USD**")	187	–	187
New Taiwan dollars ("**NTD**")	73	–	73
Singapore dollars ("**SGD**")	2,662	1,519	4,181
	2,922	1,519	4,441
31 December 2016:			
USD	134	–	134
NTD	122	–	122
SGD	1,740	1,551	3,291
	1,996	1,551	3,547

Group	Other financial liabilities RM'000	Payables and other liabilities RM'000	Total RM'000
Financial liabilities:			
31 December 2017:			
SGD	8,329	11,531	19,860
	8,329	11,531	19,860
31 December 2016:			
SGD	–	–	–
	–	–	–

35. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONTINUED)

35G. Foreign currency risk (Continued)

Sensitivity analysis:

	Group	
	2017	**2016**
	RM'000	**RM'000**
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	(19)	(13)
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	(7)	(12)
A hypothetical 10% strengthening in the exchange rate of the functional currency against the SGD with all other variables held constant would have a/an favourable (adverse) effect on pre-tax profit or loss of	1,568	(329)

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 end of the reporting year. The analysis above has been carried out on the basis that there are no hedged transactions.

36. CONTINGENT LIABILITIES

The Airtrollis phase 1 project was launched in 2013 and expected to be delivered in year 2016. Management represented that the Certificate of Practical Completion ("**CPC**") was obtained in the fourth quarter of 2017. The Group is contractually bound by the sales and purchase agreement signed with the buyers on the compensation of the liquidated damages. There were no claims lodged by the buyers at the date of the financial statements. The project is expected to be delivered in the second quarter of year 2018.

Legal advice obtained indicates that it is unlikely that any significant liability will arise. At the date of these financial statements, the Directors are of the view that no material losses will arise in respect of the liquidated damages. Accordingly, no provision for any liability has been made in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

37. CHANGES AND ADOPTION OF FINANCIAL REPORTING STANDARD

For the current reporting year, new or revised FRSs and the related INT FRS were issued by the Singapore Accounting Standards Council. Those applicable to the reporting entity are listed below. These applicable new or revised standards did not require any material modification of the measurement methods or the presentation in the financial statements.

FRS No.	Title
FRS 7	Amendments to FRS 7: Disclosure Initiative
FRS 12	Amendments to FRS 12: Recognition of Deferred Tax Assets for Unrealised Losses
FRS 112	Amendments to FRS 112: Disclosure of Interests in Other Entities

38. NEW OR AMENDED STANDARDS IN ISSUE BUT NOT YET EFFECTIVE

For the future reporting years new or revised Singapore Financial Reporting Standards (International) ("**SFRS(I)**") and the related Interpretations to SFRS(I)s ("**SFRS(I) INT**") were issued by the Singapore Accounting Standards Council and these will only be effective for future reporting years. Those applicable to the reporting entity for future reporting years are listed below.

FRS No.	Title	Effective date for periods beginning on or after
SFRS(I) 1-28	Amendments to, Investments in Associates and Joint Venture – Sale or Contribution of Assets	1 Jan 2018
SFRS(I) 1-40	Amendments to, Transfer of Investment Property	1 Jan 2018
SFRS(I) 1	First-time Adoption of Singapore Financial Reporting Standards (International)	1 Jan 2018
SFRS(I) 2	Amendments to, Classification and Measurement of Share-based Payment Transactions	1 Jan 2018
SFRS(I) 9	Financial Instruments	1 Jan 2018
SFRS(I) 15	Revenue from Contracts with Customers Amendments to, Clarifications to SFRS(I) 15 Revenue from Contracts with Customers	1 Jan 2018
SFRS(I) 16	Leases and Leases – Illustrative Examples & Amendments to Guidance on Other Standards	1 Jan 2019
SFRS(I) INT 22	Foreign Currency Transactions and Advance Consideration	1 Jan 2018
SFRS(I) INT 23	Uncertainty over Income Tax Treatments	1 Jan 2019

The transfer to the applicable new or revised standards from the effective dates is not expected to result in material adjustments to the financial position, results of operations, or cash flows for the following year from the known or reasonably estimable information relevant to assessing the possible impact that application of the new or revised SFRS(I)s will have on the entity's financial statements in the period of initial application.

STATISTICS OF SHAREHOLDINGS

AS AT 9 MARCH 2018

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	14	1.89	793	0.00
100 – 1,000	130	17.57	91,294	0.04
1,001 – 10,000	296	40.00	1,508,060	0.67
10,001 – 1,000,000	290	39.19	23,030,667	10.24
1,000,001 AND ABOVE	10	1.35	200,286,437	89.05
TOTAL	**740**	**100.00**	**224,917,251**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	106,973,617	47.56
2	PHILLIP SECURITIES PTE LTD	26,684,045	11.86
3	TWIN REVENUE SDN BHD	24,803,192	11.03
4	CITIBANK NOMINEES SINGAPORE PTE LTD	13,846,604	6.16
5	LOW YEW SHEN (LIU YAOSHENG)	6,389,000	2.84
6	DBS NOMINEES (PRIVATE) LIMITED	6,247,307	2.78
7	BNP PARIBAS NOMINEES SINGAPORE PTE LTD	5,665,200	2.52
8	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	4,792,474	2.13
9	SU CHUNG JYE	3,500,000	1.56
10	OCBC SECURITIES PRIVATE LIMITED	1,384,998	0.62
11	CHIN BENG DEVELOPMENT PTE LTD	862,666	0.38
12	KAY LAY CHIN SANDY (GUO LIJUN SANDY)	816,333	0.36
13	RAFFLES NOMINEES (PTE.) LIMITED	787,696	0.35
14	NG SENG CHOO	683,333	0.30
15	RHB SECURITIES SINGAPORE PTE. LTD.	674,933	0.30
16	LIM CHOON KEE	638,000	0.28
17	CHAN SIOK HUI	545,266	0.24
18	ONG BOK LIM OR TEOH JOK LAN	496,666	0.22
19	JESSICA ONG BOON CHIN	477,166	0.21
20	TEO CHIA CHIN	446,900	0.20
	TOTAL	**206,715,396**	**91.90**

STATISTICS OF SHAREHOLDINGS

AS AT 9 MARCH 2018

SUBSTANTIAL SHAREHOLDERS AS AT 9 MARCH 2018
(As recorded in the Register of Substantial Shareholders)

		Direct Interest		Deemed Interests	
No.	**Name**	**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 9 March 2018, 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 63 Sungei Kadut Loop, Singapore 729484 on Thursday, 19 April 2018 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 2017 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. Low Yew Shen **(Resolution 2)**
   Mr. Goon Kok Loon **(Resolution 3)**

   [See Explanatory Note (i)]

3. To approve the payment of Directors' fees of S$147,480 for the financial year ended 31 December 2017. (FY2016: S$184,800) **(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

NOTICE OF ANNUAL GENERAL MEETING

(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,

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution):

(A) by way of renounceable rights issues on a *pro rata* basis to Shareholders of the Company ("**Renounceable Rights Issues**") shall not exceed 100 per centum (100%) of the total number of issued shares excluding treasury shares (as calculated in paragraph (3) below); and

(B) otherwise than by way of Renounceable Rights Issues ("**Other Share Issues**") shall not exceed 50 per centum (50%) of the total number of issued shares excluding treasury shares (as calculated in accordance with paragraph (3) below), of which the aggregate number of shares to be issued other than on a *pro rata* basis to shareholders of the Company shall not exceed 20 per centum (20%) of the total number of issued shares excluding treasury Shares and subsidiary holdings and subsidiary shareholdings (as calculated in accordance with paragraph (3) below);

(2) the Renounceable Rights Issues and Other Share Issues shall not, in aggregate exceed 100 per centum (100%) of the total number of issued shares excluding treasury shares and subsidiary holdings (as calculated in paragraph (3) below);

(3) (subject to such calculation as may be prescribed by the SGX-ST for the purpose of determining the aggregate number of shares that may be issued under paragraphs (1)(A) and (1)(B) above, the percentage of issued shares 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 this Resolution is passed; and

(c) any subsequent bonus issue, consolidation or subdivision of shares;

(4) in exercising the authority 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

NOTICE OF ANNUAL GENERAL MEETING

(5) unless revoked or varied by the Company in a general meeting, the authority conferred by this Resolution shall 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 (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 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)**

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

Shirley Tan Sey Liy
Company Secretary

Singapore, 4 April 2018

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(i) Mr Goon Kok Loon will, upon re-election as a Director of the Company, remain as the Chairman of the Audit Committee, Nominating Committee and a member of the Remuneration Committee and will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.

(ii) Resolution 6, if passed, will empower the Directors of the Company from the date of this Meeting 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 (a) 100% for Renounceable Rights Issues and (b) 50% for Other Share Issues, of which up to 20% may be issued other than on a pro rata basis to shareholders, provided that, the total number of shares which may be issued pursuant to (a) and (b) shall not exceed 100% of the issued shares (excluding treasury shares and subsidiary holdings).

For the purpose of determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares and subsidiary holdings) will be calculated based on the total number of issued shares (excluding treasury shares and subsidiary holdings) at the time Resolution 6 is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or the vesting of share awards which are outstanding or subsisting at the time when Resolution 6 is passed, and any subsequent bonus issue, consolidation or subdivision of shares.

The authority for 100% Renounceable Rights Issues ("**Enhanced Rights Issue Limit**") is proposed pursuant to the Singapore Exchange Limited's news release of 13 March 2017 which introduced measure to help companies raise funds expediently for expansion activities or working capital ("**SGX News Release**") and unless extended further by SGX-ST, the authority will expire on 31 December 2018. Unless renewed, the mandate sought at this meeting shall expire at 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.

The Board of Directors of the Company is of the view that the Enhanced Rights Issue Limit is in the interests of the Company and its shareholders.

(iii) Resolution 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) Resolution 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.

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. A member of the Company (other than a Relevant Intermediary*) is entitled to attend and vote at the above Meeting and may appoint not more than two proxies to attend and vote instead of him. A proxy need not be a member of the Company.

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 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

Where a member of the Company submits 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) for the purpose of the processing and administration by the Company (or its agents) 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, "**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), 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) 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 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.
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* to attend and vote for me/us* on my/our* behalf at the Annual General Meeting ("**Meeting**") of the Company to be held at 63 Sungei Kadut Loop, Singapore 729484 on Thursday, 19 April 2018 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	Audited Financial Statements and Directors' Statement for the financial year ended 31 December 2017		
2	Re-election of Mr. Low Yew Shen as a Director		
3	Re-election of Mr. Goon Kok Loon as a Director		
4	Approval of Directors' fees amounting to S$147,480 for the financial year ended 31 December 2017		
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 ________________ 2018

____
Signature of Shareholder(s)
and/or, Common Seal of Corporate Shareholder
*Delete where inapplicable

IMPORTANT: PLEASE READ NOTES OVERLEAF

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

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 not more than 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 the 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 authorise 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.

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 4 April 2018.

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Aerial view of Darul Hana Bridge
@ Kuching Waterfront