Regal 耀傑集团 International Group

2016 ANNUAL REPORT

SCALING NEW HEIGHTS

MISSION

To create genuine sustainable values for our stakeholders.

VISION

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

CONTENTS

CORPORATE **INFORMATION**

BOARD OF DIRECTORS

Su Chung Jye	*Executive Chairman and CEO*
Wong Pak Kiong	*Executive Director*
Low Yew Shen	*Non-Executive Director*
Goon Kok Loon	*Lead Independent Director*
Chong Weng Hoe	*Independent Director*
Francis Hwang Huat Kuong	*Independent Director*

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 (ACIS)

REGISTERED OFFICE

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Fax: 6532-4484
Website: www.regalinternational.com.sg

COMPANY REGISTRATION NUMBER

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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 ("**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 12 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 division.

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 is making headways into the development of industrial park, aligning its vision to evolve as a cross-border platform connector between investors from Singapore, Malaysia and China.

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

EXECUTIVE CHAIRMAN & CEO'S **MESSAGE**

DEAR SHAREHOLDERS,

Despite continued challenges in the macroeconomic front, Regal International Group Ltd. ("**RIG**" or the "**Group**") performed commendably for the financial year ended 31 December 2016 ("**FY2016**"), making great strides in achieving growth and laying the groundwork for future success.

COMMENDABLE PERFORMANCE

FY2016 has seen tremendous growth in RIG's topline, with revenue from the property development business registering 328.7% growth over the previous corresponding year. The Group's gross profit and gross profit margin have both expanded to RM40.0 million and 26.8% respectively from RM1.1 million and 3.2% in the previous corresponding period. Overall, the encouraging improvement in profitability at the property development division was largely due to the team's efforts in improving cost efficiency during project development and construction as well as strengthening branding and marketing strategies.

Although total revenue from the property development business increased by an impressive RM114.2 million to RM149.0 million in FY2016 against RM34.8 million for the financial year ended 31 December FY2015 ("**FY2015**"), the Group generated an overall loss after tax of RM21.3 million for FY2016 due to the loss on disposal of RM21.7 million upon the completion of the disposal of its legacy precision business, as compared to the loss of RM72.2 million in FY2015.

A NEW MILESTONE

A major milestone for the Group was the completion of the disposal of its entire interest in its wholly owned subsidiary, Hisaka International Holdings Pte. Ltd. ("**HIHPL**") which managed the precision business division of the Group. At the extraordinary general meeting held on 15 December 2016, the proposed disposal of HIHPL was approved and eventually completed on 16 December 2016.

The divestment of the legacy precision business signified a new chapter for RIG. With it, the Group can now focus on its property and property-related businesses – the core expertise of the Group. The Group will also be able to fully commit its resources towards building up its property portfolio while seizing opportunities to explore new business ventures.

HEALTHY SALES AND STRONG MOMENTUM

During the year, the Group witnessed both healthy sales growth for projects in the pipeline as well as a good pace of project completion and delivery for projects under construction.

Healthy sales were generally observed for several of its property projects such as Tropics City and Airtrollis. Meanwhile, in terms of project delivery, the momentum of the Group's ongoing development and construction projects was substantive and projects such as Haziiq Ria, Serapi Maju, Ashraf Avenue, Tapah Residences, 72 Residences (Block A), Siburan Tapah Heights, as well as phase 1 and 3 of Tondong Heights were successfully completed and handed over to customers, while developments such as Airtrollis phase 1 and Regal Corporate Park phase 1 were well on track for completion in 2017.

On the back of the upswing in revenue and gross profit for RIG's core property division, the Group also signed a conditional offtake agreement with MyAngkasa Bina Sdn. Bhd. ("**ANGKASA**") for the sale of all residential apartments to be built for phase 3 of its Airtrollis property development. ANGKASA's offtake purchase of all 276 units for RM 90 million provides RIG with an upfront guarantee in the sales of its residential units, and reflects the market's confidence in the Group.

As RIG's property sales momentum continues to gain strength, Regal Galleria, its newly launched property sales gallery in Kuching, is expected to bolster the sales and marketing efforts of the Company. Envisioned as a one-stop convenience gallery for home-buyers, Regal Galleria will showcase updates on the Group's recent development projects and provide the latest property market insights.

FORWARD STRATEGY

As the Group charts a new and more focused course in the year ahead, minds are set on streamlining cost structure and enhancing revenue production. As the Group continues to widen its footprints beyond Sarawak and Malaysia, RIG will persevere in seeking new ideas and contents from regional countries and complementary trades to enhance its property development business and eventually open doors for new business ventures.

These complementary business opportunities, targeted at stimulating new demands via product innovation and value-added services, will set the path for the Group's sustainable business growth.

DRIVING GROWTH AND EXPANSION

In line with RIG's vision to be an international gateway for investors into East Malaysia, the Group is constantly mindful of the abundant opportunities that lie outside of its home state of Sarawak.

With that in view, the Group leveraged on its corporate reputation as a Mainboard-listed company on the SGX and setup four new subsidiaries in Singapore – Regal Global Logistics Pte. Ltd. ("**RGL**"), Regal Global Capital Pte. Ltd. ("**RGC**"), Regal Asset Management Pte. Ltd. ("**RAM**"), and Regalia Properties Pte. Ltd. ("**Regalia Properties**") in 2016. These new subsidiaries will help the Group establish strategic presence in Singapore and form the basis of carefully planned diversification into complementary ventures of sustainable growth.

Aligned with RIG's long-term expansion plan, the Group also signed a series of Memorandums of Understanding ("**MOUs**") with like-minded individuals and organisations. These various agreements will open up opportunities to create conducive environments for research and innovation; explore eco-tourism opportunities in Sarawak and enter into asset management.

Taken together, RIG's diversification into complementary growth areas and collaboration with its partners denotes seeds of future growth and prosperity. To water these seeds of growth, the Group will continue to look for new ways to innovate and add value across its businesses. Gearing up to transform these possibilities to realities, RIG is not losing sight of the need to be prepared for change. Only through constant innovation can the Group bring sustainable value to all its stakeholders.

IN APPRECIATION

On behalf of the Board of Directors, I would like to extend our gratitude to our staff, management, business partners, and customers who have stood by us throughout this year and for many years before.

To our shareholders, despite the uncertainties across the world economy, your unwavering support has been a constant source of comfort and will be an impetus to drive us forward to achieve even more.

Mr Su Chung Jye
Executive Chairman and CEO

OPERATIONS **REVIEW**

For FY2016, the Group experienced a strong pick up in sales and completed more property development projects. Reflecting a marked improvement in its financial performance, the Group registered a profit before tax of RM3.5 million for FY2016, compared to a loss before tax of RM71.3 million in FY2015. Nonetheless, with a loss on disposal of RM21.7 million arising from the completion of the disposal of its precision business in December 2016, the Group recognised an overall net loss of RM28.0 million.

REVENUE

The Group's revenue from its Continuing Operations, mainly its property development business, increased by RM114.2 million or 328.7% to RM149.0 million in FY2016 against RM34.8 million in FY2015. The substantial increase in revenue was mainly due to the increase in development projects completed and the number of units sold in FY2016 as compared to FY2015.

The Group's construction business registered an increase in revenue from RM4.6 million in FY2015 to RM12.7 million in FY2016. The increase was partially offset by a slight decrease in the revenue contribution from the sale of construction materials by RM1.9 million, from RM11.9 million in FY2015 to RM10.0 million in FY2016, as the Group had placed lesser emphasis on sales of construction materials.

GROSS PROFIT MARGINS

The Group witnessed a significant expansion in gross profit margins from 3.2% in FY2015 to 26.8% in FY2016, as a result of the increase in the number of better profit yielding development and construction projects being undertaken and completed in FY2016.

Comparatively, FY2015 saw fewer project completions and a higher proportion of revenue from the sale of construction materials which yielded lesser profits.

KEY EXPENSES

The Group's marketing and distribution costs in FY2016 and FY2015 remained relatively consistent.

The Group's administrative expenses rose by RM5.4 million from RM27.3 million in FY2015 to RM32.8 million in FY2016, due mainly to higher human resource expenses in the property development business as more headcounts were hired to strengthen our capacity and capabilities in meeting the demands of increasing property and business development projects. Additionally, there were professional and advisory expenses incurred in 2016 as a result of exploring new business ventures.

OTHER GAINS/LOSSES

Other losses decreased from RM41.3 million in FY2015 to RM0.4 million in FY2016. Other losses in FY2015 included a goodwill impairment loss of RM39.3 million arising from an impairment assessment performed on the goodwill of the precision business at the Group level.

Finance costs for the Group were higher in FY2016 as compared to FY2015 due mainly to the increase in borrowings for FY2016 as more working capital was required to meet the needs of increasing projects.

SHARE OF RESULT FROM EQUITY-ACCOUNTED ASSOCIATE

The share of results from equity-accounted associate was mainly contributed by the Group's associate, Tiya Development Sdn. Bhd. ("**Tiya**"), for both FY2015 and FY2016. The share of loss from the associate had reduced substantially this year from RM1.5 million in FY2015 to RM0.3 million in FY2016 on the back of better sales performance by Tiya.

NET PROFIT/LOSS

The Continuing Operations of the Group recorded a profit before tax of RM3.5 million in FY2016 compared to the loss before tax of RM71.3 million in FY2015. The significant loss in FY2015 was mainly caused by the impairment of goodwill and slower progress in the property development business.

Following the Group's completion of the disposal of its precision business in December 2016, the Group recognised a loss on disposal of RM21.7 million, in addition to a RM7.2 million reclassification adjustment of translation reserve relating to the discontinued operations, leading to an overall net loss of RM 28.0 million in FY2016.

Hence, in addition to the RM39.3 million goodwill impairment shouldered by the Group and RM1.3 million operating losses from precision business in FY2015, the total deficit caused by its precision business to the Group's financial performance in FY2015 and FY2016 is approximately RM 69.5 million, or 75% of the combined losses suffered by the Group during both financial years.

FINANCIAL POSITION

As at 31 December 2016, the total assets of the Group decreased to RM251.0 million, from RM286.7 million in the preceding year.

ASSETS

The non-current assets of the Group decreased by RM12.0 million from RM40.4 million as at FY2015 to RM28.4 million as at FY2016 due mainly to the following:

1. A net decrease in property, plant and equipment by RM10.3 million largely resulting from the disposal of the precision business during the year;

2. A decrease in other assets by RM3.3 million due to lower advances to landowners by the property business; and

3. A decrease in the Group's investment in its associate, Tiya, resulting from a dividend distribution made by the associate in first quarter of 2016. The decrease was offset by an addition of investment properties under construction of RM5.7 million during the year.

The current assets of the Group decreased by RM23.8 million from RM246.3 million as at FY2015 to RM222.5 million as at FY2016, mainly due to the disposal of its precision business. In addition, there was a decrease in development properties as more projects were completed and sold in FY2016.

Also included within current assets was a receivable amount of RM8.7 million (S$2.8 million), representing the outstanding 2nd tranche sales consideration from the disposal of the precision business. Accordingly, the value of the 2nd tranche consideration shall comprise the expected proceeds from the sale of the precision business's property.

However, in view of the weakened industrial property market, and after weighted references to actual market selling prices, a more realistic amount was recognised to fairly reflect the value of the 2nd tranche consideration. The amount might be subjected to further adjustments in the future according to market fluctuations nonetheless.

LIABILITIES

Total liabilities of the Group decreased by RM8.0 million from RM205.8 million as at FY2015 to RM197.8 million as at FY2016. The overall decrease was largely due to the disposal of the precision business.

The decrease was partially offset by the increase in non-current liabilities of RM18.3 million, from RM16.9 million in FY2015 to RM35.2 million in FY2016. This was mainly due to an increase in payables and bank borrowings under other financial liabilities as the Group took on more property development projects in FY2016 as compared to FY2015.

In summary, despite the decrease in total liabilities, the larger decrease in total assets resulted in the Group's net asset or equity attributable to owners of the parent declining from RM80.5 million in FY2015 to RM52.8 million in FY2016.

CASH FLOWS

Net cash and cash equivalents held by the Group decreased from RM13.4 million in FY2015 to RM6.0 million in FY2016.

The decrease was largely contributed by a net cash outflow from operating activities amounting to RM38.1 million. The net cash inflow from the investing activities was largely due to the net cash inflow from the disposal of the precision business and a dividend from associate, while the positive cash inflow from financing activities was mainly due to increase in borrowings.

OUTLOOK

With the disposal of the precision business, the Group has aligned its corporate strategy towards an exclusive focus on its property development and related businesses.

The Group's overall outlook for its property development business remains positive, buoyed by healthy sales at the Group's property launches and a steady pipeline of development projects.

Supported by a resilient local economy and investments into major projects, property sales in Sarawak are expected to hold up steadily. Adjusted and recovering from a subdued property market brought about by weak currency and loan approvals tightening measures, the Group expects genuine home buyers to bring about an increase in market demand for affordable to mid-range residential properties in 2017.

In view of these developments, the Group is well-placed to continue its upwards growth trajectory in its property business while seeking further opportunities for growth through new business ventures.

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 22 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 direction and strategic business developments.

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 23 April 2015.

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

With over 21 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 is also a Non-Executive Director of Resources Prima Group Limited.

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
• Chairman, Audit Committee
• Member, Remuneration 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-ST. He left the Board of Jaya Holdings Limited in August 2014 upon its restructuring.

CHONG WENG HOE

Independent Director
• Chairman, Remuneration Committee
• Member, Nominating Committee
• Member, Audit 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 15 years of experience in financial management, marketing and customer support and project management, Mr Chong stepped down as CEO of TUV SUD PSB Pte. Ltd. in 2013 and remains as a director of the company, providing advisory support in the development of core business areas in ASEAN. 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, Remuneration Committee
• Member, Audit 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 23 April 2015.

Mr Hwang is the Director and Principal Architect in his own architectural company, HA Architects Pte. Ltd., Singapore. Mr Francis Hwang Huat Kuong holds a Bachelor Degree of Science (Architecture) and a Bachelor Degree of Architecture from The University of Sydney, Australia. With more than 24 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 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.

PROPERTY DIVISION

FREDERICK ENG MENG KHUAN

Director of Project Management

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

With over 17 years of experience in the property development industry, Mr Eng is responsible for overseeing the project development and project management matters of the Property Division. His main responsibilities include managing projects at a strategic level; 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.

ELIZABETH WONG SING HUI

Chief Accountant

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

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

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

LIANG NGEE PING

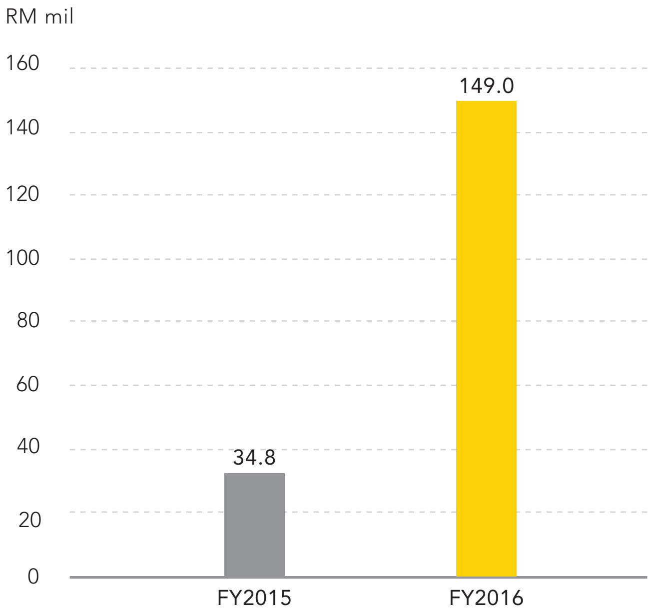
Director of Corporate Development

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

With over 15 years of experience in the property development industry, Mr Liang is responsible for business development matters of the Property Division 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.

FINANCIAL **HIGHLIGHTS**

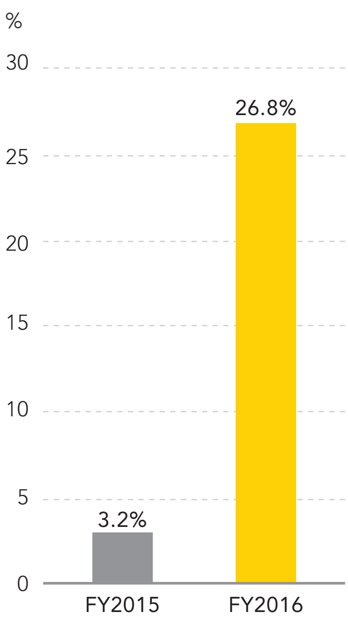
Revenue*



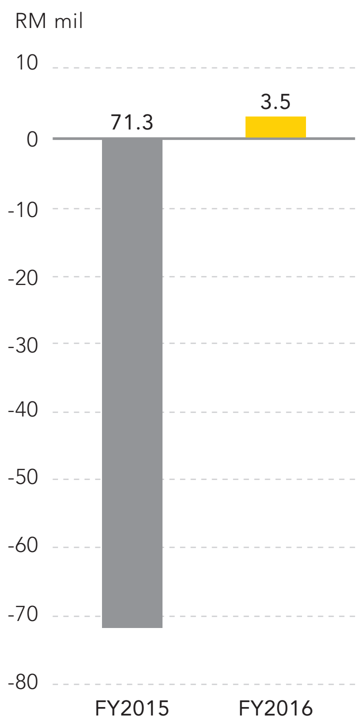
329%

Revenue growth from RM34.8 million in FY2015 to RM149.0 million in FY2016

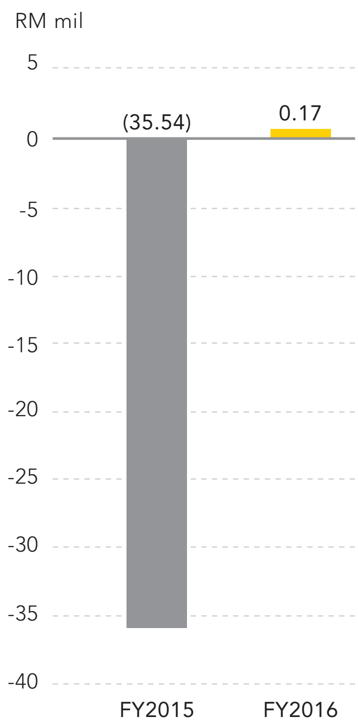
Gross Profit Margins



Profit/Loss Before Tax



Earnings Per Share*



* From Continuing Operations, ie. the core property development business of the Group.

PROJECT PORTFOLIO **HIGHLIGHTS**

72 RESIDENCES

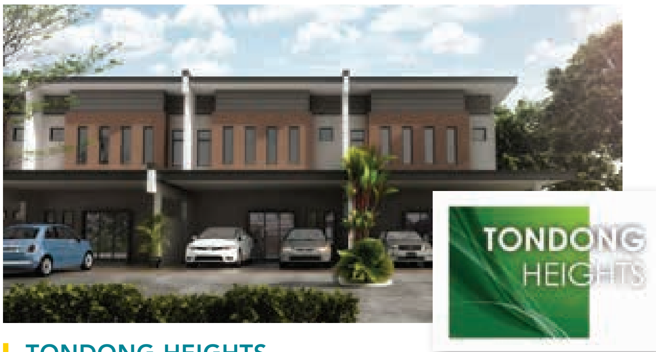
- 72 units of high-end condominiums
- Floor area per unit: 1600 – 2000 sqft
- 40 units in Block A completed in 2016
- 32 units in Block B est. completion in 2017

SERAPI MAJU

- 48 units of semi-detached and terrace houses
- Floor area per unit: 790 – 1350 sqft
- Completed in 2016

HAZIIQ RIA

- 22 units of semi-detached and terrace houses
- Floor area per unit: 1532 – 1662 sqft
- Completed in 2016



TONDONG HEIGHTS

- 228 units of single and double-storey terrace houses
- Floor area per unit: 548 – 1120 sqft
- 159 units in phase 1 & 3 completed in 2016
- 69 units in phase 2 est. completion in 2018

TROPICS CITY

- 604 units of SOHO, apartments and mall within the infamous Jalan Song area
- 4 tower blocks of residential units & 1 block of commercial cum retail units
- Floor area per residential unit: 600 – 1400 sqft
- Commenced in 2016 with est. completion in 2019

REGAL CORPORATE PARK

- 384 units of double-storey light industrial units
- Floor area per unit: 1840 – 2000 sqft
- Total 3 phases;
- Phase 1 est. completion in 2017

REGALIA

- 85 units of semi-detached houses and apartments
- Floor area per unit: 660 – 1750 sqft
- Apartments est. completion in 2017

TREETOPS @ KEMENA

- 585 units of apartments in Bintulu
- Floor area per unit: 460 – 850 sqft
- Est. completion in 2020

ASHRAF AVENUE 2

- 18 units of 3-storey shophouses & 1 food court
- Floor area per shophouse unit: 4200 – 7300 sqft
- Shophouses completed in 2016

PROJECT PORTFOLIO **HIGHLIGHTS**

AIRTROLLIS

- 1104 units of apartments, shophouses and mall
- Floor area per residential unit: 820 – 970 sqft
- Total 3 phases;
- Phase 1 – 348 units est. completion in 2017

MALIHAH SHOPHOUSE

- 10 units of 3-storey shophouses (Phase 1)
- Floor area per unit: 3830 – 4860 sqft
- Est. completion in 2017

RAFFLESIA GARDEN

- 34 units of terrace houses
- Floor area per unit: 1300 - 1420 sqft
- Est. completion in 2018

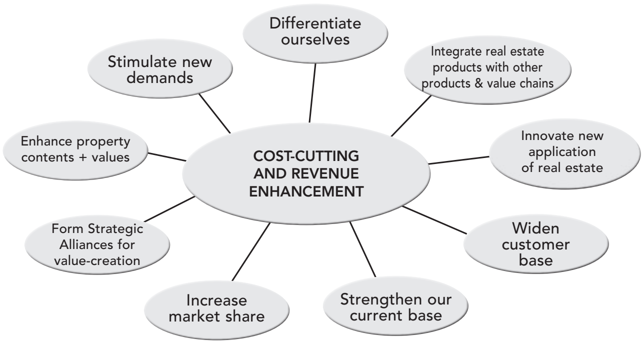
MILLION GIFTED 1 & 2

- Total 92 units of detached, semi-detached and terrace houses
- Floor area per unit: 1040 – 1850 sqft
- Million Gifted 1 – 46 units; est. completion in 2018
- Million Gifted 2 – 46 units; est. completion in 2017

FORWARD **STRATEGY**

As part of RIG's growth strategy, the Group endeavours to establish strategic presence in Singapore and diversify into complementary areas of growth. Focusing on cost-cutting and revenue enhancement, these forward strategies were reasons behind new business ventures which complement the Group's core property development business.

In 2016, RIG sought collaborations with various partners that offered new complementary business opportunities in industrial park development, logistical solutions, asset management and more. To pursue these possibilities, the Group incorporated four new subsidiaries in Singapore – Regal Global Logistics Pte. Ltd. ("**RGL**"), Regal Global Capital Pte. Ltd. ("**RGC**"), Regal Asset Management Pte. Ltd. ("**RAM**"), and Regalia Properties Pte. Ltd. ("**Regalia Properties**").



REGAL GLOBAL LOGISTICS

As a builder-developer, efficient logistical services are crucial in ensuring competent sourcing of raw materials worldwide. RGL was established in October 2016 with the aim of venturing into the global logistics sector. When the Group's industrial park initiatives take off, RGL will be ready to offer integrated logistical solutions for the import and export of various products.

In tandem with these developments, RGL signed a management rights agreement with FTL Group Pte. Ltd. ("**FTL Group**"), a freight forwarding and logistics solutions provider headquartered in Singapore, to collaborate on the management and running of its business for 6 months, prior to RGL acquiring 51% shareholding of FTL Group. RIG's collaboration with FTL Group will propel the Group's logistical foray once it has been formalised.

RGL and FTL Group signed Management Rights Agreement in Oct 2016.

REGALIA PROPERTIES

The incorporation of Regalia Properties in November 2016 is meant as a step to complete the Group's real estate value chain as the company specialises in marketing international investment properties from countries such as Australia, United Kingdom, Malaysia and Thailand to discerning qualified investors from Malaysia and Singapore.

Kicking off 2017 on a positive note, Regalia Properties officially received its Estate Agent Licence from the Council for Estate Agencies, to carry out estate agency work in Singapore, on 1 January 2017.

Regalia Properties at property roadshow in Kuching, Sarawak to promote international investment properties.

REGAL GLOBAL CAPITAL AND REGAL ASSET MANAGEMENT

Likewise, RIG's foray into the asset management business is aimed at complementing the Group's existing business portfolio. With RGC and RAM, collectively the Group's asset management business arm, RIG aspires to transform into a full-fledged real estate service and solutions provider.

REGIONAL **OFFICES**

MALAYSIA

- Temasek Regal Capital Sdn. Bhd.
  - ■ Temasek Cartel Sdn. Bhd.
    - o Regal Hospitalities Sdn. Bhd.[3]
  - ■ Regal Advantage Sdn. Bhd.
    - o Tiya Development Sdn. Bhd.[4]
  - ■ Regal Materials Sdn. Bhd.
  - ■ Beaches & Coastlines Sdn. Bhd.
  - ■ Ocean Megalink Sdn. Bhd.
  - ■ Bellanova Sdn. Bhd.
    - o Midas Residences Sdn. Bhd.
      - ✓ Kota Sarjana Sdn. Bhd.[5]
    - o Beneworld Sdn. Bhd.
    - o Upright Strategy Sdn. Bhd.
    - o Regal Lands Sdn. Bhd.
      - ✓ Regal Concrete Sdn. Bhd.[6]
      - ✓ Benua Kenyalang Sdn. Bhd.[6]
      - ✓ Regal Steelink Sdn. Bhd.[7]
      - ✓ Luminous Paints Sdn. Bhd.[7]
      - ✓ HJ Lai Concrete Cement Sdn. Bhd.[8]
    - o Kenyalang Avenue Sdn. Bhd.
      - ✓ Arena Wiramaju Sdn. Bhd.[9]
  - ■ Harbour Venture Sdn. Bhd.
  - ■ Sang Kanchil Rising Sdn. Bhd.
  - ■ Million Sunray Sdn. Bhd.[10]

SINGAPORE

REGAL INTERNATIONAL GROUP LTD. (Parent)

- Regal International Holdings Pte. Ltd.
- Regal International Investments Pte. Ltd.
  - o Regal Global Logistics Pte. Ltd.
  - o Regalia Properties Pte. Ltd.[1]
  - o Regal Asset Management Pte. Ltd.[2]
  - o Regal Global Capital Pte. Ltd.[2]

★ Regal Projects in Malaysia:

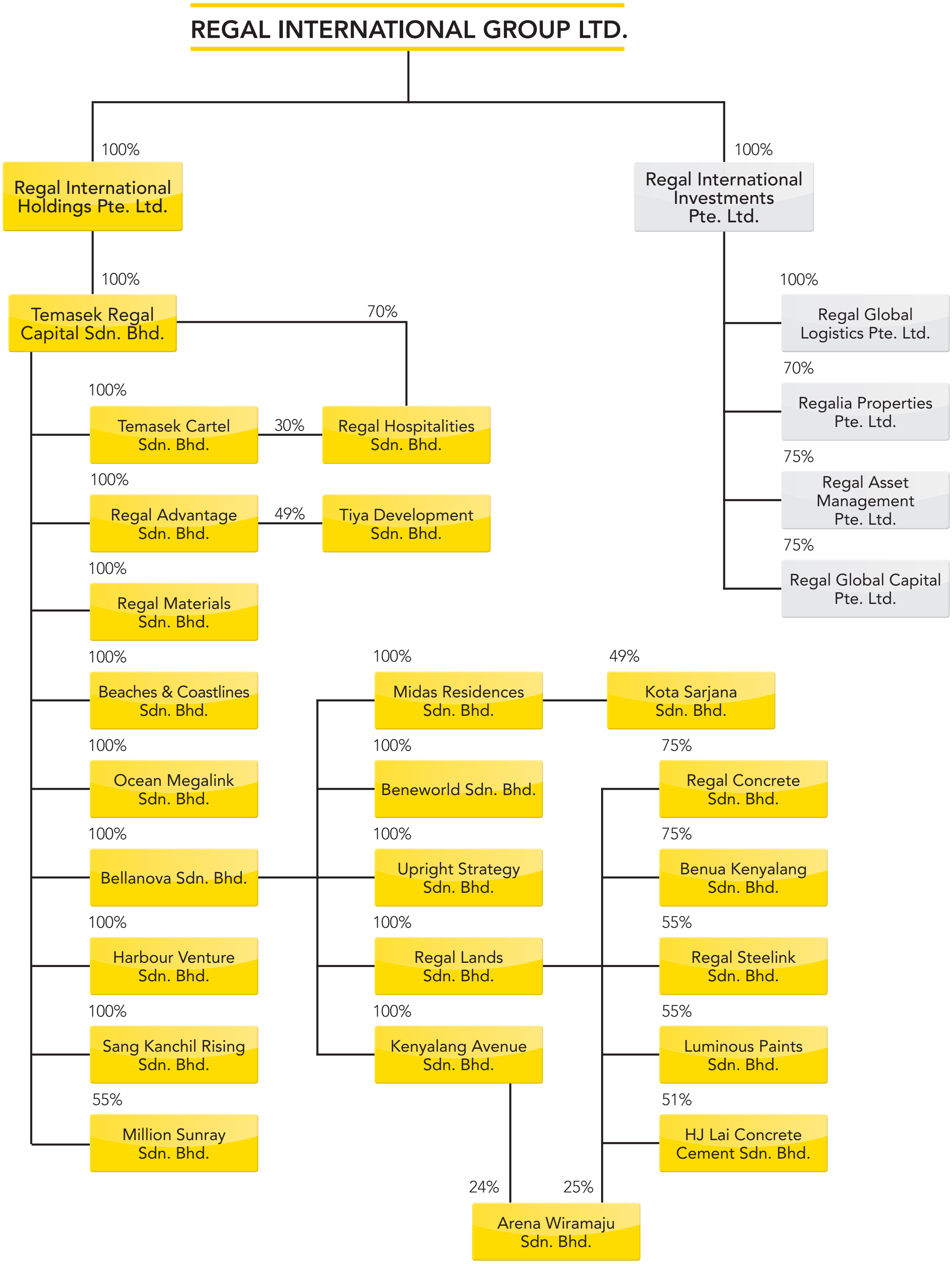
- ➢ Seremban N. Sembilan
- ➢ Salak Tinggi
- ➢ Bintulu
- ➢ Kuching
- ➢ Sibu
- ➢ Samarahan

Remarks:

1 Regalia Properties Pte. Ltd. is 70% owned by Regal International Investments Pte. Ltd.
2 Regal Asset Management Pte. Ltd. and Regal Global Capital Pte. Ltd. are both 75% owned by Regal International Investments Pte. Ltd.
3 Regal Hospitalities Sdn. Bhd. is 70% owned by Temasek Regal Capital Sdn. Bhd. and 30% owned by Temasek Cartel Sdn. Bhd.
4 Tiya Development Sdn. Bhd. is 49% owned by Regal Advantage Sdn. Bhd.
5 Kota Sarjana Sdn. Bhd. is 49% owned by Midas Residences Sdn. Bhd.
6 Regal Concrete Sdn. Bhd. and Benua Kenyalang Sdn. Bhd. are both respectively 75% owned by Regal Lands Sdn. Bhd.
7 Regal Steelink Sdn. Bhd. and Luminous Paints Sdn. Bhd. are both respectively 55% owned by Regal Lands Sdn. Bhd.
8 HJ Lai Concrete Cement Sdn. Bhd. is 51% owned by Regal Lands Sdn. Bhd.
9 Arena Wiramaju Sdn. Bhd. is 25% owned by Regal Lands Sdn. Bhd. and 24% owned by Kenyalang Avenue Sdn. Bhd.
10 Million Sunray Sdn. Bhd. is 55% owned by Temasek Regal Capital Sdn. Bhd.

 # All other unmarked companies are 100% wholly-owned subsidiaries under the Group.

GROUP STRUCTURE



CORPORATE SOCIAL **RESPONSIBILITY**

Initiated more than 10 years ago, RIG has been committed towards supporting communities and charitable organisations where it operates and cultivating employees with compassion. Seeds of empathy and kindness were planted along the way as the Company believes in giving back to the society and contributing to the general social well-being.

COMMUNITY OUTREACH – "HAPPINESS FOR YOU AND ME"

RIG's core corporate philosophy of "**Happiness for You and Me**" denotes the creation of happiness and mutual well-being of the Company, staff as well as the public community. Initiated more than 10 years ago, RIG has been accumulating small deeds of kindness along the way.

The Company partakes in food fairs and donation drives organised by registered charitable organisations in Kuching, Sarawak on a regular basis. The Group also believes in making a positive contribution to the less privileged communities via its festive charitable giving and charity lunches.

With property industry close at heart, RIG has been partnering with relevant business partners to help build and improve home shelters. On average, there will be total of 20 such events in a year where staff and management volunteer their off-work time to benefit the less privileged.

With the aim of "creating happiness" for its staff and the community, the following are some snapshots of the Group's Corporate Social Responsibilities (CSR) initiatives in 2016 and 2017:

Festive warmth from Regal to over 550 less privileged old folks and children during the Chinese New Year.

Chinese New Year red packets for seniors residing at Sarawak Hun Nam Siang Tng (砂崂越雲南善堂) in February 2017.

Helping the elderly from Sarawak Cheshire Home during a charity lunch event.

Participated in the charity food fair by Sarawak Cheshire Home to raise funds for increasing shelter accommodation for the handicapped.

"Ultimately, our goal is to increase the awareness of these less fortunate groups so that more people can come forth to help them."

Cheering the children from The Salvation Army with Christmas charity lunch sponsor in December 2016.

Regal's staff busy preparing snacks to raise funds for the extension of educational blocks for Chung Hua Primary School No. 5.

INVESTOR **RELATIONS**

INVESTOR RELATIONS

RIG believes in building partnerships that create and deliver long-term sustainable values for all stakeholders. Over the past year, the Group has engaged shareholders and the investment community to articulate its growth story.

The Group is committed to upholding high standards of transparency and helping investors make informed decisions through timely disclosures and comprehensive information.

Through a variety of communication channels, such as quarterly disclosures, annual reports, and the corporate website, RIG communicates with investors and analysts to articulate its business approach and strategies.

As an integrated communication platform, the Group's corporate website at www.regalinternational.com.sg encompasses all official announcements, press releases, analyst research and financial reports, in addition to details of its various property development projects and corporate news and events. All shareholders and stakeholders are encouraged to access the website for the latest updates.

2016 INVESTOR DIALOGUE

As part of the Group's commitment towards proactive shareholders' engagement, an investor dialogue session for shareholders and analysts was organised in July 2016 at Suntec Convention Centre, drawing close to 40 attendees.

During the session, Mr Dominic Su, Executive Chairman and CEO of RIG, reviewed the Group's performance for FY2015 and shared its outlook and strategy for 2016. He was also actively engaged in candid discussions with various groups of interested participants, promptly responding to any issues or concerns raised.

RIG hosted an Investor Dialogue in July 2016 for close to 40 attendees at Suntec Convention Centre, Singapore.

CORPORATE **GOVERNANCE**

The Board of Directors ("**Board**") of Regal International Group Ltd. (the "**Company**") 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.

CORPORATE **GOVERNANCE**

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

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

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

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

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 120(2) 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 2016 ("**FY2016**") is set out as follows:

Attendance Record of the Board and Board Committees

Name of Director	Board of Directors	Board Committee Meetings		
		Audit Committee	Remuneration Committee	Nominating Committee
Total Number of Meetings Held	**4**	**4**	**1**	**1**
Su Chung Jye	4	4[1]	1	1
Wong Pak Kiong	4	4[1]	1[1]	1[1]
Low Yew Shen	4	4[1]	1[1]	1[1]
Goon Kok Loon	4	4	1	1
Chong Weng Hoe	4	4	1	1
Francis Hwang Huat Kuong	4	4	1	1

Note:

(1) By invitation

CORPORATE **GOVERNANCE**

The Company has adopted internal guidelines on the following matters that are reserved for the 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;

(g) internal controls and risks management;

(h) declaration of interim dividends and proposed final dividends; and

(i) all matters, which are delegated to the 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 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 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 Committee 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 FY2016 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;

CORPORATE **GOVERNANCE**

(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.

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 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

Note:

(1) Mr Su Chung Jye was appointed as a member of the NC and RC on 14 March 2016.

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.

CORPORATE **GOVERNANCE**

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

Taking reference from Guideline 2.4 of the Code, the NC has conducted a rigorous review on the independence of the Independent Directors, Mr Goon Kok Loon and Mr Chong Weng Hoe and considers that Mr Goon Kok Loon and Mr Chong Weng Hoe are independent even though they will be in their ninth (9th) year of service on the Board in 2016. 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 Board 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.

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 Independent Directors is particularly important in ensuring that the strategies proposed by Management are fully discussed, rigorously examined and taken 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 Independent Directors also review the performance of Management in meeting agreed goals and objectives and monitor the reporting of performance. The NC considers its 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 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 Executive Chairman 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.

CORPORATE **GOVERNANCE**

As the Executive Chairman, 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 Executive Chairman 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 Executive Chairman 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 Executive Chairman or the CEO has failed to resolve, or where such contact is inappropriate.

BOARD MEMBERSHIP

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

The NC comprises of the following four (4) Directors, 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

Mr Su Chung Jye was appointed as a member of the NC on 14 March 2016.

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 2012;

(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.

CORPORATE **GOVERNANCE**

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.

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

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

CORPORATE **GOVERNANCE**

(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 provide 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, 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 (9) 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 FY2016.

The NC has recommended to the Board that Mr Wong Pak Kiong and Mr Francis Hwang Huat Kuong be nominated for re-election under Regulation 107 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 FY2016, the NC is of the view that each Director had discharged his duties adequately.

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.

CORPORATE **GOVERNANCE**

The NC has assessed the performance and effectiveness of the Board as a whole and of each Board committee and individual Director. The evaluation is based on objective performance criteria which include attainment of agreed targets, performance of the Board, attendance and contribution of each Director during Board and Board Committee 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, Board Committees and individual Director 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.

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. The appointment and removal of the Company Secretary is subject to the approval of the Board.

CORPORATE **GOVERNANCE**

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) Directors, 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

Mr Su Chung Jye was appointed as a member of the RC on 14 March 2016.

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.

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 to 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 FY2016, the Company has not granted any share options to the group Executive Directors, group Non-Executive Director and employees under the Scheme. No awards were granted under the Plan. More details are set out under the Statement by Directors in page 42 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 FY2016.

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

Principle 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 FY2016 is set out below:

Name of Directors	Salary (%)	Bonus (%)	Fees (%)	Total (%)	Options granted during the year
Above S$500,000 and Below S$750,000					
Su Chung Jye	78.9	–	21.1	100	–
Above S$250,000 and Below S$500,000					
Wong Pak Kiong	78.0	–	22.0	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 FY2016 is set out below:

Name of Key Management Personnnel	Salary (%)	Bonus (%)	Fees (%)	Total (%)	Options granted during the year
Above S$500,000 and Below S$750,000					
Anthony Cheng Ee Chew	87.5	12.5	–	100	–
Jackie Cheng Ee Lieng	88.1	11.9	–	100	–
Above S250,000 and Below S$500,000					
Jessica Ong Boon Chin	89.1	10.9	–	100	–
Below S$250,000					
Serena Su Chung Wen	100	–	–	100	–
Frederick Eng Meng Khuan	100	–	–	100	–
Elizabeth Wong Sing Hui	100	–	–	100	–
Liang Ngee Ping	100	–	–	100	–
Helen Poh Yan Peng	93.2	6.8	–	100	–

CORPORATE **GOVERNANCE**

For FY2016, the aggregate total remuneration paid to the top five (5) key management personnel (who are not Directors or the CEO) amounted to S$1,684,000.

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

Remuneration of Employees Related to Director

Ms Serena Su Chung Wen and Ms Chai Shao Ping, the sister and spouse of the Executive Chairman and CEO, Mr Su Chung Jye respectively, had received remuneration exceeding S$50,000 in FY2016.

Details of the remuneration paid to Ms Serena Su Chung Wen and Ms Chai Shao Ping for FY2016 are set out in the table below:

Name of immediate family member	Salary (%)	Bonus (%)	Fees (%)	Total (%)	Options granted during the year
S$50,000 to S$100,000					
Chai Shao Ping	55.3	–	44.7	100	–
Serena Su Chung Wen	100.0	–	–	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.

CORPORATE **GOVERNANCE**

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.

RISK MANAGEMENT AND INTERNAL CONTROLS RISK MANAGEMENT

Principle 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 put 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 34 set out on page 130 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.

CORPORATE **GOVERNANCE**

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 2016.

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 FY2016 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.

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) Directors, 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) reviewing 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, balance sheets and profit and loss 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;

CORPORATE **GOVERNANCE**

(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 Audit Committee 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 Audit Committee; 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.

CORPORATE **GOVERNANCE**

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 FY2016 are disclosed in Note 10 set out on page 93 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 page 104 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 provides regular updates and briefing to the AC on changes or amendments to accounting standards to enable the member of the AC to keep abreast of such changes and its corresponding impact on the financial statements, if any.

In the review of the financial statements for the financial year ended 31 December 2016, the AC has discussed with the Management and the external auditors on significant issues and assumptions that would impact the financial statements. The most significant matters have also been included in the Independent Auditor's Report to the members of the Company under "Key Audit Matters". Following the review, the AC is satisfied that those matters have been dealt with and recommended the Board to approve the financial statements. The Board has on 28 March 2017 approved the financial statements.

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. 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 Nexis 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.

CORPORATE **GOVERNANCE**

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.

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.

Shareholders are informed of general meetings through the announcements 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. 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 (2) 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; and

(e) electronic mails to its corporate email address at *info@regalinternational.com.sg*.

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 will focus on facilitating the communications with all stakeholders, shareholders, analysts and media on a regular basis, to attend to their queries or concerns as well as to keep the investors publicly apprised of the Group's corporate developments and financial performance.

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

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

As the Company has not made profits for FY2016, it is not declaring a dividend for FY2016. Therefore, no dividend will be paid for FY2016.

CORPORATE **GOVERNANCE**

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. 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 general meetings. The Company will make available minutes of general 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.

The Chairmen of the Board Committees will normally be present for all general meetings and available to address questions at these general 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. The voting results of all votes cast for, or against, each resolution is then announced at the general meetings. For cost effectiveness of the Company, the voting of the resolutions at the Company's general meetings are conducted by manual polling. The detailed results of each resolution are announced via SGXNet after the general 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 2016, there were no IPTs conducted during the year, which exceeded S$100,000 in value.

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 own internal 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 FY2016.

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 2016.

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 and performance 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 2017	At beginning of the reporting year	At end of the reporting year	At 21 January 2017
	Number of shares of no par value					
Su Chung Jye	9,138,381	9,138,381	16,138,381	116,424,076	116,424,076	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	3,885,556	2,389,000	2,389,000	–	–	–

Mr Su Chung Jye is deemed interested in 116,424,076 shares in which Ikram Mahawangsa Sdn. Bhd. has 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 corporations 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 Share 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 (cont'd)

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 Remuneration Committee ("**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.

STATEMENT BY **DIRECTORS**

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

Employee share option scheme (cont'd)

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

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

On 3 June 2015, the Company offered and granted a total of 12,000,000 Share Options to the Group Executive Directors, Group Non-Executive Directors and employees comprising:

(i) 6,000,000 Share Options at S$0.38, being the average of the closing market prices of the shares of the Company over a period of five (5) consecutive market days immediately prior to the date of grant of Share Options; and

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

The Share Options exercisable at the Market Price are exercisable after the first (1st) anniversary of the date of grant and before the tenth (10th) anniversary of the date of grant; and

The Share Options exercisable at a 20% discount to the Market Price are exercisable after the second (2nd) anniversary of the date of grant and before the tenth (10th) anniversary of the date of grant.

STATEMENT BY **DIRECTORS**

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

Employee share option scheme (cont'd)

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	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 year	Exercise price S$
03/06/2016	02/06/2024	6,000,000	–	(605,000)	5,395,000	0.38
03/06/2017	02/06/2024	6,000,000	–	(605,000)	5,395,000	0.30
		12,000,000	–	(1,210,000)	10,790,000	

The following table summarises information about outstanding share options of directors and associate of controlling shareholder at the end of the reporting year:

Directors and Controlling Shareholders of the Company	Grants in 2015	Grants from start of scheme to end of 2016	Exercised/ lapsed from start of scheme to end of 2016	Balance at 31.12.2016	
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 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 of Audit Committee and Independent and Non-Executive Director)
Chong Weng Hoe	(Independent and Non-Executive Director)
Francis Hwang Huat Kuong	(Independent and Non-Executive Director)

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.

STATEMENT BY **DIRECTORS**

8. Independent auditor

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

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 2016.

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 2017, 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

28 March 2017

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 2016, 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 2016 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.

INDEPENDENT **AUDITOR'S REPORT**

to the Members of REGAL INTERNATIONAL GROUP LTD.

Key audit matters (cont'd)

1) Development properties

Please refer to Note 2 on accounting policies; Note 2C on critical judgements, assumptions and estimation uncertainties; Note 21 on development properties and the annual report on the section on the audit committee's views and responses to the reported KAMs.

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

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

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

INDEPENDENT **AUDITOR'S REPORT**

to the Members of REGAL INTERNATIONAL GROUP LTD.

Key audit matters (cont'd)

2) Assessment of the loss on disposal of Hisaka International Holdings Pte. Ltd. and its subsidiaries

Please refer to Note 2 on accounting policies; Note 2C on critical judgements, assumptions and estimation uncertainties; Note 12 on disposal of discontinued operations and the annual report on the section on the audit committee's views and responses to the reported KAMs.

In June 2016, the Group entered into a sale and purchase agreement ("**SPA**") for the disposal of the Company's entire interest in its wholly-owned subsidiary, Hisaka International Holdings Pte. Ltd. ("**HIHPL**").

Under the terms of the SPA, the purchase consideration payable by the acquirer is an amount being the aggregate of RM20.6 million (S$7 million) and an amount equivalent to certain proceeds relating to a property estimated at the value of S$5.5 million then.

As the property has not been sold as at 31 December 2016, an amount in relation to the potential proceeds from the sale of the property has to be estimated and the amount to be recognised should fairly reflect the probable amount that the Company expects to receive from the sale of the property so as not to unnecessarily inflate the balance as well as the total purchase consideration. Management had applied appropriate valuation principles in determining the estimated property value, where the management took into account the selling prices of past sales and comparable properties, and also considered property market conditions around the vicinity. The amount recognised by management for the property is RM8.7 million (S$2.8 million).

On the above basis, the aggregate value of the purchase consideration is estimated to be approximately RM29.3 million [S$9.8 million (S$7 million + S$2.8 million)].

Taking into account the purchase consideration and the unaudited net tangible asset value of HIHPL of approximately RM51.0 million after netting off the translation reserve balance of RM7.2 million as at 16 December 2016, the finalised disposal of HIHPL represents a loss upon disposal of approximately RM21.7 million.

We tested the loss on disposal by reconciling the consideration to the SPA and bank accounts and by verifying the net assets disposed to underlying accounting records. In addition we tested whether the loss on disposal was calculated in accordance with the relevant clauses of the SPA. When checking the loss on disposal we particularly considered management's valuation methodology for the contingent proceeds from the sale of the property and tested the market factors used by management. We also evaluated the adequacy of the disclosure (Note 12) of this disposal in the financial statements, including disclosures of key assumptions, judgements and sensitivities.

INDEPENDENT **AUDITOR'S REPORT**

to the Members of REGAL INTERNATIONAL GROUP LTD.

Key audit matters (cont'd)

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

Please refer to Note 2 on accounting policies; Note 2C on critical judgements, assumptions and estimation uncertainties; Note 17 on investments in subsidiaries and the annual report on the section on the audit committee's views and responses to the reported KAMs.

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 92.3% 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 tangible assets of RIH as at 31 December 2016 amounted to RM24.7 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.

Management has assessed the recoverable amount of the cost of investment based on the following:

(a) A valuation of the projects was carried out by an independent valuer in September 2014 for purpose of the reverse take-over ("**RTO**"). Based on these valuations, the value of the remaining property development projects on hand was estimated to be RM471.4 million which is 19.8% higher than the carrying amount of the cost of investment in RIH.

(b) Management carried out an update of the valuation exercise of their remaining projects as at November 2016 using the same basis as the third party valuer. Based on these valuations, the value of the remaining projects on hand was estimated to be RM503.4 million which is 27.9% higher than the carrying amount of the cost of investment in RIH.

We tested the estimates made in the determination of the net realisable values ("**NRV**") of the development properties. The NRV is computed based on the net of the Gross Development Value ("**GDV**") and Gross Development Cost ("**GDC**") of the development properties. 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.

INDEPENDENT **AUDITOR'S REPORT**

to the Members of REGAL INTERNATIONAL GROUP LTD.

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.

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 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.

INDEPENDENT **AUDITOR'S REPORT**

to the Members of REGAL INTERNATIONAL GROUP LTD.

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

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

d) Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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.

INDEPENDENT **AUDITOR'S REPORT**

to the Members of REGAL INTERNATIONAL GROUP LTD.

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

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

28 March 2017

Peter Jacob – effective from financial year ended 31 December 2016

CONSOLIDATED STATEMENT OF **PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

Year Ended 31 December 2016

	Notes	Group 2016 RM'000	Group Restated 2015 RM'000
Continuing operations			
Revenue	5	149,013	34,758
Cost of sales		(109,012)	(33,663)
Gross Profit		40,001	1,095
Interest income	6	25	28
Other gains	7	712	995
Marketing and distribution costs	10	(646)	(867)
Administrative expenses	10	(32,766)	(27,340)
Other losses	7	(361)	(41,321)
Finance costs	8	(3,163)	(2,432)
Share of loss from equity-accounted associate		(307)	(1,465)
Profit (Loss) before tax		3,495	(71,307)
Income tax (expense) credit	11	(3,165)	421
Profit (Loss) from continuing operations, net of tax		330	(70,886)
Discontinued operations			
Loss from discontinued operations, net of tax	12	(21,657)	(1,286)
Total loss, net of tax		(21,327)	(72,172)
Other comprehensive income (loss)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations, net of tax		483	7,704
Reclassification adjustment relating to foreign operations disposed off in the year		(7,186)	–
Other comprehensive (loss) income for the year, net of tax		(6,703)	7,704
Total comprehensive loss for the year		(28,030)	(64,468)
Loss attributable to equity holders of parent, net of tax		(21,320)	(72,403)
(Loss) Profit attributable to non-controlling interest, net of tax		(7)	231
Loss, net of tax		(21,327)	(72,172)
Total comprehensive loss attributable to equity holders of the parent		(28,032)	(64,699)
Total comprehensive profit attributable to non-controlling interests		2	231
Total comprehensive loss for the year		(28,030)	(64,468)
Earnings (loss) per share			
Earnings (loss) per share currency unit		**Sens**	**Sens**
Basic	13		
Continuing operations		0.17	(35.54)
Discontinued operations		(10.82)	(0.64)
		(10.65)	(36.18)
Diluted	13		
Continuing operations		0.17	(35.54)
Discontinued operations		(10.82)	(0.64)
		(10.65)	(36.18)

The accompanying notes form an integral part of these financial statements

STATEMENTS OF **FINANCIAL POSITION**

As at 31 December 2016

		Group		Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	14	12,439	22,700	70	109
Available-for-sale financial assets	16	1,551	1,523	1,551	1,523
Investment in subsidiaries	17	–	–	393,597	386,308
Investment in associate	18	4,718	8,565	–	–
Deferred tax assets	11	1,070	1,345	–	59
Investment properties	19	5,666	–	–	–
Other assets	20	2,970	6,282	–	–
Total non-current assets		28,414	40,415	395,218	387,999
Current assets					
Development properties	21	107,589	108,235	–	–
Inventories	22	31,197	36,729	–	–
Trade and other receivables	23	66,612	73,565	29,437	23,324
Other assets	20	1,968	5,308	154	127
Cash and cash equivalents	24	15,170	22,484	1,830	3,602
Total current assets		222,536	246,321	31,421	27,053
Total assets		250,950	286,736	426,639	415,052
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	26	133,052	133,052	369,551	369,551
Accumulated losses		(87,833)	(66,881)	(17,986)	(38,750)
Share option reserve	27	3,193	1,631	3,193	1,631
Foreign currency translation reserve		2,857	9,569	70,268	62,092
Merger reserve	28	1,563	3,178	–	–
Equity, attributable to owners of the parent		52,832	80,549	425,026	394,524
Non-controlling interests		367	365	–	–
Total equity		53,199	80,914	425,026	394,524
Non-current liabilities					
Deferred tax liabilities	11	686	1,253	–	–
Other financial liabilities	29	34,507	15,684	–	–
Total non-current liabilities		35,193	16,937	–	–
Current liabilities					
Income tax payable		16,319	15,256	–	5
Trade and other payables	30	97,734	61,132	1,613	20,523
Other liabilities	31	2,661	4,217	–	–
Progress billings		21,575	77,024	–	–
Other financial liabilities	29	24,269	31,256	–	–
Total current liabilities		162,558	188,885	1,613	20,528
Total liabilities		197,751	205,822	1,613	20,528
Total equity and liabilities		250,950	286,736	426,639	415,052

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

STATEMENTS OF **CHANGES IN EQUITY**

Year ended 31 December 2016

Group	Total equity RM'000	Attributable to owners of the parent sub- total RM'000	Share capital RM'000	(Accumulated losses) retained earnings RM'000	Foreign currency translation reserve RM'000	Merger reserve RM'000	Share option reserve RM'000	Non-controlling interests RM'000
Current year:								
Opening balance at 1 January 2016	80,914	80,549	133,052	(66,881)	9,569	3,178	1,631	365
Movements 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)	2,857	1,563	3,193	367
Previous year:								
Opening balance at 1 January 2015	143,751	143,617	133,052	5,522	1,865	3,178	–	134
Movements in equity:								
Total comprehensive (loss) income for the year	(64,468)	(64,699)	–	(72,403)	7,704	–	–	231
Share-based payments (Note 27)	1,631	1,631	–	–	–	–	1,631	–
Closing balance at 31 December 2015	80,914	80,549	133,052	(66,881)	9,569	3,178	1,631	365

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 2016	394,524	369,551	(38,750)	1,631	62,092
Movements 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
Previous year:					
Opening balance at 1 January 2015	361,779	369,551	(17,403)	–	9,631
Movements in equity:					
Total comprehensive income (loss) for the year	31,114	–	(21,347)	–	52,461
Share-based payments (Note 27)	1,631	–	–	1,631	–
Closing balance at 31 December 2015	394,524	369,551	(38,750)	1,631	62,092

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

CONSOLIDATED STATEMENT OF **CASH FLOWS**

Year Ended 31 December 2016

	Group	
	2016	**2015**
	RM'000	**RM'000**
Cash flows from operating activities		
Profit (Loss) before tax from continuing operations	3,495	(71,307)
Loss before tax from discontinued operations	(21,693)	(951)
Loss before tax, total	(18,198)	(72,258)
Adjustments for:		
Depreciation of property, plant and equipment	5,736	4,749
Interest expense	3,163	2,565
Interest income	(25)	(72)
Impairment loss on goodwill	–	39,330
Waiver of quasi-equity loan to associate	–	3,634
Loss on disposal of plant and equipment	–	127
Plant and equipment written off	–	44
Loss on disposal of discontinued operations	20,564	–
Share-based payments	1,930	1,631
Share of loss from equity-accounted associate	307	1,465
Operating cash flows before changes in working capital	**13,477**	**(18,785)**
Development properties	646	(58,167)
Inventories	(11,103)	(4,265)
Trade and other receivables	(35,103)	10,152
Other assets, current	2,938	(1,255)
Trade and other payables	50,175	3,571
Progress billings received and receivables	(55,448)	54,489
Other liabilities	(1,555)	2,671
Net cash flows used in operations before tax	**(35,973)**	**(11,589)**
Income tax paid	(2,141)	(642)
Net cash flows used in operating activities	**(38,114)**	**(12,231)**
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,334)	(3,191)
Proceeds from sale of property, plant and equipment	463	162
Dividends from associate	3,540	–
Investment properties	(5,666)	–
Other assets, non-current	3,311	3,105
Available-for-sale financial assets	–	(1,523)
Disposal of subsidiary, net of cash acquired (Note 12)	7,504	–
Interest received	25	72
Net cash flows from (used in) investing activities	**6,843**	**(1,375)**
Cash flows from financing activities		
Net movements in amounts due to directors	844	637
Net movements in amounts due to shareholders	169	–
Net movements in amounts due to associate	(1,975)	–
Proceeds from borrowings	35,882	21,610
Repayment of borrowings	(8,383)	(15,144)
Cash restricted in use	823	(1,976)
Interest paid	(3,163)	(2,565)
Net cash flows from financing activities	**24,197**	**2,562**
Net decrease in cash and cash equivalents	**(7,074)**	**(11,044)**
Cash and cash equivalents, statement of cash flows, beginning balance	13,363	22,921
Effect of exchange rate of changes on cash and cash equivalents	(256)	1,486
Cash and cash equivalents, statement of cash flows, ending balance (Note 24A)	**6,033**	**13,363**

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

NOTES TO THE **FINANCIAL STATEMENTS**

31 December 2016

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: 45 North Canal Road #04-01, Singapore 059301. The Company is situated in Singapore.

Accounting convention

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards ("**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 an 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 at the end of this footnote, where applicable.

NOTES TO THE **FINANCIAL STATEMENTS**

31 December 2016

1. GENERAL (CONT'D)

Basis of presentation

The consolidated financial statements include the financial statements made up to the end of the reporting year of the Company and all of its subsidiaries. The consolidated financial statements are the financial statements of the Group 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.

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.

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.

NOTES TO THE **FINANCIAL STATEMENTS**

31 December 2016

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

2A. Significant accounting policies (cont'd)

Revenue recognition (cont'd)

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.

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.

NOTES TO THE **FINANCIAL STATEMENTS**

31 December 2016

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

2A. Significant accounting policies (cont'd)

Revenue recognition (cont'd)

Revenue from Malaysia development properties (cont'd)

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.

NOTES TO THE **FINANCIAL STATEMENTS**

31 December 2016

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

2A. Significant accounting policies (cont'd)

Revenue recognition (cont'd)

Revenue from construction contracts (cont'd)

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.

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. A government grant related to assets, including non-monetary grants at fair value, is presented in the statement of financial position by setting up the grant as deferred income.

NOTES TO THE **FINANCIAL STATEMENTS**

31 December 2016

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

2A. Significant accounting policies (cont'd)

Employee benefits

Contributions to a defined contribution retirement benefit plan are recorded as an expense as they fall due. The entity's legal or constructive obligation is limited to the amount that it agrees to contribute to an independently administered fund (such as the Central Provident Fund in Singapore, a government managed defined contribution retirement benefit plan). 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.

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 Singapore dollar 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.

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 2016

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

2A. Significant accounting policies (cont'd)

Presentation currency

The presentation currency of the Group and the Company is Malaysian Ringgit ("**RM**") as the Group's main subsidiaries conduct their operations in Malaysia.

For the Company's financial statements assets and liabilities are translated at year end rates of exchange and the 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. The translations of S$ amounts into RM amounts are included solely for the convenience of readers. The reporting year end rates used are S$1 to RM3.093 (2015: RM3.036) which approximate the rate of exchange at the end of the reporting year. The average rates of exchange for the reporting year were S$1 to RM2.991 (2015: RM2.840). Such translation should not be construed as a representation that the Malaysian Ringgit amounts could be converted into Singapore dollars at the above rate or other rate.

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.

NOTES TO THE **FINANCIAL STATEMENTS**

31 December 2016

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

2A. Significant accounting policies (cont'd)

Property, plant and equipment

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.

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. 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 external independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued.

NOTES TO THE **FINANCIAL STATEMENTS**

31 December 2016

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

2A. Significant accounting policies (cont'd)

Investment property (cont'd)

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.

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 cost 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.

NOTES TO THE **FINANCIAL STATEMENTS**

31 December 2016

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

2A. Significant accounting policies (cont'd)

Subsidiaries (cont'd)

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 and the net book value of the investment in a subsidiary are not necessarily indicative of the amount that would be realised in a current market exchange.

Associates

An associate is an entity including an unincorporated entity in which the reporting entity has a significant influence and that is neither a subsidiary nor a joint arrangement of the reporting entity. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. An investment in an associate includes goodwill on acquisition, which is accounted for in accordance with 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.

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

NOTES TO THE **FINANCIAL STATEMENTS**

31 December 2016

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

2A. Significant accounting policies (cont'd)

Associates (cont'd)

In the Company's separate financial statements, an investment in an associate is accounted for at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for an associate 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 and the net book value of an investment in the associate are not necessarily indicative of the amounts that would be realised in a current market exchange.

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.

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. For business combinations achieved in stages, any equity interest held in the acquiree is remeasured immediately before achieving control at its acquisition-date fair value and any resulting gain or loss is recognised in profit or loss.

NOTES TO THE **FINANCIAL STATEMENTS**

31 December 2016

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

2A. Significant accounting policies (cont'd)

Business combinations (cont'd)

Where the fair values are measured on a provisional basis they are finalised within one year from the acquisition date with consequent retrospective changes to the amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date.

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.

NOTES TO THE **FINANCIAL STATEMENTS**

31 December 2016

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

2A. Significant accounting policies (cont'd)

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.

Goodwill

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognised. Goodwill is recognised as of the acquisition date measured as the excess of (a) over (b); (a) being the aggregate of: (i) the consideration transferred which generally requires acquisition-date fair value; (ii) the amount of any non-controlling interest in the acquiree measured in accordance with FRS 103 (measured either at fair value or as the non-controlling interest's proportionate share of the acquiree's net identifiable assets); and (iii) in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree; and (b) being the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured in accordance with this FRS 103.

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised. Irrespective of whether there is any indication of impairment, goodwill and also any intangible asset with an indefinite useful life or any intangible asset not yet available for use are tested for impairment at least annually. Goodwill impairment is not reversed in any circumstances.

For the purpose of impairment testing and since the acquisition date of the business combination, goodwill is allocated to each cash-generating unit, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree were assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated represents the lowest Level within the entity at which the goodwill is monitored for internal management purposes and is not larger than a segment.

NOTES TO THE **FINANCIAL STATEMENTS**

31 December 2016

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

2A. Significant accounting policies (cont'd)

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 2016

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

2A. Significant accounting policies (cont'd)

Financial assets (cont'd)

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.

NOTES TO THE **FINANCIAL STATEMENTS**

31 December 2016

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

2A. Significant accounting policies (cont'd)

Subsequent measurement (cont'd):

Financial assets (cont'd)

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.

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.

NOTES TO THE **FINANCIAL STATEMENTS**

31 December 2016

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

2A. Significant accounting policies (cont'd)

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. Other financial liabilities: All liabilities, which have not been classified as in the previous category fall into this residual category. These liabilities are carried at amortised cost using the effective interest method.

NOTES TO THE **FINANCIAL STATEMENTS**

31 December 2016

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

2A. Significant accounting policies (cont'd)

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.

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 state 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.

NOTES TO THE **FINANCIAL STATEMENTS**

31 December 2016

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

2B. Other explanatory information

Provisions

A liability or provision is recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. A provision is made using best estimates of the amount required in settlement and where the effect of the time value of money is material, the amount recognised is the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Changes in estimates are reflected in profit or loss in the reporting year they occur.

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.

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.

NOTES TO THE **FINANCIAL STATEMENTS**

31 December 2016

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

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

Net realisable value of development properties held for sale:

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.

Valuation of consideration on sale of Hisaka International Holdings Pte. Ltd. and its subsidiaries:

As described in Note 12, during the reporting year, the disposal of Hisaka International Holdings Pte. Ltd. and its subsidiaries was completed. Under the terms of the sale and purchase agreement ("**SPA**"), the purchase consideration payable by the acquirer is an amount being the aggregate of RM20.6 million and an amount equivalent to certain proceeds relating to a property. As the property has not been sold as at 31 December 2016, an amount in relation to the potential proceeds from the sale of the property has to be estimated and the amount to be recognised should fairly reflect the probable amount that the Company expects to receive from the sale of the property so as not to unnecessarily inflate the balance as well as the total purchase consideration. Management had applied appropriate valuation principles in determining the estimated property value, where the Management took into account the selling prices of past sales and comparable properties, and also considered property market conditions around the vicinity. The amount recognised by Management for the property is RM8.7 million. Actual outcomes could vary from these estimates.

NOTES TO THE **FINANCIAL STATEMENTS**

31 December 2016

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

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

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 explain 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 RM393,597,000.

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.

NOTES TO THE **FINANCIAL STATEMENTS**

31 December 2016

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

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

Net realisable value of inventories:

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

Allowance for 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.

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 a 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.

NOTES TO THE **FINANCIAL STATEMENTS**

31 December 2016

3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONT'D)

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	
	2016	**2015**
	RM'000	**RM'000**
Other related parties		
Rental expenses	(346)	(346)

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

	Group	
	2016	**2015**
	RM'000	**RM'000**
Associate		
Rendering of services revenue	53	125
Sales of construction materials	8	302
Rental income	–	199

3C. Key management compensation:

	Group	
	2016	**2015**
	RM'000	**RM'000**
Salaries and other short-term employee benefits	8,795	8,974
Contributions to defined contribution plan	287	242
Share-based payments	742	230
	9,824	9,446

NOTES TO THE **FINANCIAL STATEMENTS**

31 December 2016

3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONT'D)

3C. Key management compensation: (cont'd)

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

	Group	
	2016	**2015**
	RM'000	**RM'000**
Remuneration of Directors of the Company	2,153	2,301
Fees to Directors of the Company	587	525
Share-based payments to Directors of the Company	306	91
Remuneration of Directors of the subsidiary companies	4,793	4,613
Fees to Directors of the subsidiary companies	–	716

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 eight (2015: nine) 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	
	2016	**2015**
Group	**RM'000**	**RM'000**
Other payables:		
Balance at beginning of the year	(3,143)	(350)
Amounts paid out and settlement of liabilities on behalf of associate	3,855	4,676
Amounts paid in and settlement of liabilities on behalf of Group	(1,880)	(7,469)
Balance at end of the year (Note 30)	(1,168)	(3,143)

NOTES TO THE **FINANCIAL STATEMENTS**

31 December 2016

3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONT'D)

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

	Directors	
Group	**2016 RM'000**	**2015 RM'000**
Other payables:		
Balance at beginning of the year	(999)	(362)
Amounts paid out and settlement of liabilities to directors	13	226
Amounts paid in and settlement of liabilities on behalf of Group	(857)	(863)
Balance at end of the year (Note 30)	(1,843)	(999)

	Shareholders	
Group	**2016 RM'000**	**2015 RM'000**
Other payables:		
Balance at beginning of the year	–	–
Amounts paid out and settlement of liabilities to shareholders	165	–
Amounts paid in and settlement of liabilities on behalf of Group	(334)	–
Balance at end of the year (Note 30)	(169)	–

	Subsidiaries	
Company	**2016 RM'000**	**2015 RM'000**
Other receivables (other payables):		
Balance at beginning of the year	4,812	(1,696)
Amounts paid out and settlement of liabilities on behalf of subsidiaries	22,326	23,129
Amounts paid in and settlement of liabilities on behalf of Company	(6,981)	(16,925)
Translation exchange adjustments	619	304
Balance at end of the year	20,776	4,812
Presented in the statement of financial position as follows:		
Other receivables (Note 23)	20,776	23,323
Other payables (Note 30)	–	(18,511)
Net	20,776	4,812

NOTES TO THE **FINANCIAL STATEMENTS**

31 December 2016

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.

For Management purposes, the reporting entity was organised into the following major strategic operating segments that offer different products and services: precision business and property development. The precision business has been discontinued (see Note 12). The Group has only one segment now. 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.

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.

NOTES TO THE **FINANCIAL STATEMENTS**

31 December 2016

4. FINANCIAL INFORMATION BY OPERATING SEGMENTS (CONT'D)

4B. Profit or loss from continuing operations and reconciliations

31 December 2016	Precision business ("Discontinued operations") RM'000	Property development RM'000	Unallocated RM'000	Adjustment and elimination RM'000	Total RM'000
Revenue					
External revenue	103,186	149,013	–	(103,186)	149,013
Recurring EBITDA	534	20,220	(9,161)	(534)	11,059
Depreciation	(1,642)	(4,048)	(46)	1,642	(4,094)
Finance costs	(21)	(2,532)	(631)	21	(3,163)
ORBIT	(1,129)	13,640	(9,838)	1,129	3,802
Loss on disposal of discontinued operations	(20,564)	–	–	20,564	–
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

Restated 31 December 2015	Precision business ("Discontinued operations") RM'000	Property development RM'000	Unallocated RM'000	Adjustment and elimination RM'000	Total RM'000
Revenue					
External revenue	85,968	34,758	–	(85,968)	34,758
Recurring EBITDA	780	(40,947)	16,018	(780)	(24,929)
Depreciation	(1,598)	(3,131)	(20)	1,598	(3,151)
Finance costs	(133)	(2,282)	(150)	133	(2,432)
ORBIT	(951)	(46,360)	15,848	951	(30,512)
Impairment loss on goodwill	–	–	(39,330)	–	(39,330)
Share of loss from equity-accounted associate	–	(1,465)	–	–	(1,465)
Loss before tax from continuing operations					(71,307)
Income tax credit					421
Loss after tax from continuing operations					(70,886)

NOTES TO THE **FINANCIAL STATEMENTS**

31 December 2016

4. FINANCIAL INFORMATION BY OPERATING SEGMENTS (CONT'D)

4C. Assets and reconciliations

31 December 2016	Precision business ("Discontinued operations") RM'000	Property development RM'000	Unallocated RM'000	Total RM'000
Total assets for reportable segments	–	238,506	–	238,506
Unallocated:				
Property, plant and equipment	–	–	80	80
Available-for-sale financial assets	–	–	1,551	1,551
Trade and other receivables	–	–	8,662	8,662
Other assets	–	–	155	155
Cash and cash equivalents	–	–	1,996	1,996
Total group assets	–	238,506	12,444	250,950

31 December 2015	Precision business ("Discontinued operations") RM'000	Property development RM'000	Unallocated RM'000	Total RM'000
Total assets for reportable segments	67,420	212,541	–	279,961
Unallocated:				
Property, plant and equipment	–	–	116	116
Available-for-sale financial assets	–	–	1,523	1,523
Other assets	–	–	127	127
Cash and cash equivalents	–	–	3,664	3,664
Deferred tax assets	–	–	1,345	1,345
Total group assets	67,420	212,541	6,775	286,736

NOTES TO THE **FINANCIAL STATEMENTS**

31 December 2016

4. FINANCIAL INFORMATION BY OPERATING SEGMENTS (CONT'D)

4D. Liabilities and reconciliations

31 December 2016	Precision business ("Discontinued operations") RM'000	Property development RM'000	Unallocated RM'000	Total RM'000
Total liabilities for reportable segments	–	(187,564)	–	(187,564)
Unallocated:				
Trade and other payables	–	–	(10,187)	(10,187)
Total group liabilities	–	(187,564)	(10,187)	(197,751)

31 December 2015	Precision business ("Discontinued operations") RM'000	Property development RM'000	Unallocated RM'000	Total RM'000
Total liabilities for reportable segments	(7,357)	(177,918)	–	(185,275)
Unallocated:				
Trade and other payables	–	–	(20,542)	(20,542)
Current and deferred tax liabilities	–	–	(5)	(5)
Total group liabilities	(7,357)	(177,918)	(20,547)	(205,822)

4E. Information about sales to major customers

There are no customers with revenue transactions over 10% of the Group's continuing operations.

In 2015, the Group's discontinued operations comprise primarily the precision business segment:

	2016 RM'000	2015 RM'000
Top 1 customer	–	23,754
Top 2 customers	–	36,880
Top 3 customers	–	41,729

NOTES TO THE **FINANCIAL STATEMENTS**

31 December 2016

4. FINANCIAL INFORMATION BY OPERATING SEGMENTS (CONT'D)

4F. Geographical information

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

	2016 RM'000	**Restated 2015 RM'000**
Revenue		
Continuing operations		
Malaysia	149,013	34,758
Discontinued operations		
Singapore	82,060	15,970
Malaysia	–	6,624
The People's Republic of China	21,126	57,756
Others	–	5,618
	103,186	85,968
	252,199	120,726
Other geographical information:		
Continuing operations		
Singapore		
– Addition of capital expenditure	9	–
– Depreciation	45	20
– Impairment losses	–	39,330
Malaysia		
– Addition of capital expenditure	5,996	9,057
– Depreciation	4,049	3,131
– Impairment losses	101	4
Discontinued operations		
Singapore		
– Addition of capital expenditure	384	1,411
– Depreciation	1,595	1,558
– Impairment losses	1,173	27
The People's Republic of China		
– Addition of capital expenditure	6	168
– Depreciation	47	40
– Reversal of impairment losses	(476)	(740)

NOTES TO THE **FINANCIAL STATEMENTS**

31 December 2016

4. FINANCIAL INFORMATION BY OPERATING SEGMENTS (CONT'D)

4F. Geographical information (cont'd)

	2016 RM'000	Restated 2015 RM'000
Segment assets		
Continuing operations		
Singapore		
– Non-current	1,625	1,632
Malaysia		
– Non-current	26,789	28,593
Discontinued operations		
Singapore		
– Non-current	–	9,977
The People's Republic of China		
– Non-current	–	213

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.

5. REVENUE

	Group	
	2016 RM'000	Restated 2015 RM'000
Sale of goods	9,995	11,896
Sale of development properties	125,432	15,859
Revenue from construction contracts	12,672	4,575
Rendering of services revenue	600	221
Rental income	261	2,101
Others	53	106
	149,013	34,758

NOTES TO THE **FINANCIAL STATEMENTS**

31 December 2016

6. INTEREST INCOME

	Group	
		Restated
	2016	2015
	RM'000	RM'000
Interest income	25	28

7. OTHER GAINS AND (OTHER LOSSES)

	Group	
		Restated
	2016	2015
	RM'000	RM'000
Impairment on inventories	–	(314)
Impairment loss on goodwill	–	(39,330)
Allowance for impairment of trade and other receivables	(101)	(4)
Bad debts written off for trade and other receivables	–	(771)
Compensation received	10	12
Foreign exchange adjustment net losses	(80)	(444)
Preliminary expenses written off	–	(20)
Plant and equipment written off	–	(44)
Sundry gains	522	614
Sundry losses	–	(25)
Net	351	(40,326)
Presented in profit or loss as:		
Other gains	712	995
Other losses	(361)	(41,321)
Net	351	(40,326)

8. FINANCE COSTS

	Group	
		Restated
	2016	2015
	RM'000	RM'000
Interest expenses	3,163	2,432

9. EMPLOYEE BENEFITS EXPENSE

	Group	
		Restated
	2016	2015
	RM'000	RM'000
Employee benefits expense	14,787	11,726
Contributions to defined contribution plans	1,357	888
Share-based payments (Note 27)	1,930	1,631
Other benefits	–	70
Total employee benefits expenses	18,074	14,315

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

Cost of sales	913	346
Marketing and distribution costs (Note 10)	344	498
Administrative expenses (Note 10)	16,817	13,471
Total employee benefits expenses	18,074	14,315

10. MARKETING AND DISTRIBUTION COSTS AND ADMINISTRATIVE EXPENSES

The major components include the following:

	Group	
		Restated
	2016	2015
	RM'000	RM'000
Marketing and distribution costs:		
Employee benefits expense (Note 9)	344	498
Administrative expenses:		
Auditors' remuneration:		
Auditor of the Company	230	239
Other auditors:		
– current year	356	264
– underprovision in previous financial year	18	19
Non-audit fees paid and payable to:		
– Auditor of the Company	11	15
– Other auditors	105	124
Employee benefits expense (Note 9)	16,817	13,471
Depreciation of property, plant and equipment	4,094	3,151
Rental expenses	991	637

NOTES TO THE **FINANCIAL STATEMENTS**

31 December 2016

11. INCOME TAX

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

	Group	
		Restated
	2016	2015
	RM'000	RM'000
Current tax expense:		
Current tax expense	3,726	1,048
Over adjustments to current tax in respect of prior periods	(685)	(922)
Subtotal	3,041	126
Deferred tax income:		
Deferred tax expense (income)	168	(546)
Over adjustments to deferred tax in respect of prior periods	(44)	(1)
Subtotal	124	(547)
Total income tax expense (credit)	3,165	(421)

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% (2015: 17%) to profit or loss before income tax as a result of the following differences:

	Group	
		Restated
	2016	2015
	RM'000	RM'000
Profit (loss) before tax	3,495	(71,307)
Share of loss from equity-accounted associate	307	1,465
	3,802	(69,842)
Income tax expense (benefit) at the above rate	646	(11,873)
Not deductible items	4,179	9,878
Unrecognised deferred tax assets	3,771	4,167
Utilisation of previously unrecognised deferred tax assets	(5,596)	(119)
Effect of different tax rates in different countries	894	(1,551)
Over adjustment to current tax in respect of previous periods	(685)	(922)
Over adjustment to deferred tax in respect of previous periods	(44)	(1)
Total income tax expense (credit)	3,165	(421)

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

The major non-deductible items include the following:

	Group	
	2016	2015
	RM'000	RM'000
Impairment loss on goodwill	–	39,330

NOTES TO THE **FINANCIAL STATEMENTS**

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11. INCOME TAX (CONT'D)

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

	Group	
		Restated
	2016	2015
	RM'000	RM'000
Excess of net book value of plant and equipment over tax values	685	–
Excess of tax values over net book value of plant and equipment	(1,655)	(322)
Tax losses carryforwards and unabsorbed capital allowances	2,420	(4,355)
Difference in tax and accounting profit recognition for development properties	21	(20)
Provisions	512	(467)
Unrecognised deferred tax assets	3,771	4,614
Utilisation of previously unrecognised deferred tax assets	(5,596)	(119)
Others	(34)	122
Total deferred tax expense/(income) recognised in profit or loss	124	(547)

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

	Group	
	2016	2015
	RM'000	RM'000
Deferred tax liabilities:		
Amount on revalued depreciable assets	–	(1,252)
Excess of net book value over tax values of plant and equipment	(686)	(1)
Total deferred tax liabilities	(686)	(1,253)
Deferred tax assets:		
Excess of tax values over net book value of plant and equipment	2,002	427
Tax losses carryforwards and unabsorbed capital allowances	2,207	4,902
Provisions	373	1,234
Difference in tax and accounting profit recognition for development properties	–	21
Others	–	(34)
Total deferred tax assets	4,582	6,550
Net total of deferred tax assets	3,896	5,297
Unrecognised deferred tax assets	(3,512)	(5,205)
Net balance	384	92

NOTES TO THE **FINANCIAL STATEMENTS**

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11. INCOME TAX (CONT'D)

11C. Deferred tax balance in the statement of financial position: (cont'd)

Presented in the statement of financial position as follows:

	Group	
	2016	**2015**
	RM'000	**RM'000**
Deferred tax assets	1,070	1,345
Deferred tax liabilities	(686)	(1,253)
	384	92

Deferred tax liabilities of RM1,252,000 and deferred tax assets of RM1,084,000 for the year ended 31 December 2015 were attributable to discontinued operations that have been disposed of 2016.

	Company	
	2016	**2015**
	RM'000	**RM'000**
Deferred tax assets:		
Other	–	59
Total deferred tax assets	–	59

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 RM9,177,000 (2015: RM19,766,000) as at 31 December 2016. 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.

Temporary differences arising in connection with interests in subsidiaries and associates are insignificant to the extent of the retained earnings as at end of the reporting year date.

NOTES TO THE **FINANCIAL STATEMENTS**

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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 previous reporting year and for the period from the beginning of the 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	**Year ended 31/12/2015 RM'000**
Revenue	103,186	85,968
Expenses	(104,315)	(86,919)
Loss before income tax from discontinued operations	(1,129)	(951)
Income tax credit/(expense)	36	(335)
Loss after income tax before disposal loss	(1,093)	(1,286)
Loss on disposal of subsidiaries	(20,564)	
Loss from discontinued operations, net of tax	(21,657)	

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.

NOTES TO THE **FINANCIAL STATEMENTS**

31 December 2016

12. LOSS FROM DISCONTINUED OPERATIONS, NET OF TAX (CONT'D)

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
Net cash inflow on disposal:	
Cash consideration	20,648
Cash balance disposed of	(13,144)
Net cash inflow	7,504

NOTES TO THE **FINANCIAL STATEMENTS**

31 December 2016

12. LOSS FROM DISCONTINUED OPERATIONS, NET OF TAX (CONT'D)

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

	Group	
	Period ended 16/12/2016 RM'000	**Year ended 31/12/2015 RM'000**
Operating activities	(5,806)	(2,394)
Investing activities	(283)	(269)
Financing activities	3,717	3,530
Total cash flows	(2,372)	867

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

Classification as a discountinued 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 are 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 is not presented.

13. EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per ordinary share is computed by dividing the earnings (loss) 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 (loss) per share for the respective financial year were the same.

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

	Group	
	2016	**2015**
Numerator: Profit (loss) attributable to equity holders – RM'000		
– Continuing operations: profit (loss) for the year	337	(71,117)
– Discontinued operations: loss for the year	(21,657)	(1,286)
Total loss	(21,320)	(72,403)
Denominator: Weighted average number of ordinary shares on Issue:		
– Basic	200,114,059	200,114,059
– Diluted	200,114,059	200,114,059

NOTES TO THE **FINANCIAL STATEMENTS**

31 December 2016

13. EARNINGS (LOSS) PER SHARE (CONT'D)

The ordinary share equivalents included in the calculations in year 2016 and year 2015 are: (1) the average number of ordinary shares assumed to be outstanding during the reporting year and (2) shares of ordinary shares issuable upon assumed exercise of share options which (if any) would have a dilutive effect.

14. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold properties and improvements RM'000	Plant and equipment RM'000	Total RM'000
Cost:			
At 1 January 2015	10,887	15,642	26,529
Additions	186	10,450	10,636
Disposals	–	(1,138)	(1,138)
Translation exchange adjustment	398	1,079	1,477
At 31 December 2015	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
Accumulated depreciation:			
At 1 January 2015	80	9,882	9,962
Depreciation for the year	1,221	3,528	4,749
Disposals	–	(849)	(849)
Translation exchange adjustment	42	900	942
At 31 December 2015	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
Net book value:			
At 1 January 2015	10,807	5,760	16,567
At 31 December 2015	10,128	12,572	22,700
At 31 December 2016	232	12,207	12,439

NOTES TO THE **FINANCIAL STATEMENTS**

31 December 2016

14. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	Plant and equipment RM'000
Cost:	
At 1 January 2015	–
Additions	122
Translation exchange adjustments	8
At 31 December 2015	130
Additions	5
Translation exchange adjustments	2
At 31 December 2016	137
Accumulated depreciation:	
At 1 January 2015	–
Depreciation for the year	20
Translation exchange adjustments	1
At 31 December 2015	21
Depreciation for the year	44
Translation exchange adjustments	2
At 31 December 2016	67
Net book value:	
At 1 January 2015	–
At 31 December 2015	109
At 31 December 2016	70

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 2016				
– continuing operations	–	–	4,094	4,094
– discontinued operations	154	648	840	1,642
	154	648	4,934	5,736
31 December 2015				
– continuing operations	–	–	3,151	3,151
– discontinued operations	79	496	1,023	1,598
	79	496	4,174	4,749

NOTES TO THE **FINANCIAL STATEMENTS**

31 December 2016

14. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	Cost of sales RM'000	Marketing and distribution costs RM'000	Administrative expenses RM'000	Total RM'000
31 December 2016	–	–	44	44
31 December 2015	–	–	20	20

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

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

15. GOODWILL

	Group	
	2016 RM'000	2015 RM'000
Balance at beginning of the year	–	39,330
Less: allowance for impairment	–	(39,330)
Balance at end of the year	–	–
Movement in above allowance:		
Balance at beginning of the year	43,330	4,000
Charged to profit or loss included in other losses	–	39,330
Disposal of subsidiaries	(43,330)	–
Balance at end of the year	–	43,330

The goodwill amount arose from the reverse acquisition of the discontinued operations, the precision business segment, in year 2014. It had been fully impaired in 2015 due to the losses incurred by the segment and the expected prolonged decline in performance resulting from the increasingly challenging and volatile operating environment.

Previously, this goodwill on consolidation was allocated to the discontinued operations, representing one of the Group's cash-generating units ("**CGU**") and it had been tested for impairment at the end of each reporting year. An impairment loss is the amount by which the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. The recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal or its value in use. The recoverable amounts of CGUs have been measured based on value in use method.

The value in use was measured by a firm of independent financial advisors and concurred by Management. The value in use was a recurring fair value measurement (Level 3). The quantitative information about the value in use measurement using significant unobservable inputs for the CGU were consistent with those used for the measurement previously performed and was analysed as follows:

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15. GOODWILL (CONT'D)

CGU – precision business	**Range (weighted average) 2016**	**Range (weighted average) 2015**
Valuation technical and unobservable inputs		
Discounted cash flow method		
Estimated discount rates using pre-tax rates that reflect current market assessments at the risks specific to the CGU	N.R.	12%
Growth rates based on industry growth forecasts and not exceeding the average long-term growth rate for the relevant market	N.R.	3.1%
Forecast growth rate used to extrapolate cash flow beyond five-year period	N.R.	2%

N.R. – Not relevant for the year 2016 as the goodwill was fully impaired in the year 2015.

Key assumptions used in the value in use calculations

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

(1) Budgeted gross margins – Gross margins are based on average values achieved in the three years preceding the start of the budget period.

(2) Growth rate – The forecasted growth rates are based on published industry research and do not exceed the long-term average growth rate for the industry relevant to the CGU.

(3) Pre-tax discount rate – the discount rate used is based on weighted average cost of capital ("**WACC**").

The quantitative information about the value in use measurement using significant unobservable inputs for the CGU were consistent with those used for the measurement previously performed.

16 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group and Company	
	2016	**2015**
	RM'000	**RM'000**
Keyman life insurance policy as available-for-sale at fair value through profit or loss:		
Balance at beginning of year	1,523	–
Additions	–	1,523
Translation exchange adjustment	28	–
Balance at end of the year	1,551	1,523

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16. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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 death of the insured person whichever is earlier. At time of death of the insured person, 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 RM1,203,000) as at 31 December 2016. 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.

The insurance contract is pledged to a bank in year 2015 to secure the banking facilities granted to the Group (Note 29). The loan is fully repaid in year 2016.

17. INVESTMENTS IN SUBSIDIARIES

	Company	
	2016	**2015**
	RM'000	**RM'000**
Carrying value:		
Unquoted equity shares, at cost	327,374	327,837
Less: allowance for impairment	–	(546)
Translation exchange adjustment	66,223	59,017
Total at cost	393,597	386,308
Movements during the year:		
At beginning of the year, at cost	386,308	353,429
Disposal of subsidiaries to Hisaka International Holdings Pte. Ltd.	–	(14,292)
Disposal of subsidiaries	–	(4,136)
Translation exchange adjustment	7,289	51,307
At end of the year, at cost	393,597	386,308

NOTES TO THE **FINANCIAL STATEMENTS**

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17. INVESTMENTS IN SUBSIDIARIES (CONT'D)

	Company	
	2016	**2015**
	RM'000	**RM'000**
Movements in allowance for impairment:		
Balance at beginning of the year	(546)	(941)
Disposal/Written off	546	525
Translation exchange adjustment	–	(130)
Balance at end of the year	–	(546)
Net book value of subsidiaries in the books of the Company	21,770	64,604

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**	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**%**	**%**
Regal International Holdings Pte. Ltd.[(a) (e)] Singapore Investment holding company	327,374	327,374	100	100
Hisaka International Holdings Pte. Ltd. Singapore Supplier of intelligent eco-facility and infrastructure development and management solutions	–	463	–	100
Regal International Investments Pte. Ltd.[(a)] Singapore Investment holding company	–[#]	–[#]	100	100
	327,374	327,837		

NOTES TO THE **FINANCIAL STATEMENTS**

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17. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The subsidiaries held through subsidiaries are listed below:

Name of subsidiaries, country of incorporation, place of operations and principal activities	**Percentage of equity held by Company**	
	2016	**2015**
	%	**%**
Held through Hisaka International Holdings Pte. Ltd.		
Hisaka Mechatronic (Suzhou) Co., Ltd The People's Republic of China ("**PRC**") Distributor of mechanical motion products and fabrication of precision components	–	100
Hisaka (Singapore) Pte. Ltd. Singapore Importer, exporter of all types of industrial and automation products including modifying and fabricating precision	–	100
Tech Motion (Shanghai) Co., Ltd The People's Republic of China ("**PRC**") Importer, exporter and wholesaler of mechatronic products, electronic products, metallic products, rubber and plastic product	–	100
Held through Regal International Holdings Pte. Ltd.		
Arena Wiramaju Sdn. Bhd.[(b) (d)] Malaysia Property development	100	100
Kota Sarjana Sdn. Bhd.[(b) (d)] 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

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17. INVESTMENTS IN SUBSIDIARIES (CONT'D)

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

Name of subsidiaries, country of incorporation, place of operations and principal activities	**Percentage of equity held by Company 2016 %**	**2015 %**
Held through Regal International Holdings Pte. Ltd. (cont'd)		
Beneworld Sdn. Bhd.[(b)] Malaysia Mortgage consultancy	100	100
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

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17. INVESTMENTS IN SUBSIDIARIES (CONT'D)

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

Name of subsidiaries, country of incorporation, place of operations and principal activities	**Percentage of equity held by Company 2016 %**	**2015 %**
Held through Regal International Holdings Pte. Ltd. (cont'd)		
Temasek Cartel Sdn. Bhd.[(b)] Malaysia Marketing of real estate and property development	100	100
Temasek Regal Capital Sdn. Bhd.[(b)] Malaysia Investment holding company	100	100
Upright Strategy Sdn. Bhd.[(b)] Malaysia Construction and property development	100	100
Harbour Venture Sdn. Bhd.[(b)] Malaysia Property development and construction	100	100
Regal Hospitalities Sdn. Bhd.[(b)] Malaysia Real estate and property management	100	100
Regal Concrete Sdn. Bhd.[(b)] Malaysia Supply of concrete and concrete products	75	75
Benua Kenyalang Sdn. Bhd.[(b)] 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	55	55

NOTES TO THE **FINANCIAL STATEMENTS**

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17. INVESTMENTS IN SUBSIDIARIES (CONT'D)

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

Name of subsidiaries, country of incorporation, place of operations and principal activities	Percentage of equity held by Company 2016 %	2015 %
Held through Regal International Holdings Pte. Ltd. (cont'd)		
Million Sunray Sdn. Bhd.[(b)] Malaysia Property investment, development and construction	55	–
Held through Regal International Investments Pte. Ltd.		
Regal Global Logistics Pte. Ltd.[(c)] Singapore Investment holding company	100	–
Regalia Properties Pte. Ltd.[(c)] Singapore Real estate agency	70	–
Regal Asset Management Pte. Ltd.[(c)] Singapore Asset and portfolio management company	75	–
Regal Global Capital Pte. Ltd.[(c)] Singapore Asset and portfolio management company	75	–

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

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

(c) Not audited, as it is immaterial.

(d) These two entities are regarded as subsidiary because although the Group does not own, directly or indirectly through subsidiaries, more than half of the voting power of the entity, 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 a shareholder in Arena and Kota. In addition, the Group also has control over these two entities' operations.

(e) Management has assessed the recoverable amount of the investment in Temasek Regal Group based on third party valuation of the projects for the purpose of the RTO. Based on these valuations, the value of the remaining projects on hand is estimated to be RM503.4 million which is 27.9% 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.

Cost of investment is less than RM1,000.

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31 December 2016

17. INVESTMENTS IN SUBSIDIARIES (CONT'D)

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.

18. INVESTMENT IN ASSOCIATE

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Carrying value:				
Unquoted equity shares, at cost	678	678	–	–
Dividends	(3,540)	–	–	–
Share of post acquisition profit	7,562	7,869	–	–
Translation exchange adjustments	18	18	–	–
	4,718	8,565	–	–
Movement in carrying value:				
Balance at beginning of year	8,565	13,290	–	3,381
Waiver of quasi-equity loans[(a)]	–	(3,634)	–	–
Dividends	(3,540)	–	–	–
Share of post acquisition loss	(307)	(1,465)	–	–
Disposal	–	–	–	(3,381)
Translation exchange adjustments	–	374	–	–
	4,718	8,565	–	–
Movements in allowance for impairment:				
Balance at beginning of the year	–	(1,544)	–	(1,544)
Written off	–	1,544	–	1,544
Balance at end of the year	–	–	–	–
Share of net book value of associate	4,718	8,565		

(a) These were interest-free quasi-equity loans from the Group to the associates. The loan has been fully written off in 2015.

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18. INVESTMENT IN ASSOCIATE (CONT'D)

The associate held by the Group is listed below:

Name of associate, country of incorporation, place of operations and principal activities	Cost of investment		Percentage of effective equity held by Group	
	2016	2015	2016	2015
	RM'000	RM'000	%	%
Tiya Development Sdn. Bhd.[(b) (c)] Malaysia Property development	678	678	50	50
	678	678		

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

(c) 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.

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.	
	2016	2015
	RM'000	RM'000
Current assets	23,546	32,535
Non-current assets	588	594
Total assets	24,134	33,129
Current liabilities	(14,698)	(15,999)
Total liabilities	(14,698)	(15,999)
Net assets	9,436	17,130
Proportion of the Group's ownership	50.0%	50.0%
Group's share of net assets/carrying amount of the investment	4,718	8,565

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18. INVESTMENT IN ASSOCIATE (CONT'D)

Summarised statement of comprehensive income (loss)

	Tiya Development Sdn. Bhd.	
	2016	**2015**
	RM'000	**RM'000**
Revenue	5,249	7,388
Loss after tax form continuing operations	(614)	(2,930)
Total comprehensive loss	(614)	(2,930)
Dividends paid during the year	7,080	–

19. INVESTMENT PROPERTIES

	Group	
	2016	**2015**
	RM'000	**RM'000**
Under construction:		
At beginning of the year	–	–
Additions	5,666	–
At end of the year	5,666	–

The investment properties consisted of 5 commercial and office spaces that are still under construction as at year end. Their stage of completion approximated 8% as at year end and are expected to be completed in the year 2021. These properties are located at Jalan Song in Kuching, Malaysia.

The properties will be built on leasehold lands with unexpired lease terms ranging between 22 to 99 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	:	RM5,920,000 (2015 : Nil)
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 RM260 (2015 : Nil)
Sensitivity on Management's estimates – 10% variation from estimate	:	Impact – Lower or Higher by RM592,000 (2015 : Nil)

NOTES TO THE **FINANCIAL STATEMENTS**

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20. OTHER ASSETS

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Deposits to secure services	59	885	58	60
Deposits to secure land for development	1,581	4,007	–	–
Prepayments	328	399	96	67
Tax recoverable	–	17	–	–
Land held for property development	371	–	–	–
Payments in advance to landowners(*)	2,599	6,282	–	–
	4,938	11,590	154	127
Presented in statement of financial position:				
Non-current	2,970	6,282	–	–
Current	1,968	5,308	154	127
	4,938	11,590	154	127

(*) 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.

21. DEVELOPMENT PROPERTIES

	Group	
	2016	2015
	RM'000	RM'000
Development properties held for sale in the process of development	74,087	69,149
Development properties in the process of development accounted under the stage of completion method (Note 21A)	33,502	39,086
	107,589	108,235

NOTES TO THE **FINANCIAL STATEMENTS**

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21. DEVELOPMENT PROPERTIES (CONT'D)

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

	Group	
	2016	2015
	RM'000	RM'000
Aggregate amount of costs incurred and recognised profits (less recognised losses) to date on uncompleted contracts	52,257	53,034
Less progress payments received and receivable and advances to date	(51,359)	(59,765)
Net amount arising from (due to) customer at end of the year	898	(6,731)
Included in the accompanying statement of financial position as follows:		
Under trade receivables, current	898	–
Under progress billings	–	(6,731)
Contract costs that relate to future activity recognised as an asset:		
Balance at beginning of the year	39,086	5,843
Aggregate amount of costs incurred	16,055	47,608
Less amounts recognised in profit or loss	(21,639)	(14,365)
Balance at end of the year – contract costs that relate to future activity recognised as an asset	33,502	39,086

The amount of development properties expected to be recovered after 12 months amounted to RM74,087,000 (2015: RM69,710,000).

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 (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.

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22. INVENTORIES

	Group	
	2016	**2015**
	RM'000	**RM'000**
Construction materials	900	691
Goods for resale	–	20,424
Completed properties	30,297	15,614
	31,197	36,729
Inventories are stated after allowance. Movements in allowance:		
Balance at beginning of year	(10,511)	(11,556)
Disposal of subsidiaries	10,511	–
Charge to profit or loss included in other losses – Continuing operations	–	(314)
Reversal to profit or loss included in other gains – Discontinued operations	–	736
Written off	–	1,605
Translation exchange adjustment	–	(982)
Balance at end of the year	–	(10,511)
Cost of inventories charged to profit or loss included in cost sales – Continuing operations	14,791	35,208
Cost of inventories charged to profit or loss included in cost sales – Discontinued operations	77,736	62,125

The reversal of the allowance in year 2015 is for goods with an estimated increase in net realisable value.

There are no inventories pledged as security for liabilities except for certain completed properties (Note 29).

NOTES TO THE **FINANCIAL STATEMENTS**

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23. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Trade receivables:				
Outside parties	24,011	51,120	–	–
Bill receivables	–	206	–	–
Accrued receivables	8,599	3,035	–	–
Less: allowance for impairment	(1,200)	(985)	–	–
Due from customers on construction contracts (Note 25)	16,000	12,254	–	–
Retention sums on construction contracts (Note 25)	1,055	552	–	–
Subtotal	48,465	66,182	–	–
Other receivables:				
Outside parties [(a)]	18,695	8,321	8,661	259
Subsidiaries (Note 3)	–	–	20,776	23,323
Less: allowance for impairment	(548)	(938)	–	(258)
Subtotal	18,147	7,383	29,437	23,324
Total trade and other receivables	66,612	73,565	29,437	23,324
Movement in allowance:				
Balance at beginning of the year	(1,923)	(1,644)	(258)	(217)
Charged to profit or loss included in other losses – Continuing operations	(281)	(373)	–	–
Charged to profit and loss included in other losses – Discontinued operations	–	(18)	–	–
Allowance written back included in other losses – Continuing operations	180	369	245	–
Bad debts written off	245	–	–	–
Used	–	(222)		
Disposal of subsidiaries	18	–	–	–
Translation exchange adjustments	13	(35)	13	(41)
Balance at end of the year	(1,748)	(1,923)	–	(258)

(a) In 2016, included in other receivables from outside parties were:

(i) Amounts of RM920,000 that will be used to contra off 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), representing the 2nd tranche sales consideration from the disposal of the precision business that is still 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 was recognised to fairly reflect the value of the 2nd tranche consideration. Nevertheless, the amount might be subjected to further adjustments according to market fluctuations. See Note 35 on the property located at 63 Sungei Kadut Loop, Singapore 729484.

NOTES TO THE **FINANCIAL STATEMENTS**

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24. CASH AND CASH EQUIVALENTS

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Not restricted in use	13,499	19,918	1,830	3,602
Cash under project accounts[a]	224	296	–	–
Restricted in use[b]	1,447	2,270	–	–
	15,170	22,484	1,830	3,602
Interest earning balances	2,687	7,947	1,240	1,381

The rate of interest for the cash on interest earning balances is 0.25% – 3.70% (2015: 0.01% – 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.

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

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
As shown above	15,170	22,484	1,830	3,602
Restricted in use	(1,447)	(2,270)	–	–
Bank overdraft (Note 29)	(7,690)	(6,851)	–	–
Cash and cash equivalents at end of year	6,033	13,363	1,830	3,602

24B. Non-cash transactions

There were certain assets under property, plant and equipment with a total cost of RM4,061,000 as at 31 December 2016 (2015: RM7,445,000) acquired by means of finance leases.

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25. CONSTRUCTION CONTRACTS IN PROGRESS

	Group	
	2016	**2015**
	RM'000	**RM'000**
Aggregate amount of costs incurred and recognised profits to date on uncompleted contracts	317,979	130,028
Less: progress payments received and receivables	(301,979)	(118,085)
Net amount due from contract customers at end of the year	16,000	11,943
Included in the accompanying statement of financial position as follows:		
Under trade receivables – outsiders, current (Note 23)	16,000	12,254
Under trade payables (Note 30)	–	(311)
	16,000	11,943
Construction contract retention receivables as an asset under trade receivables (Note 23)	1,055	552

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:				
Share capital as at 1 January and 31 December 2015, 1 January and 31 December 2016	200,114,059	133,052	200,114,059	369,551

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.

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26. SHARE CAPITAL (CONT'D)

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

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).

	Group	
	2016	**2015**
	RM'000	**RM'000**
Net debt:		
All current and non-current borrowings including finance leases	58,776	46,940
Less cash and cash equivalents	(15,170)	(22,484)
Net debt	43,606	24,456
Adjusted capital:		
Total equity	53,199	80,914
Adjusted capital	53,199	80,914
Debt-to-adjusted capital ratio	81.97%	30.22%

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

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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 employees comprising:

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

27B. Activities under the share options scheme:

The share 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 share 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 Shares ('000) at 31 December 2016	2015
S$0.38	3 June 2015	3 June 2016 to 2 June 2024[(a)]	5,395	6,000
S$0.30	3 June 2015	3 June 2017 to 2 June 2024[(b)]	5,395	6,000
Balance at end of year			10,790	12,000

(a) The share options were not exercised during the year.

(b) The share options are not exercisable as at year end.

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27. SHARE-BASED PAYMENTS (CONT'D)

27B. Activities under the share option scheme (cont'd):

The following table summarises information about outstanding share options of directors and associate of controlling shareholder as the end of the reporting year:

Directors and controlling shareholders of the Company	Grants in 2015	Grants from start of scheme to end of 2015	Exercised/ lapsed from start of scheme to end of 2016	Balance at 31.12.2016
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 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

NOTES TO THE **FINANCIAL STATEMENTS**

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27. SHARE-BASED PAYMENTS (CONT'D)

27B. Activities under the share option scheme (cont'd):

Other than the above Directors and associate of Directors, other key management personnel receiving 5% or more of the total number of the options available are:

Participants	Grants in 2015	Grants from start of scheme to end of 2015	Exercised/ lapsed from start of scheme to end of 2016	Balance at 31.12.2016
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 Director and key management personnel.

27C. Accounting for the share options:

Share option reserve:

	Group and Company 2016 RM'000	2015 RM'000
At beginning of the year	1,631	–
Expense recognised in profit or loss	1,930	1,631
Forfeited	(368)	–
At end of the year – included in share option reserve	3,193	1,631

For the reporting year, the total charge to profit or loss amounted to RM1,930,000 (2015: RM1,631,000) and it is also included in employee benefits expense (Note 9).

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27. SHARE-BASED PAYMENTS (CONT'D)

27C. Accounting for the share options: (cont'd)

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	
	2016	**2015**
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.

NOTES TO THE **FINANCIAL STATEMENTS**

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29. OTHER FINANCIAL LIABILITIES

	Group	
	2016	**2015**
Non-current:	**RM'000**	**RM'000**
Financial instruments with floating interest rates:		
Term loans (secured) (Note 29A)	27,305	9,054
Financial instruments with fixed interest rates:		
Finance leases (Note 29B)	7,202	6,630
Non-current total	34,507	15,684
Current:		
Financial instruments with floating interest rates:		
Term loans (secured) (Note 29A)	11,110	22,149
Bank overdrafts (secured) (Note 29C)	7,690	6,851
Banker acceptance (secured) (Note 29D)	2,601	–
Financial instruments with fixed interest rates:		
Finance leases (Note 29B)	2,868	2,256
Current total	24,269	31,256
Total	58,776	46,940

Non-current portion is repayable as follows:		
Due within 2 to 5 years	31,158	13,646
After 5 years	3,349	2,038
Total non-current portion	34,507	15,684

The ranges of floating interest rates paid were as follows:

	2016	**2015**
Term loans	1.50% – 11.75%	2.45% – 8.60%
Bank overdrafts	0.50% – 7.85%	7.85% – 8.85%
Banker acceptance	1.25% – 1.50%	–

The ranges of fixed interest rates paid were as follows:

	2016	**2015**
Finance leases	2% – 5%	2% – 5%

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31 December 2016

29. OTHER FINANCIAL LIABILITIES (CONT'D)

29A. Term loans (secured)

	Group	
	2016	**2015**
	RM'000	**RM'000**
Non-current:		
Due within 2 to 5 years	24,284	7,302
After 5 years	3,021	1,752
Total non-current portion	27,305	9,054
Current:		
Term loans (secured)	11,110	22,149
Total	38,415	31,203

Term Loan	**Commencement date of repayment**	**Number of Monthly instalments**	**Monthly instalments RM**	**2016 RM'000**	**2015 RM'000**
1	May 2014	Payable on demand		1,315	2,738
2	August 2014	Payable on demand		4,361	6,104
3	January 2015	240	8,584	944	991
4	January 2015	120	10,100	809	886
5	January 2015	120	7,442	–	652
6	February 2015	96	21,281	1,225	1,373
7	August 2015	Combined Trade Financing		596	425
8	September 2015	Payable on demand		–	10,625
9	October 2015	Payable on demand		–	6,072
10	December 2015	180	6,554	664	695
11	December 2015	180	6,056	613	642
12	November 2016	48	73,750	2,896	–
13	December 2016	84	17,467	992	–
14	December 2016	48	73,977	3,000	–
15	December 2016	36	657,579	21,000	–
				38,415	31,203

NOTES TO THE **FINANCIAL STATEMENTS**

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29. OTHER FINANCIAL LIABILITIES (CONT'D)

29A. Term loans (secured) (cont'd)

The term loans are covered by the following:–

(i) Upfront fixed deposit of RM270,000 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) First party charge and first/second legal charges on some of the subsidiaries' projects land and properties held for sale and leasehold property;

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

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

In 2015, there was a breach of loan agreement term. The consolidated shareholder's equity of the Company as corporate guarantor had fallen short of the required threshold of RM90 million (S$30 million). This was related to the loan of RM16.7 million. The borrowing was shown as a current liability. The breach was remedied after the end of the reporting year. The loan has been fully repaid in 2016.

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29. OTHER FINANCIAL LIABILITIES (CONT'D)

29B. Finance leases

Group 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
Net book value of equipment under finance leases			9,229

31 December 2015	Minimum payments RM'000	Finance charges RM'000	Present value RM'000
Minimum lease payments payable:			
Due within one year	2,695	(439)	2,256
Due within 2 to 5 years	7,387	(1,043)	6,344
Due after 5 years	343	(57)	286
Total	10,425	(1,539)	8,886
Net book value of equipment under finance leases			8,320

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:

	2016	2015
Average lease term, in years	3 to 9	3 to 9
Average effective borrowing rate per year	2% to 5%	2% to 5%

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% and 5% applicable to similar finance leases (Level 2).

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29. OTHER FINANCIAL LIABILITIES (CONT'D)

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) First party charge and first/second legal charges on some of the subsidiaries' projects land and properties held for sale; and

(v) Legal charge or deed of assignment and power of attorney over properties held for sale.

29D. Bank acceptance (secured)

	Commencement date	2016 RM'000	2015 RM'000
1	February 2016	1,500	–
2	July 2016	1,101	–
		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;

(iii) Legal charge or deed of assignment and power of attorney over the associate's properties held for sale.

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30. TRADE AND OTHER PAYABLES

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Trade payables:				
Outside parties and accrued liabilities	73,030	48,767	1,421	1,701
Due to customers on construction contracts (Note 25)	–	311	–	–
Subtotal	73,030	49,078	1,421	1,701
Other payables:				
Outside parties	21,524	7,912	192	311
Associate (Note 3)	1,168	3,143	–	–
Directors (Note 3)	1,843	999	–	–
Shareholders (Note 3)	169	–	–	–
Subsidiaries (Note 3)	–	–	–	18,511
Subtotal	24,704	12,054	192	18,822
Total trade and other payables	97,734	61,132	1,613	20,523

31. OTHER LIABILITIES

	Group	
	2016	**2015**
	RM'000	**RM'000**
Refundable deposits	2,661	4,217

32. 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	
	2016	**2015**
	RM'000	**RM'000**
Not later than one year	931	1,627
Later than one year and not later than five years	892	2,754
Later than five years	–	1,342
Rental expense for the year	991	1,593

The operating lease for the Group in 2016 represents mainly rentals payable to related parties for office premises.

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33. CAPITAL COMMITMENTS

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

	Group	
	2016	**2015**
	RM'000	**RM'000**
Commitments to purchase of property, plant and equipment	100	1,274

34. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS

34A. Categories of financial assets and liabilities

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

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Financial assets:				
Cash and bank balances	15,170	22,484	1,830	3,602
Loan and receivables	66,612	73,565	29,437	23,324
Available-for-sale financial asset	1,551	1,523	1,551	1,523
At end of the year	83,333	97,572	32,818	28,449
Financial liabilities:				
Other financial liabilities at amortised cost	58,776	46,940	–	–
Trade and other payables at amortised cost	97,734	61,132	1,613	20,523
Other liabilities	2,661	4,217	–	–
At end of the year	159,171	112,289	1,613	20,523

Further quantitative disclosures are included throughout the financial statements.

34. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

34B. Financial risk management

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

1. Minimise interest rate, currency, credit and market risk for all kinds of transactions.

2. Maximise the use of "natural hedge": favouring as much as possible the natural off-setting of sales and costs and payables and receivables denominated in the same currency and therefore put in place hedging strategies only for the excess balance. The same strategy is pursued with regard to interest rate risk.

3. Enter into non-complex derivatives or any other similar instruments solely for hedging purposes.

4. All financial risk management activities are carried out and monitored by senior management staff.

5. All financial risk management activities are carried out following good market practices.

6. May consider investing in shares or similar instruments only in the case of temporary excess of liquidity and such transactions have to be authorised by the Board of Directors.

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

34C. Fair value of financial instruments

The analyses of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 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.

NOTES TO THE **FINANCIAL STATEMENTS**

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34. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

34D. 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 (2015: 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	
	2016	**2015**
	RM'000	**RM'000**
Net trade receivables:		
Past due 31-60 days	2,238	6,385
Past due 61-90 days	3,633	3,359
Past due 91-120 days	3,904	3,289
Past due 121 days	6,962	8,803
Total	16,737	21,836

The allowance which is disclosed in the note on trade receivables is based on individual accounts totalling RM1,200,000 (2015: RM985,000) that are determined to be impaired at the end reporting year. These are not secured.

NOTES TO THE **FINANCIAL STATEMENTS**

31 December 2016

34. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

34D. Credit risk on financial assets (cont'd)

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

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

	Group	
	2016	**2015**
	RM'000	**RM'000**
Top 1 customer	–	5,926

34E. 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 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	97,734	–	–	97,734
At end of the year	123,792	43,053	4,348	171,193
31 December 2015:				
Gross borrowings commitments	30,369	8,284	2,106	40,759
Gross finance lease obligations	2,695	7,387	343	10,425
Trade and other payables	61,132	–	–	61,132
At end of the year	94,196	15,671	2,449	112,316

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.

NOTES TO THE **FINANCIAL STATEMENTS**

31 December 2016

34. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

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

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		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Corporate guarantees in favour of financial institutions for facilities extended to:				
– Subsidiaries	8,125	85,762	–	85,762
	8,125	85,762	–	85,762

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.

Bank facilities:

	Group	
	2016	2015
	RM'000	RM'000
Undrawn borrowing facilities	13,000	26,632

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.

NOTES TO THE **FINANCIAL STATEMENTS**

31 December 2016

34. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

34F. 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	
	2016	**2015**
	RM'000	**RM'000**
Financial liabilities:		
Fixed rate	10,070	8,886
Floating rate	48,706	38,054
Total at end of the year	58,776	46,940
Financial assets:		
Floating rate	2,687	7,947
Total at end of the year	2,687	7,947

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	
	2016	**2015**
	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	460	301

NOTES TO THE **FINANCIAL STATEMENTS**

31 December 2016

34. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

34G. 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 2016:			
United States dollars ("**USD**")	134	–	134
New Taiwan dollars ("**NTD**")	122	–	122
	256	–	256
31 December 2015:			
United States dollars ("**USD**")	4,158	8,617	12,775
Japanese Yen ("**JPY**")	3,368	3,467	6,835
	7,526	12,084	19,610

Group	2016 RM'000	2015 RM'000
Financial liabilities:		
Trade and other payables		
United States dollars ("**USD**")	–	2,628
Japanese Yen ("**JPY**")	–	912
	–	3,540

NOTES TO THE **FINANCIAL STATEMENTS**

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34. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

34G. Foreign currency risk (cont'd)

Sensitivity analysis:

	Group	
	2016	2015
	RM'000	RM'000
A hypothetical 10% strengthening in the exchange rate of the functional currency against the JPY with all other variables held constant would have an adverse effect on pre-tax profit or loss of	–	(592)
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	(13)	(1,015)
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	(12)	–

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.

35. EVENTS AFTER THE END OF THE REPORTING YEAR

An investment agreement dated 11 January 2017, was entered into between wholly owned subsidiary Temasek Regal Capital Sdn Bhd ("**TRC**") and Koperasi Jayadiri Malaysia Berhad (the "**Investor**"), where the investor has subscribed for RM15,000,000 cumulative redeemable preference shares (the "**RPS**") in TRC, at RM1.00 per RPS.

On 14 March 2017, the Group agreed to take over the lease of the property located at 63 Sungei Kadut Loop Singapore 729484 subject to the agreement of the terms. See Note 23.

NOTES TO THE **FINANCIAL STATEMENTS**

31 December 2016

36. CHANGES AND ADOPTION OF FINANCIAL REPORTING STANDARD

For the current reporting year new or revised Singapore Financial Reporting Standards and the related Interpretations to FRS ("**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 modification of the measurement methods or the presentation in the financial statements.

FRS No.	Title
FRS 1	Amendments to FRS 1: Disclosure Initiative (early application)
Various	Improvements to FRSs (Issued in January 2014). Relating to FRS 102 Share-based Payment FRS 113 Fair Value Measurement FRS 24 Related Party Disclosures
Various	Improvements to FRSs (Issued in February 2014). Relating to FRS 113 Fair Value Measurement

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

For the future reporting years new or revised Singapore Financial Reporting Standards and the related Interpretations to FRS ("**INT FRS**") 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. 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.

FRS No.	Title	Effective date for periods beginning on or after
FRS 7	Amendments to FRS 7: Disclosure Initiative	1 Jan 2017
FRS 109	Financial Instruments	1 Jan 2018
FRS 115	Revenue from Contracts with Customers	1 Jan 2018
FRS 115	Amendments to FRS 115: Clarifications to FRS 115 Revenue from Contracts with Customers	1 Jan 2018
FRS 116	Leases	1 Jan 2019

NOTES TO THE **FINANCIAL STATEMENTS**

31 December 2016

37. NEW OR AMENDED STANDARDS IN ISSUE BUT NOT YET EFFECTIVE (CONT'D)

FRS 109 Financial Instruments

FRS 109 Financial Instruments will replace FRS 39 effective for annual periods beginning on or after 1 January 2018. It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and derecognition.

FRS 109 requires all recognised financial assets to be subsequently measured at amortised cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics. For financial liabilities, the most significant effect of FRS 109 relates to cases where the fair value option is taken; the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income (rather than in profit or loss) unless this creates an accounting mismatch.

For the impairment of financial assets, FRS 109 introduces an "expected credit loss" model based on the concept of providing for expected losses at inception of a contract; it will no longer be necessary for there to be objective evidence of impairment before a credit loss is recognised. For hedge accounting, FRS 109 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures. The derecognition provisions are carried over almost unchanged from FRS 39.

The Management anticipate that FRS 109 will be adopted in the financial statements when it becomes mandatory and that the application of the new standard might have a significant effect on amounts reported in respect of the financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

FRS 115 Revenue from Contracts with Customers

FRS 115 Revenue from Contracts with Customers effective for annual periods beginning on or after 1 January 2018 replaces FRS 11, FRS 18 and their interpretations (INT FRS 31, 113, 115 and 118). It establishes a single and comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance (e.g., the point at which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract, etc.). The Management anticipate that FRS 115 will be adopted in the financial statements when it becomes mandatory and that the application of the new standard might have a significant effect on amounts reported in respect of the revenue. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

NOTES TO THE **FINANCIAL STATEMENTS**

31 December 2016

37. NEW OR AMENDED STANDARDS IN ISSUE BUT NOT YET EFFECTIVE (CONT'D)

FRS 116 Leases:

FRS 116 Leases will replace FRS 17 effective for annual periods beginning on or after 1 January 2019. It introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The Management anticipate that FRS 116 will be adopted in the financial statements when it becomes mandatory and that the application of the new standard might have a significant effect on amounts reported in respect of the assets, liabilities and expenses. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Singapore-incorporated companies listed on the Singapore Exchange will be required to comply with new financial reporting standards (to be issued by the Singapore Accounting Standards Council) as identical to the International Financial Reporting Standards for reporting year beginning on after 1 January 2018. Comparative figures are required. The Management anticipate that new financial reporting standards will be adopted in the financial statements when they become mandatory. The application of IFRS 1 First-time adoption of IFRS might have a significant effect on amounts reported in the financial statements. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

STATISTICS OF **SHAREHOLDINGS**

AS AT 10 MARCH 2017

Class of Shares	–	Ordinary shares
Issued and Fully Paid-up Capital	–	200,114,059 ordinary shares
Voting Rights	–	One Vote per share
Treasury Shares	–	Nil

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	12	1.59	694	0.00
100 – 1,000	129	17.11	91,427	0.05
1,001 – 10,000	303	40.19	1,540,057	0.77
10,001 – 1,000,000	302	40.05	24,473,005	12.23
1,000,001 AND ABOVE	8	1.06	174,008,876	86.95
TOTAL	**754**	**100.00**	**200,114,059**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	106,963,617	53.45
2	PHILLIP SECURITIES PTE LTD	26,542,279	13.26
3	CITIBANK NOMINEES SINGAPORE PTE LTD	15,646,971	7.82
4	SU CHUNG JYE	7,000,000	3.50
5	LOW YEW SHEN (LIU YAOSHENG)	6,389,000	3.19
6	BNP PARIBAS NOMINEES SINGAPORE PTE LTD	5,665,200	2.83
7	CIMB SECURITIES (SINGAPORE) PTE LTD	4,441,811	2.22
8	OCBC SECURITIES PRIVATE LIMITED	1,359,998	0.68
9	DBS NOMINEES (PRIVATE) LIMITED	938,473	0.47
10	CHIN BENG DEVELOPMENT PTE LTD	862,666	0.43
11	KAY LAY CHIN SANDY (GUO LIJUN SANDY)	816,333	0.41
12	RAFFLES NOMINEES (PTE) LIMITED	783,030	0.39
13	NG SENG CHOO	683,333	0.34
14	LIM CHOON KEE	638,000	0.32
15	MAYBANK KIM ENG SECURITIES PTE LTD	557,666	0.28
16	CHAN SIOK HUI	545,266	0.27
17	ONG BOK LIM OR TEOH JOK LAN	496,666	0.25
18	JESSICA ONG BOON CHIN	477,166	0.24
19	RHB SECURITIES SINGAPORE PTE. LTD.	453,733	0.23
20	TEO CHIA CHIN	446,900	0.22
	TOTAL	**181,708,108**	**90.80**

STATISTICS OF **SHAREHOLDINGS**

AS AT 10 MARCH 2017

SUBSTANTIAL SHAREHOLDERS AS AT 10 MARCH 2017
(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	8.07	109,424,076	54.68
2.	Wong Pak Kiong	10,060,320	5.03	105,526,817	52.73
3.	Ikram Mahawangsa Sdn. Bhd.	89,026,817	44.49	16,500,000	8.24
4.	Stratland Properties Sdn. Bhd.	20,397,259	10.19	–	–

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 lent to Mr Su, of which 10,000,000 shares are held by Stratland.

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

As at 10 March 2017, 29.03% 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 and convertible equity securities) 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. (the "**Company**") will be held at Six Battery Road #10-01 Singapore 049909 on Friday, 21 April 2017 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company and the Group for the financial year ended 31 December 2016 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect the following Directors of the Company who will retire pursuant to Regulation 107 of the Constitution of the Company:

   Mr. Wong Pak Kiong **(Resolution 2)**
   Mr. Francis Hwang Huat Kuong **(Resolution 3)**

   [See Explanatory Note (i)]

3. To approve the payment of Directors' fees of S$184,800 for the financial year ended 31 December 2016. (FY2015: 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,

NOTICE OF **ANNUAL GENERAL MEETING**

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

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 (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 (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) 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 (the "**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) 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 (the "**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) 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)**

NOTICE OF **ANNUAL GENERAL MEETING**

9. **The proposed renewal of the Share Buy-back Mandate**

That:

(a) for the purposes of the Companies Act (Chapter 50) of Singapore (the "**Companies Act**"), the exercise by the Directors of the Company (the "**Directors**") of all the powers of the Company to purchase or otherwise acquire issued and fully paid Shares not exceeding in aggregate the Maximum Limit (as hereinafter defined), at such price or prices as may be determined by the Directors from time to time up to the Maximum Price (as hereinafter defined), whether by way of:

(i) on-market purchases ("**Market Purchases**"), transacted through the trading system of the SGX-ST or on any other securities exchange on which the Shares may for the time being be listed and quoted, through one or more duly licensed dealers appointed by the Company for the purpose; and/or

(ii) off-market purchases ("**Off-market Purchases**"), otherwise than on a securities exchange, in accordance with an equal access scheme,

and otherwise in accordance with all other laws and regulations, including but not limited to the provisions of the Companies Act and the listing rules of the SGX-ST as may be for the time being be applicable, be and is hereby authorised and approved generally and unconditionally ("**Share Buy-back Mandate**");

(b) unless varied or revoked by the Shareholders in a general meeting, the authority conferred on the Directors pursuant to the Share Buy-back Mandate in paragraph (a) of this Resolution may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution up to the following period ("**Relevant Period**"):

(i) the date on which the next AGM is held or is required by law to be held;

(ii) the date on which the purchases or acquisitions of Shares pursuant to the Share Buy-back Mandate are carried out to the full extent mandated; or

(iii) the date on which the authority conferred by the Share Buy-back Mandate is revoked or varied by Shareholders in general meeting,

whichever is the earliest;

(c) In this Resolution:

"**Maximum Limit**" means the total number of Shares that may be purchased or acquired pursuant to the Share Buy-back Mandate representing not more than 10% of the issued Shares (excluding any Shares which are held as treasury shares) as at the date of the passing of this Resolution;

NOTICE OF **ANNUAL GENERAL MEETING**

"**Maximum Price**" means the purchase price to be paid for the Shares as determined by the Directors not exceeding:

(i) in the case of a Market Purchase, 105% of the Average Closing Price (as defined hereinafter) of the Shares; and

(ii) in the case of an Off-Market Purchase, up to 120.0% of the Average Closing Price (as defined hereinafter) of the Shares,

in each case, excluding expenses of the purchase or acquisition.

For the above purposes:

"**Average Closing Price**" means the average of the closing market prices of a Share over the last five (5) market days on which the Shares are transacted on the SGX-ST ("**Market Days**") or, as the case may be, such securities exchange on which the Shares are listed or quoted, immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-market Purchase, and deemed to be adjusted, in accordance with the rules of the SGX-ST, for any corporate action that occurs after the relevant five-day period;

"**date of the making of the offer**" means the day on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from Shareholders, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-market Purchase;

(d) the Directors and/or any one of them be and are hereby authorised to deal with the Shares purchased or acquired by the Company pursuant to the Share Buy-back Mandate in any manner as they think fit, which is permissible under the Companies Act; and

(e) the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider necessary, expedient, incidental or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this Resolution.

[See explanatory note (v)] **(Resolution 9)**

By Order of the Board

Shirley Tan Sey Liy
Company Secretary

Singapore, 6 April 2017

NOTICE OF **ANNUAL GENERAL MEETING**

Explanatory Notes:

(i) Mr. Francis Hwang Huat Kuong will, upon re-election as a Director of the Company, remain as a member of the Audit Committee, Nominating Committee and 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 (i) 100% for Renounceable Rights Issues and (ii) 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 (i) and (ii) shall not exceed 100% of the issued shares (excluding treasury shares).

For the purpose of determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares) will be calculated based on the total number of issued shares (excluding treasury shares) 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 measures 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) in the capital of the Company from time to time.

NOTICE OF **ANNUAL GENERAL MEETING**

(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) in the capital of the Company from time to time.

(v) Resolution 9, if passed, will empower the Directors to exercise all powers of the Company in purchasing or acquiring Shares pursuant to the terms of the Share Buy-back Mandate. This authority will continue in force until the date on which the next AGM is held or is required by law to be held, the date on which the purchases or acquisitions of Shares pursuant to the Share Buy-back Mandate are carried out to the full extent mandated or the date on which the authority conferred by the Share Buy-back Mandate is revoked or varied by Shareholders in general meeting. The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition including the amount of financing and the financial effects of the purchase or acquisition of Shares by the Company pursuant to the Share Buy-back Mandate are set out in greater detail in the Letter to Shareholders accompanying this Notice.

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 Company's Share Registrar office at 9 Raffles Place, #29-01 Republic Plaza Tower 1, Singapore 048619 not less than 48 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.

NOTICE OF **ANNUAL GENERAL MEETING**

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, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), 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.

LETTER TO **SHAREHOLDERS**

REGAL INTERNATIONAL GROUP LTD.
(Incorporated in the Republic of Singapore)
(Company Registration No. 200508585R)

Directors:		**Registered Office:**
Su Chung Jye	*(Executive Chairman and Chief Executive Officer)*	45 North Canal Road,
Wong Pak Kiong	*(Executive Director)*	#04-01,
Low Yew Shen	*(Non-Executive Director)*	Singapore 059301
Goon Kok Loon	*(Lead Independent Director)*	
Chong Weng Hoe	*(Independent Director)*	
Francis Hwang Huat Kuong	*(Independent Director)*	

6 April 2017

To: The Shareholders of Regal International Group Ltd.

Dear Sir/Madam,

1. INTRODUCTION

1.1 Notice of 2017 Annual General Meeting of the Company

The Board of Directors refers to:

(a) the notice of annual general meeting ("**Notice**") of Regal International Group Ltd. ("**Company**") dated 21 April 2017, accompanying the Annual Report 2016, convening the annual general meeting of the Company to be held on 21 April 2017 ("**2017 AGM**"); and

(b) ordinary resolution 9 relating to the proposed renewal of the Share Buy-back Mandate (as defined below) as proposed in the Notice.

The proposed renewal of the Share Buy-back Mandate is set out as an ordinary resolution in the Notice accompanying the Annual Report 2016.

1.2 Letter to Shareholders of the Company

The purpose of this letter ("**Letter**") is to provide shareholders of the Company ("**Shareholders**") with information relating to, and to seek Shareholders' approval for, the proposed renewal of the Share Buy-back Mandate. Shareholders' approval will be sought at the 2017 AGM to be held on 21 April 2017 at 10.00 a.m.

The Singapore Exchange Securities Trading Limited ("**SGX-ST**") takes no responsibility for the accuracy or correctness of any statements or opinions made, or reports contained in this Letter.

LETTER TO **SHAREHOLDERS**

1.3 Advice to Shareholders

If a Shareholder is in any doubt as to the course of action he should take, he should consult his stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

2. THE PROPOSED RENEWAL OF THE SHARE BUY-BACK MANDATE

2.1 Background

In 2016, the Shareholders approved the renewal of the share buy-back mandate (the "**Share Buy-back Mandate**") to enable the Company to purchase or otherwise acquire issued ordinary shares in the capital of the Company ("**Shares**") at the Annual General Meeting of the Company held on 22 April 2016 (the "**2016 AGM**"). The authority and limitations on the Share Buy-back Mandate were set out in the letter to shareholders dated 7 April 2016 in the Annual Report 2015 (the "**Appendix**") and Ordinary Resolution 10 as set out in the Notice of AGM for the 2016 AGM.

The renewal of the Share Buy-back Mandate took effect on and from the date of the 2016 AGM and will expire on the date of the forthcoming 2017 AGM. Accordingly, Shareholders' approval is being sought for the renewal of the Share Buy-back Mandate at the 2017 AGM.

2.2 Rationale

The approval of the renewal of the Share Buy-back Mandate authorising the Company to purchase or acquire its Shares would give the Company flexibility to undertake share purchases or acquisitions up to the 10% limit described in paragraph 2.3.1 below at any time, subject to market conditions, during the period when the Share Buy-back Mandate is in force.

The rationale for the Company to undertake the purchase or acquisition of its Shares, as previously stated in the Appendix, is as follows:

(a) It will give the directors of the Company (the "**Directors**") the flexibility to purchase or acquire the Shares if and when circumstances permit. The Directors believe that share buy-backs provide the Company and its Directors the flexibility to better manage the Company's share capital structure and cash reserves. In addition, it provides the Company with a mechanism to facilitate the return of surplus cash over and above its ordinary capital requirements in an expedient and cost-efficient manner; and

(b) The buy-back of Shares may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the earnings per Share ("**EPS**") of the Company, and will only be made when the Directors believe that such buy-backs would benefit the Company and its Shareholders.

Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Buy-back Mandate would only be made when the Directors believe that such purchases or acquisitions are in the best interests of the Company and in circumstances they believe would not have a material adverse effect on the liquidity, capital adequacy position and financial condition of the Company and its subsidiaries (collectively, the "**Group**"), and that purchases or acquisitions of Shares pursuant to the Share Buy-back Mandate may not be carried out to the full limit as authorised.

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2.3 Terms of the Share Buy-back Mandate

The authority and limitations placed on the Share Buy-back Mandate, if renewed at the 2017 AGM, are substantially the same as previously approved by Shareholders at the 2016 AGM. The authority and limits on the Share Buy-back Mandate are as follows:

2.3.1 Maximum number of Shares

Only Shares which are issued and fully paid-up may be purchased or acquired by the Company.

The total number of Shares that may be purchased or acquired pursuant to the Share Buy-back Mandate proposed to be renewed is limited to that number of Shares representing not more than 10% of the issued shares as at the 2017 AGM at which the renewal of the Share Buy-back Mandate is approved. Shares which are held as treasury shares will be disregarded for purposes of computing the 10% limit. On the basis of 200,114,059 Shares in issue as at 24 March 2017 (the "**Latest Practicable Date**"), not more than 20,011,405 Shares (representing 10.0% of the Shares in issue as at the Latest Practicable Date) may be purchased or acquired by the Company pursuant to the Share Buy-back Mandate.

2.3.2 Duration of authority

Unless varied or revoked by Shareholders in a general meeting, purchases or acquisitions of Shares pursuant to the Share Buy-back Mandate proposed to be renewed may be made, at any time and from time to time, on and from the date of the 2017 AGM, being the date of the passing of the Ordinary Resolution, at which the renewal of the Share Buy-back Mandate is approved up to the following period (the "**Relevant Period**"):

(i) the date on which the next annual general meeting of the Company is held or is required by law to be held;

(ii) the date on which the purchases or acquisitions of Shares pursuant to the Share Buy-back Mandate are carried out to the full extent mandated; or

(iii) the date on which the authority conferred by the Share Buy-back Mandate is revoked or varied by Shareholders in general meeting,

whichever is the earliest.

2.3.3 Manner of purchases or acquisitions of Shares

Purchases or acquisitions of Shares can be effected by the Company in either of the following ways or both:

(i) on-market purchases ("**Market Purchases**"), transacted through the trading system of the SGX-ST or on any other securities exchange on which the Shares may for the time being be listed and quoted, through one or more duly licensed dealers appointed by the Company for the purpose; and/or

LETTER TO **SHAREHOLDERS**

(ii) off-market purchases ("**Off-market Purchases**"), otherwise than on a securities exchange, in accordance with an equal access scheme.

The Directors may impose such terms and conditions as they consider fit in the interests of the Company and which are not inconsistent with the Share Buy-back Mandate, the listing manual of the SGX-ST (the "**Listing Manual**") and the Companies Act (Chapter 50) of Singapore (the "**Companies Act**") in connection with or in relation to any equal access scheme or schemes.

Pursuant to the Companies Act, an equal access scheme must, however, satisfy all the following conditions:

(a) offers for the purchase or acquisition of Shares shall be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;

(b) all of those persons shall be given a reasonable opportunity to accept the offers made; and

(c) the terms of all the offers shall be the same, except that there shall be disregarded, where applicable:

    (1) differences in consideration attributable to the fact that the offers relate to Shares with different accrued dividend entitlements;

    (2) differences in consideration attributable to the fact that offers relate to Shares with different amounts remaining unpaid; and

    (3) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

In addition, the Listing Manual provides that, in making an Off-Market Purchase, the Company must issue an offer document to all Shareholders containing at least the following information:

(i) the terms and conditions of the offer;

(ii) the period and procedures for acceptances;

(iii) the reasons for the proposed Share buy-back;

(iv) the consequences, if any, of Share purchases by the Company that will arise under The Singapore Code on Take-overs and Mergers (the "**Take-over Code**") or other applicable takeover rules;

(v) whether the Share buy-back, if made, could affect the listing of the Company's equity securities on the SGX-ST;

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(vi) details of any Share buy-back made by the Company in the previous 12 months (whether via market acquisitions or off-market acquisitions in accordance with an equal access scheme), giving the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for the purchases, where relevant, and the total consideration paid for the purchases; and

(vii) whether the Shares purchased by the Company will be cancelled or kept as treasury shares.

2.3.4 Maximum purchase price

The purchase price to be paid for the Shares will be determined by the Directors.

The purchase price to be paid for the Shares as determined by the Directors must not exceed:

1. In the case of a Market Purchase, 105.0% of the Average Closing Price (as defined hereinafter) of the Shares; and

2. In the case of an Off-Market Purchase, up to 120.0% of the Average Closing Price (as defined hereinafter) of the Shares, in each case, excluding related expenses of the purchase or acquisition,

(the "**Maximum Price**") in either case.

For the above purposes:

"**Average Closing Price**" means the average of the closing market prices of a Share over the last five (5) market days on which the Shares are transacted on the SGX-ST ("**Market Days**") or, as the case may be, such securities exchange on which the Shares are listed or quoted, immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-market Purchase, and deemed to be adjusted, in accordance with the rules of the SGX-ST, for any corporate action that occurs after the relevant five-day period;.

"**date of the making of the offer**" means the day on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from Shareholders, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-market Purchase.

2.4 Status of Shares purchased under the Share Buy-back Mandate

Any Share which is purchased or acquired by the Company shall, unless held as treasury shares to the extent permitted under the Companies Act, be deemed cancelled immediately on purchase or acquisition. On such cancellation, all rights and privileges attached to the Share will expire. The total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as treasury shares.

LETTER TO **SHAREHOLDERS**

All Shares purchased or acquired by the Company (other than treasury shares held by the Company to the extent permitted under the Companies Act) will be automatically de-listed by the SGX-ST, and certificates in respect thereof will be cancelled and destroyed by the Company as soon as reasonably practicable following settlement of any such purchase or acquisition.

2.5 Treasury Shares

Under the Companies Act, Shares purchased or acquired by the Company may be held or dealt with as treasury shares. Some of the provisions on treasury shares under the Companies Act are summarised below:

2.5.1 Maximum Holdings

The number of Shares held as treasury shares cannot at any time exceed 10% of the total number of issued Shares.

2.5.2 Voting and other Rights

The Company cannot exercise any right in respect of treasury shares. In particular, the Company cannot exercise any right to attend or vote at meetings and for the purposes of the Companies Act, the Company shall be treated as having no right to vote and the treasury shares shall be treated as having no voting rights.

In addition, no dividend may be paid, and no other distribution of the Company's assets may be made, to the Company in respect of treasury shares. However, the allotment of shares as fully paid bonus shares in respect of treasury shares is allowed. A subdivision or consolidation of any treasury share into treasury shares of a smaller or larger amount is also allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

2.5.3 Disposal and Cancellation

Where Shares are held as treasury shares, the Company may at any time (but subject always to the Take-over Code):

(i) sell the treasury shares for cash;

(ii) transfer the treasury shares for the purposes of or pursuant to an employees' share scheme;

(iii) transfer the treasury shares as consideration for the acquisition of shares in, or assets of, another company or assets of a person;

(iv) cancel the treasury shares; or

(v) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister of Finance.

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In addition, under the Listing Manual, an immediate announcement must be made of any sale, transfer, cancellation and/or use of treasury shares. Such announcement must include details such as the date of the sale, transfer, cancellation and/or use, the purpose of such sale, transfer, cancellation and/or use, the number of treasury shares sold, transferred, cancelled and/or used, the number of treasury shares before and after such sale, transfer, cancellation and/or use, the percentage of the number of treasury shares against the total number of issued shares (of the same class as the treasury shares) which are listed before and after such sale, transfer, cancellation and/or use and the value of the treasury shares if they are used for a sale or transfer, or cancelled.

2.6 Sources of Funds

The Company may only apply funds legally available for the purchase or acquisition of the Shares as provided in the constitution of the Company and in accordance with the applicable laws in Singapore.

Under the Companies Act, the Company may purchase or acquire its own Shares out of profits and/or capital so long as the Company is solvent. It is an offence for a Director or an officer of the Company to approve or authorise the purchase or acquisition of Shares, knowing that the Company is not solvent. For this purpose, pursuant to the Section 76F(4) of the Companies Act, a company is solvent at the date of payment if:

(a) there is no ground on which the Company could be found to be unable to pay its debts;

(b) if (i) it is intended to commence winding up of the Company within the period of 12 months immediately after the date of the payment, the Company will be able to pay its debts in full within the period of 12 months after the date of commencement of the winding up; or (ii) it is not intended so to commence winding up, the Company will be able to pay its debts as they fall due within the period of 12 months immediately after the date of the payment; and

(c) the value of the company's assets is not less than the value of its liabilities (including contingent liabilities) and will not, after the proposed purchase or acquisition of shares, become less than the value of its liabilities (including contingent liabilities).

The Company intends to use internal sources of funds or borrowings or a combination of both to finance its purchase or acquisition of the Shares pursuant to the Share Buy-back Mandate. In purchasing or acquiring Shares pursuant to the Share Buy-back Mandate, the Directors will principally consider the availability of internal resources. In addition, the Directors will also consider the availability of external financing. However, in considering the option of external financing, the Directors will consider particularly the prevailing gearing level of the Group.

The Directors will only make purchases or acquisitions pursuant to the Share Buy-back Mandate in circumstances which they believe will not have a material adverse effect on the liquidity, capital adequacy position and financial condition of the Group.

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2.7 Take-over Code Implications

Appendix 2 of the Take-over Code contains the Share Buy-back Guidance Note applicable as at the Latest Practicable Date. The take-over implications arising from any purchase or acquisition by the Company of its Shares are set out as follows:

2.7.1 Obligation to Make a Take-over Offer

If, as a result of any purchase or acquisition by the Company of the Shares, the proportionate interest in the voting capital of the Company of a Shareholder and persons acting in concert with him increases, such increase will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code. Consequently, a Shareholder or a group of Shareholders acting in concert with a Director could obtain or consolidate effective control of the Company and become obliged to make an offer under Rule 14 of the Take-over Code.

2.7.2 Persons acting in concert

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of shares in a company to obtain or consolidate effective control of the company.

Unless the contrary is established, the following persons, inter alia, will be presumed to be acting in concert:

(a) a company with its parent company, subsidiaries, its fellow subsidiaries, any associated companies of the above companies, and any company whose associated companies include any of the above companies;

(b) a company with any of its directors, together with their close relatives, related trusts and any companies controlled by any of the directors, their close relatives and related trusts;

(c) a company with any of its pension funds and employee share schemes;

(d) a person with any investment company, unit trust or other fund in respect of the investment account which such person manages on a discretionary basis;

(e) a financial or other professional adviser, including a stockbroker, with its client in respect of the shareholdings of the adviser and persons controlling, controlled by or under the same control as the adviser and all the funds which the adviser manages on a discretionary basis, where the shareholdings of the adviser and any of those funds in the client total 10.0% or more of the client's equity share capital;

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(f) directors of a company (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts) which is subject to an offer or where the directors have reason to believe a bona fide offer for their company may be imminent;

(g) partners; and

(h) an individual, his close relatives, his related trusts, any person who is accustomed to act in accordance with his instructions, companies controlled by any of the aforesaid persons and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the aforesaid persons or companies for the purchase of voting rights.

For this purpose, ownership or control of at least 20% but not more than 50% of the voting rights of a company will be regarded as the test of associated company status.

The circumstances under which Shareholders, including Directors and persons acting in concert with them respectively, will incur an obligation to make a take-over offer under Rule 14 of the Take-over Code after a purchase or acquisition of Shares by the Company are set out in Appendix 2 of the Take-over Code.

2.7.3 <u>Effect of Rule 14 and Appendix 2 of the Code</u>

In general terms, the effect of Rule 14 and Appendix 2 of the Take-over Code is that, unless exempted, Directors and persons acting in concert with them will incur an obligation to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring Shares, the voting rights of such Directors and their concert parties would increase to 30% or more, or in the event that such Directors and their concert parties hold between 30% and 50% of the Company's voting rights, if the voting rights of such Directors and their concert parties would increase by more than 1% in any period of six (6) months. Under Appendix 2 of the Take-over Code, a Shareholder not acting in concert with the Directors will not be required to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder would increase to 30% or more, or, if such Shareholder holds between 30% and 50% of the Company's voting rights, the voting rights of such Shareholder would increase by more than 1% in any period of six (6) months. Such Shareholder need not abstain from voting in respect of the Ordinary Resolution authorising the renewal of the Share Buy-back Mandate.

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2.7.4 Application of the Take-over Code

As at the Latest Practicable Date, the interest of the substantial shareholders of the Company ("**Substantial Shareholders**") in the Shares, based on information recorded in the Register of Substantial Shareholders maintained by the Company are as follows:

	Direct Interest		Deemed Interest		Total Interest	
	No. of Shares	%(1)	No. of Shares	%(1)	No. of Shares	%(1)
Substantial Shareholders						
Su Chung Jye(2)	16,138,381	8.07	109,424,076	54.68	125,562,457	62.75
Wong Pak Kiong(3)	10,060,320	5.03	105,526,817	52.73	115,587,137	57.76
Ikram Mahawangsa Sdn Bhd(4)	89,026,817	44.49	16,500,000	8.24	105,526,817	52.73
Stratland Properties Sdn Bhd	20,397,259	10.19	–	–	20,397,259	10.19

Notes:

(1) The percentages above are based on the Company's issued and paid-up share capital of 200,114,059 Shares.

(2) Mr Su Chung Jye holds 50% of the shares in Ikram Mahawangsa Sdn. Bhd. and is deemed interested in the shares that Ikram Mahawangsa Sdn. Bhd. has an interest in. Mr Su Chung Jye holds 99% of the shares in Stratland Properties Sdn. Bhd. and is deemed interested in the shares that Stratland Properties Sdn. Bhd. has an interest in.

(3) Mr Wong Pak Kiong holds 20% of the shares in Ikram Mahawangsa Sdn. Bhd. and is deemed to be interested in the shares that Ikram Mahawangsa Sdn. Bhd. has an interest in.

(4) Ikram Mahawangsa Sdn. Bhd. is deemed to be interested in 16,500,000 shares lent to Mr Su Chung Jye of which 10,000,000 shares are held by Stratland Properties Sdn. Bhd.

In the event that the Company undertakes Share buy-backs within the Relevant Period of up to 10% of the issued share capital of the Company as permitted by the Share Buy-back Mandate ("**Maximum Share Buy-back**"), the shareholdings and voting rights of the Substantial Shareholders are as follows:

	Total Direct and Deemed Interest			
	Before Maximum Share Buy-back		After Maximum Share Buy-back	
	No. of Shares	%(1)	No. of Shares	%(2)
Substantial Shareholders				
Su Chung Jye(2)	125,562,457	62.75	125,562,457	69.72
Wong Pak Kiong(3)	115,587,137	57.76	115,587,137	64.18
Ikram Mahawangsa Sdn Bhd(2) (3)	105,526,817	52.73	105,526,817	58.59
Stratland Properties Sdn Bhd	20,397,259	10.19	20,397,259	11.33

LETTER TO **SHAREHOLDERS**

Notes:

(1) The percentage above is based on the Company's issued and paid-up share capital of 200,114,059 Shares.

(2) The percentage above is based on the Company's would-be issued and paid-up share capital of 180,102,653 Shares after the Maximum Share Buy-back.

(3) Mr Su Chung Jye holds 50% of the shares in Ikram Mahawangsa Sdn. Bhd. and is deemed interested in the shares that Ikram Mahawangsa Sdn. Bhd. has an interest in. Mr Su Chung Jye holds 99% of the shares in Stratland Properties Sdn. Bhd. and is deemed interested in the shares that Stratland Properties Sdn. Bhd. has an interest in.

(4) Mr Wong Pak Kiong holds 20% of the shares in Ikram Mahawangsa Sdn. Bhd. and is deemed to be interested in the shares that Ikram Mahawangsa Sdn. Bhd. has an interest in.

Based on the table above, the increase in the shareholdings of the Substantial Shareholders and parties acting in concert with them under the Code in the event of the Maximum Share Buy-back will not require a general offer to be made under Rule 14 of the Code.

Save as disclosed above, the Directors have confirmed that they are not aware of any facts or factors which suggest or imply that any particular person(s) and/or Shareholders are, or may be regarded as parties acting in concert such that their respective interests in voting shares in the capital of the Company should or ought to be consolidated, such that consequences under the Code would ensue as a result of a share buy-back.

The statements and illustrations in this Letter do not purport to be a comprehensive or exhaustive description of all implications that may arise under the Take-over Code. Shareholders are advised to consult their professional advisers and/or the Securities Industry Council and/or other relevant authorities at the earliest opportunity as to whether an obligation to make a take-over offer would arise by reason of any share purchases or acquisitions by the Company.

Shareholders who are in doubt as to their obligations, if any, to make a mandatory take-over offer under the Take-over Code as a result of any purchase or acquisition of Shares by the Company should consult the SIC and/or their professional advisers at the earliest opportunity.

2.8 Financial Effects

The financial effects on the Group arising from the purchases or acquisitions of Shares which may be made pursuant to the Share Buy-back Mandate will depend on, inter alia, whether the Shares are purchased or acquired out of capital and/or retained profits of the Company, the number of Shares purchased or acquired, the consideration paid for such Shares and whether the Shares purchased or acquired are held as treasury shares or cancelled.

2.8.1 Purchase or acquisition out of profits and/or capital

Under the Companies Act, purchases or acquisitions of Shares by the Company may be made out of the capital and/or retained profits of the Company.

Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of capital, such consideration will not affect the amount available for distribution in the form of cash dividends by the Company. Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of retained profits, such consideration will correspondingly reduce the amount available for distribution in the form of cash dividends by the Company.

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2.8.2 Number of Shares acquired or purchased

Purely for illustrative purposes, on the basis of 200,114,059 issued and fully paid up Shares as at the Latest Practicable Date, and assuming no further Shares are issued or repurchased, and no Shares are held by the Company as treasury shares, on or prior to the 2017 AGM, the purchase or acquisition by the Company of up to the maximum limit of 10% of its issued Shares will entail a purchase or acquisition of 20,011,405 Shares.

2.8.3 Maximum Price paid for Shares acquired or purchased

In the case of Market Purchases by the Company and assuming that the Company purchases or acquires 20,011,405 Shares at the Maximum Price of S$0.15 (or the equivalent of RM0.47 based on the exchange rate of S$1.00: RM3.16656) per Share (being the price equivalent to 105% of the Average Closing Price of the Shares traded on the SGX-ST for the five (5) consecutive Market Days immediately preceding the Latest Practicable Date), the maximum amount of funds required is approximately S$3.0 million (or the equivalent of approximately RM9.4 million based on the exchange rate of S$1.00: RM3.16656), excluding brokerage, commission, applicable goods and services tax and other related expenses.

In the case of Off-market Purchases by the Company and assuming that the Company purchases or acquires 20,011,405 Shares at the Maximum Price of S$0.17 (or the equivalent of RM0.54 based on the exchange rate of S$1.00: RM3.16656) per Share (being the price equivalent to 120% of the Average Closing Price of the Shares traded on the SGX-ST for the five (5) consecutive Market Days immediately preceding the Latest Practicable Date), the maximum amount of funds required is approximately S$3.4 million (or the equivalent of approximately RM10.8 million based on the exchange rate of S$1.00: RM3.16656), excluding brokerage, commission, applicable goods and services tax and other related expenses.

2.8.4 Illustrative financial effects

For illustration purposes, the tables set out in paragraph 2.8.5 below list the possible scenarios of purchases or acquisitions of Shares by the Company pursuant to the Share Buy-back Mandate proposed to be renewed, based on the following assumptions:

(i) The Maximum Price paid for Shares acquired or purchased is as stated in paragraph 2.8.3 above;

(ii) The Company has 200,114,059 Shares as at the Latest Practicable Date, and assuming no further Shares are issued or repurchased, and no Shares are held by the Company as treasury shares, on or prior to the 2017 AGM; and

(iii) The Company has as at 31 December 2016:

(a) share capital of approximately RM369.55 million;

(b) accumulated losses of approximately RM17.99 million; and

(c) cash and cash equivalents of approximately RM1.83 million.

LETTER TO **SHAREHOLDERS**

2.8.5 Scenarios of purchases or acquisitions of Shares

Set out below are the possible scenarios of purchases or acquisitions of Shares by the Company pursuant to the Share Purchase Mandate proposed to be renewed, with the pro-forma financial effects detailed therein.

Table 1(i)

Scenario	**1(A)**	**1(B)**	**1(C)**	**1(D)**
Out of	**Capital**	**Capital**	**Capital**	**Capital**
Type	**Market Purchases**	**Market Purchases**	**Off-market Purchases**	**Off-market Purchases**
Held as treasury shares/cancelled	**Held as treasury shares**	**Cancelled**	**Held as treasury shares**	**Cancelled**
Maximum Price per Share (S$/RM)	S$0.15/ RM0.47	S$0.15/ RM0.47	S$0.17/ RM0.54	S$0.17/ RM0.54
Maximum number of Shares to be purchased or acquired	20,011,405	20,011,405	20,011,405	20,011,405
Number of Shares	200,114,059	200,114,059	200,114,059	200,114,059
Equivalent % of issued Shares (%)	10	10	10	10
Maximum funds required (S$'000/RM'000)	S$3,002/ RM9,405	S$3,002/ RM9,405	S$3,402/ RM10,806	S$3,402/ RM10,806

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Table 1(ii)

	Per audited Group financial statements as at 31 December 2016	Pro forma financial effects as at 31 December 2016 for scenario per Table 1(i)			
		1(A)	1(B)	1(C)	1(D)
Share capital (RM'000)	133,052	133,052	123,873	133,052	122,562
Accumulated losses (RM'000)	(87,833)	(87,833)	(87,833)	(87,833)	(87,833)
Other reserves (RM'000)	7,613	7,613	7,613	7,613	7,613
Treasury shares (RM'000)	–	(9,405)	–	(10,806)	–
Non-controlling interest (RM'000)	367	367	367	367	367
Total equity (RM'000)	53,199	43,794	43,794	42,393	42,393
Net tangible assets ("**NTA**") (RM'000)	53,199	43,794	43,794	42,393	42,393
Current assets (RM'000)	222,536	213,131	213,131	211,730	211,730
Current liabilities (RM'000)	162,558	162,558	162,558	162,558	162,558
Cash and cash equivalents (RM'000)	15,170	5,765	5,765	4,364	4,364
Total borrowings (RM'000)	58,776	58,776	58,776	58,776	58,776
Number of Shares ('000)	200,114	180,103	180,103	180,103	180,103
Weighted average number of Shares ('000)	200,114	180,103	180,103	180,103	180,103
Financial Ratios					
NTA per Share (Sens)	26.40	24.11	24.11	23.33	23.33
EPS (Sens)	(10.66)	(11.84)	(11.84)	(11.84)	(11.84)
Return on equity (%)	(40.37)	(49.11)	(49.11)	(50.75)	(50.75)
Gearing ratio	1.10	1.34	1.34	1.39	1.39
Current ratio	1.37	1.31	1.31	1.30	1.30

LETTER TO **SHAREHOLDERS**

Table 2(i)

Scenario	**2(A)**	**2(B)**	**2(C)**	**2(D)**
Out of	**Retained profits**	**Retained profits**	**Retained profits**	**Retained profits**
Type	**Market Purchases**	**Market Purchases**	**Off-market Purchases**	**Off-market Purchases**
Held as treasury shares/cancelled	**Held as treasury shares**	**Cancelled**	**Held as treasury shares**	**Cancelled**
Maximum Price per Share (S$/RM)	S$0.15/ RM0.47	S$0.15/ RM0.47	S$0.17/ RM0.54	S$0.17/ RM0.54
Maximum number of Shares to be purchased or acquired	20,011,405	20,011,405	20,011,405	20,011,405
Number of Shares	200,114,059	200,114,059	200,114,059	200,114,059
Equivalent % of issued Shares (%)	10	10	10	10
Maximum funds required (S$'000/RM'000)	S$3,002/ RM9,405	S$3,002/ RM9,405	S$3,402/ RM10,806	S$3,402/ RM10,806

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Table 2(ii)

	Per audited Group financial statements as at 31 December 2016	Pro forma financial effects as at 31 December 2016 for scenario per Table 2(i)			
		2(A)	2(B)	2(C)	2(D)
Share capital (RM'000)	133,052	133,052	133,052	133,052	133,052
Accumulated losses (RM'000)	(87,833)	(87,833)	(97,238)	(87,833)	(98,639)
Other reserves (RM'000)	7,613	7,613	7,613	7,613	7,613
Treasury shares (RM'000)	–	(9,405)	–	(10,806)	–
Non-controlling interest (RM'000)	367	367	367	367	367
Total equity (RM'000)	53,199	43,794	43,794	42,393	42,393
NTA (RM'000)	53,199	43,794	43,794	42,393	42,393
Current assets (RM'000)	222,536	213,131	213,131	211,730	211,730
Current liabilities (RM'000)	162,558	162,558	162,558	162,558	162,558
Cash and cash equivalents (RM'000)	15,170	5,765	5,765	4,364	4,364
Total borrowings (RM'000)	58,776	58,776	58,776	58,776	58,776
Number of Shares ('000)	200,114	180,103	180,103	180,103	180,103
Weighted average number of Shares ('000)	200,114	180,103	180,103	180,103	180,103
Financial Ratios					
NTA per Share (Sens)	26.40	24.11	24.11	23.33	23.33
EPS (Sens)	(10.66)	(11.84)	(11.84)	(11.84)	(11.84)
Return on equity (%)	(40.37)	(49.11)	(49.11)	(50.75)	(50.75)
Gearing ratio	1.10	1.34	1.34	1.39	1.39
Current ratio	1.37	1.31	1.31	1.30	1.30

Shareholders should note that the financial effects set out above, based on the respective aforementioned assumptions, are for illustration purposes only. In particular, it is important to note that the above analysis is based on historical audited financial statements for the financial year ended 31 December 2016, and is not necessarily representative of future financial performance.

LETTER TO **SHAREHOLDERS**

The Company will take into account both financial and non-financial factors (for example, share market conditions and the performance of the Shares) in assessing the relative impact of a share purchase or acquisition before execution. Although the proposed renewal of the Share Buy-back Mandate would authorise the Company to buy-back up to 10% of the Company's issued Shares (excluding Shares held in treasury), the Company may not necessarily purchase or acquire or be able to purchase or acquire 10% of the issued Shares in full (excluding Shares held in treasury). In addition, the Company may cancel all or part of the Shares repurchased or hold all or part of the Shares repurchased as treasury shares.

2.9 Reporting Requirements

Within 30 days of the passing of a Shareholders' Ordinary Resolution to approve the purchases or acquisitions of the Shares by the Company, the Company shall lodge a copy of such Ordinary Resolution with the Accounting and Corporate Regulatory Authority of Singapore ("**ACRA**").

Within 30 days of a purchase or acquisition of the Shares on the SGX-ST or otherwise, the Company shall lodge with ACRA the notice of the purchase or acquisition in the prescribed form, such notification must include, inter alia, details of the date of the purchase or acquisition of the Shares, the total number of Shares purchased or acquired by the Company, the total number of Shares cancelled, the number of Shares held as treasury shares, the Company's issued share capital before and after the purchase or acquisition of Shares, the amount of consideration paid by the Company for the purchase or acquisition, and whether the Shares were purchased or acquired out of the profits or the capital of the Company.

2.10 Listing Manual

2.10.1 The Listing Manual requires a listed company to ensure that at least 10% of any class of its listed securities (excluding treasury shares, preference shares and convertible equity securities) must be held by public shareholders. As at the Latest Practicable Date, approximately 29.03% of the issued Shares are held by public Shareholders. Accordingly, the Company is of the view that there is a sufficient number of the Shares in issue held by public Shareholders which would permit the Company to undertake purchases or acquisitions of its Shares through Market Purchases up to the full 10% limit pursuant to the Share Buy- back Mandate without affecting the listing status of the Shares on the SGX-ST, and that the number of the Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or to affect orderly trading.

2.10.2 Under the Listing Manual, a listed company may only purchase shares by way of a market acquisition at a price which is not more than 5% above the average closing market price. The term average closing market price is defined as the average of the closing market prices of shares over the last five (5) Market Days, on which transactions in the shares were recorded, before the day on which purchases are made. The Maximum Price for a Share in relation to Market Purchases by the Company, referred to in paragraph 2.3.4 of this Letter, conforms to this restriction.

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Additionally, the Listing Manual also specifies that a listed company shall report all purchases or acquisitions of its shares to the SGX-ST not later than 9.00 a.m.:

(i) in the case of a Market Purchase, on the Market Day following the day of purchase or acquisition of any of its shares; and

(ii) in the case of an Off-market Purchase under an equal access scheme, on the second Market Day after the close of acceptances of the offer.

The notification of such Share purchase or acquisition to the SGX-ST shall be in such form and shall include such details that the SGX-ST may prescribe.

While the Listing Manual does not expressly prohibit any purchase or acquisition of shares by a listed company during any particular time or times, because the listed company would be regarded as an "insider" in relation to any proposed purchase or acquisition of its issued shares, the Company will not undertake any purchase or acquisition of Shares pursuant to the Share Buy-back Mandate at any time after any matter or development of a price-sensitive nature has occurred or has been the subject of consideration and/or a decision of the board of Directors until such price-sensitive information has been publicly announced.

Further, in conformity with the best practices guide on dealing with securities under the Listing Manual, the Company will not buy Shares during the period of:

(i) one (1) month immediately before the announcement of the Company's annual results; and

(ii) two (2) weeks immediately before the announcement of the Company's results for each of the first three quarters of its financial year.

2.11 Details of Share Buy-backs pursuant to the Share Buy-back Mandate

No purchases or acquisitions of Shares were undertaken by the Company in the last 12 months immediately preceding the Latest Practicable Date. The last Share buy-back undertaken by the Company was on 24 August 2012.

2.12 Tax implications

Members who are in doubt as to their respective tax positions or the tax implications of share purchases or acquisitions by the Company, or who may be subject to tax whether in or outside Singapore, should consult their own professional advisers.

LETTER TO **SHAREHOLDERS**

3. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

The interests of Directors and Substantial Shareholders in the Shares as recorded in the Register of Directors' Shareholdings and Register of Members, respectively, as at the Latest Practicable Date, are as follows:

	Direct Interest		Deemed Interest	
	Number of Shares	%[1]	Number of Shares	%[1]
Directors				
Su Chung Jye[2]	16,138,381	8.07	109,424,076	54.68
Wong Pak Kiong[3]	10,060,320	5.03	105,526,817	52.73
Low Yew Shen	6,389,000	3.19	–	–
Goon Kok Loon	–	–	–	–
Chong Weng Hoe	–	–	–	–
Francis Hwang Huat Kuong	–	–	–	–
Substantial Shareholders (other than Directors)				
Ikram Mahawangsa Sdn Bhd[4]	89,026,817	44.49	16,500,000	8.24
Stratland Properties Sdn Bhd	20,397,259	10.19	–	–

Notes:

(1) The percentages above are based on the Company's issued and paid-up share capital of 200,114,059 shares.

(2) Mr Su Chung Jye holds 50% of the shares in Ikram Mahawangsa Sdn. Bhd. and is deemed interested in the shares that Ikram Mahawangsa Sdn. Bhd. has an interest in. Mr Su Chung Jye holds 99% of the shares in Stratland Properties Sdn. Bhd. And is deemed interested in the shares that Stratland Properties Sdn. Bhd. has an interest in.

(3) Mr Wong Pak Kiong holds 20% of the shares in Ikram Mahawangsa Sdn. Bhd. and is deemed to be interested in the shares that Ikram Mahawangsa Sdn. Bhd. has an interest in.

(4) Ikram Mahawangsa Sdn. Bhd. is deemed to be interested in 16,500,000 shares lent to Mr Su Chung Jye, of which 10,000,000 shares are held by Stratland Properties Sdn. Bhd.

None of the Directors and Controlling Shareholders has any interest, direct or indirect, in the proposed resolution for the renewal of the Share Buy-back Mandate, other than through their respective shareholdings in the Company.

4. DIRECTORS' RECOMMENDATIONS

The Directors, having carefully considered the terms and rationale of the proposed Share Buy-back Mandate, are of the opinion that the proposed renewal of the Share Buy-back Mandate would be beneficial to, and is in the best interests of the Company and accordingly recommend that Shareholders vote in favour of the Ordinary Resolution relating to the proposed renewal of the Share Buy-back Mandate at the 2017 AGM.

LETTER TO **SHAREHOLDERS**

5. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Letter and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Letter constitutes full and true disclosure of all material facts about the proposed renewal of the Share Buy-back Mandate, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Letter misleading. Where information in this Letter has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Letter in its proper form and context.

6. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at 45 North Canal Road, #04-01, Singapore 059301 during normal business hours from the date of this Letter up to and including the time and date of the 2017 AGM:

(a) the Annual Report for the financial year ended 31 December 2016; and

(b) the Constitution of the Company.

Yours faithfully

Su Chung Jye
Executive Chairman and Chief Executive Officer

For and on behalf of
the Board of Directors
Regal International Group Ltd.

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 (the "**Meeting**") of the Company to be held at Six Battery Road #10-01 Singapore 049909 on Friday, 21 April 2017 at 10.00 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.

(Please indicate your vote "For" or "Against" with a tick [√] within the box provided.)

No.	Resolutions relating to:	No. of Votes For	No. of Votes Against
Ordinary Business			
1	Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2016		
2	Re-election of Mr. Wong Pak Kiong as a Director		
3	Re-election of Mr. Francis Hwang Huat Kuong as a Director		
4	Approval of Directors' fees amounting to S$184,800 for the financial year ended 31 December 2016		
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		
9	Approval of proposed renewal of the Share Buy-back Mandate		

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 ____________________ 2017

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

____
Signature of Shareholder(s)
and, Common Seal of Corporate Shareholder

* *Delete where inapplicable*

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act Chapter 289 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company (other than a Relevant Intermediary*) entitled to attend and vote at a meeting of the Company is entitled to appoint 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 Company's Share Registrar office at 9 Raffles Place, #29-01 Republic Plaza Tower 1, Singapore 048619 not less than forty-eight (48) 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 authorised by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Singapore Companies Act, Chapter 50.

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

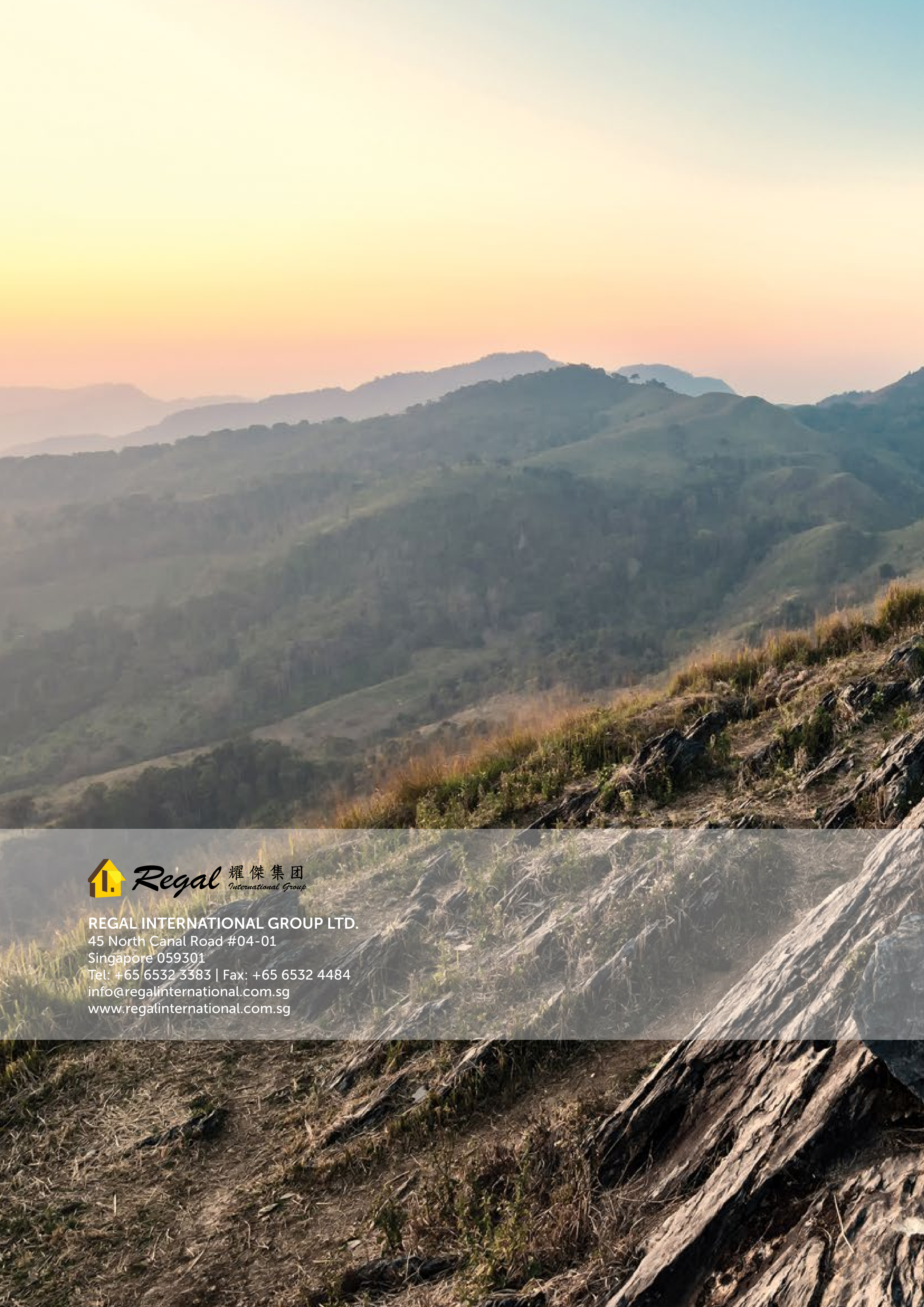
(c) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central 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 member, 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 6 April 2017.



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