

鑄就新未來

Regal 耀傑集团 International Group

CONTINUE MOVING FORWARD

ANNUAL REPORT 2019

OUR VISION

OUR MISSION

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

To create genuine sustainable values for our stakeholders.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

SU CHUNG JYE
Executive Chairman and CEO

WONG PAK KIONG
Executive Director

LOW YEW SHEN
Non-Executive Director

GOON KOK LOON
Lead Independent Director

FRANCIS HWANG HUAT KUONG
Independent Director

LAU KAY HENG
Independent Director

AUDIT COMMITTEE

GOON KOK LOON (Chairman)
FRANCIS HWANG HUAT KUONG
LAU KAY HENG

REMUNERATION COMMITTEE

FRANCIS HWANG HUAT KUONG (Chairman)
GOON KOK LOON
LAU KAY HENG

NOMINATING COMMITTEE

GOON KOK LOON (Chairman)
FRANCIS HWANG HUAT KUONG
SU CHUNG JYE

REGISTERED OFFICE

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COMPANY REGISTRATION NUMBER

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COMPANY SECRETARY

SIAU KUEI LIAN

REGISTRAR AND SHARE TRANSFER OFFICE

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30 Cecil Street
#19-08 Prudential Tower
Singapore 049712

AUDITORS

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

PRINCIPAL BANKERS

UNITED OVERSEAS BANK LIMITED
80 Raffles Place
UOB Plaza 1
Singapore 048624

CORPORATE PROFILE

Being listed on the mainboard of Singapore Exchange Securities Trading Ltd ("SGX-ST") (Stock code: UV1.SI), Regal International Group Ltd. ("RIG", and together with its subsidiaries, the "Group") is one of the first Sarawak-based companies to list on the mainboard of the SGX-ST. RIG aspires to be the bridging gateway and platform for international partners and investors to access the abundant emerging business opportunities in East Malaysia.

ACHIEVEMENTS

Over the past 15 years, the Group has achieved an impressive track record of constructing and completing more than 30 property development projects in Kuching and Kota Samarahan area of East Malaysia. This diverse property portfolio includes shophouses, terrace houses, landed properties, condominiums, commercial and industrial units. The Group has in recent years added Nilai (Negeri Sembilan, West Malaysia) and Bintulu (Sarawak, East Malaysia) to the geographical coverage of its property development business.

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

STRATEGIES FOR THE FUTURE

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

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

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

Looking forward, while 2020 and the years ahead may result in much changes and unforeseen economic challenges with the onslaught of the COVID-19 pandemic, the Group will continue to do its best endeavours to overcome such issues despite the unprecedented scale of the ongoing health crisis affecting industries and the world economy.

EXECUTIVE CHAIRMAN & CEO'S MESSAGE

"RIG will continue to focus on completing and delivering our mega projects, as well as to increase our sales momentum to improve profitability. In the year to come, the Group is looking to cater to market demands for the types of properties that are needed by the mass market, and will shift our attention to capitalising on the current demand trends."

SU CHUNG JYE
EXECUTIVE CHAIRMAN AND CEO

DEAR SHAREHOLDERS,

The financial year ended 31 December 2019 ("**FY2019**") was yet another challenging year for Regal International Group Ltd ("**RIG**" or the "**Company**", and together with its subsidiaries, the "**Group**"). The ongoing challenging economic situation for Malaysia, as well as a trial season for the newly elected representatives to find their footing and to rebuild investors' trust and confidence in our market, has only shown that there is still much work to be done in the rebuilding and the re-strengthening of the country and these ongoing changes have reflected themselves in the business performance of the Group.

However, as compared to the previous financial year ended 31 December 2018 ("**FY2018**"), FY2019 performance has improved slightly and we are taking this as a positive sign of returning market confidence as well as progress, albeit a slow one, in terms of improving market conditions for the property sector.

Granted, despite the removal of the goods and service tax (GST) in 2018, the government had gone on to impose the sales and service tax (SST), and while this may not have had a direct impact on increasing property prices, nonetheless the indirect impact has been that purchasers have still shown wariness and caution in their spending, and this has impacted the Group's property sales. Stringent measures, and sadly slower processing time, for bank loan approvals for property purchases continue to hold back growth in terms of sales volume and transacted values.

FINANCIAL HIGHLIGHTS

Despite the challenging market conditions and macro environment, the Group's revenue increased by 31.2%, from RM62.6 million in FY2018 to RM82.2 million in FY2019. The Group has achieved a better gross profit margin of 15.6% in FY2019 from 2.5% in FY2018, resulting from the sales of higher profit yielding development projects. Besides, the administrative expenses as well as marketing and distribution costs of the Group were collectively lower by 25.6% at RM21.8 million in FY2019, as compared to RM29.3 million in FY2018. The reductions were mainly due to the decrease in employee benefits expense and amortisation of contract costs.

EXECUTIVE CHAIRMAN & CEO'S MESSAGE

On 31 December 2019, the Group disposed Upright Strategy Sdn Bhd to rationalize its financial and capital resources, thus allowing the Group to concentrate on and align its resources on other ongoing and incoming projects and developments.

With the gain on disposal of subsidiary in FY2019, the Group recorded an overall profit after tax of RM2.6 million for FY2019, as opposed to the loss after tax of RM36.9 million in FY2018.

ONGOING DIVERSIFIED VENTURES

During the year, the Group also established connections with several associate partners, such as Express LUCK (Shenzhen) Pte Ltd, MERK-EL Elderly Care and Dr. Xu Kecheng Cancer Rehabilitation Center, as well as local college for higher education Institute Technology Maklumat Nusantara College, for varied collaborations.

As begun in 2018, for this year our RIG's Executive Director, Mr Wong Pak Kiong and I, continue our active roles in our appointments with Sarawak Housing and Real Estate Developers' Association ("**SHEDA**"). We continue to contribute and to present ideas to influence and change policies and regulations affecting property developers in Sarawak.

PROPERTY PROJECTS

The Group was elated to have been one of the recipients of the award of Prominent Developers in Sarawak by SHEDA on 18 January 2019 as recognition of our efforts to continuously deliver quality projects in Sarawak, and with our main focus on our ongoing mega projects of Tropics City in Kuching and TreeTops@Kemena Heights in Bintulu, including our new project of Regal City (Kota Seramika) in Kuching which is geared to be a major development as it encompasses 500 acreage of lands for the construction of single and double-storey terrace houses, commercial properties and recreational facilities, as well as the project Richmond Park (Phase 2), which have been well received.

On the other hand, our other contractual development projects include Million Gifted 1, Summer 28, Pasir Pandak, and Unipark Mall (Phase 1).

The Group will continue to focus on completing and delivering our mega projects, as well as to increase our sales momentum to improve profitability. In the year to come, the Group is looking to cater to market demands for the types of properties that are needed by the mass market, and will shift our attention to capitalising on the current demand trends.

IN APPRECIATION

On behalf of the Board of Directors, I would like to express our utmost gratitude to our employees, management, business partners, and customers for their long-standing support and understanding. We appreciate your standing with us throughout the tough and challenging times, and cheering us on with your positivity and loyalty.

To our shareholders, we would also like to thank you for your unwavering support of the Group. With your continued encouragement, have my assurance that RIG will continue to work hard and to drive ourselves forward to achieve greater sustainable value and to complete what we have set out to do together.

Thank you.

Mr Su Chung Jye
Executive Chairman and CEO

OPERATIONS REVIEW

For the financial year ended 31 December 2019 ("**FY2019**"), the Group encountered a melioration in terms of overall sales revenue due to increase in sale of development properties and revenue from construction contracts amidst challenging market conditions.

REVENUE

The Group's revenue increased by RM19.6 million or 31.2% from RM62.6 million for the financial year ended 31 December 2018 ("**FY2018**"), to RM82.2 million in FY2019, mainly due to the incline in the sale of development properties and revenue from construction contracts by RM22.1 million despite the backdrop of challenging conditions.

Introduction of a new housing program/scheme called Spectra Housing in Sarawak during FY2019 further improved the affordability of housing in the State which alluded to joint venture with local developers to deliver houses of higher specifications and standards to the people. However, high property prices, stricter lending policies, volatile macroeconomic conditions and weak consumer sentiments, remained key challenges for the Group during the year.

GROSS PROFIT MARGINS

As compared to the gross profit of RM1.5 million in FY2018, the Group recorded a gross profit of RM12.8 million in FY2019, primarily due to the increase in sale of development properties and revenue from construction contracts.

The increase in gross profit margin from 2.5% in FY2018 to 15.6% in FY2019 was mainly arising from the climb in sale of development properties and completed units in FY2019, and there were higher indirect costs for project initiation and implementation in FY2018.

KEY EXPENSES

In FY2019, the Group's marketing and distribution costs were RM2.1 million, decreased by 50% as compared to the RM4.2 million outlay in FY2018. This is mainly due to sharp decline in amortisation of contract costs.

Likewise, the Group's administrative expenses decreased by RM5.6 million, from RM25.2 million in FY2018 to RM19.6 million in FY2019, largely as a result of decrease in employee benefits expense. The Group's finance costs slightly increased from RM6.2 million in FY2018 to RM6.3 million in FY2019, mainly due to the notional interest expenses and interest expenses on lease liabilities.

OTHER GAINS/LOSSES

While other losses increased from RM3.9 million in FY2018 to RM4.7 million in FY2019 due to allowance for impairment for trade and other receivables, conversely other gains experienced a climb, from RM0.1 million in FY2018 to RM0.8 million in FY2019 as a result of increase in reversal of impairment for receivables and net sundry gains.

The gain on disposal of subsidiary of RM22.7 million was solely arising from the disposal of Upright Strategy Sdn Bhd in FY2019.

SHARE OF RESULT FROM EQUITY-ACCOUNTED ASSOCIATE

The share of result from equity-accounted associate was contributed by the Group's associate, Tiya Development Sdn Bhd ("**Tiya**"), for both FY2018 and FY2019. For 2019, the share of result from the associate was a RM0.4 million profit against the RM0.5 million loss in FY2018, due to a net profit in Tiya's annual operations in 2019.

NET PROFIT/LOSS

The Group incurred a profit before tax of RM3.9 million in FY2019 as compared to a RM37.7 million loss before tax in FY2018. The FY2019 final net profit after tax was RM2.6 million, after the income tax expense of RM1.4 million mainly arising from certain subsidiaries with taxable profits.

Overall, compared to the total comprehensive loss of RM37.0 million for FY2018, the Group recorded a total comprehensive income of RM2.6 million for FY2019, after taking in exchange differences on foreign operations translation.

BALANCE SHEET

As at 31 December 2019, the total assets of the Group increased to RM303.2 million, from RM283.7 million in FY2018.

OPERATIONS REVIEW

ASSETS

Non-current assets of the Group decreased by RM1.7 million to RM42.3 million in FY2019, down from RM44.0 million as at FY2018, due mainly to depreciation and allowance for impairment on property, plant and equipment.

The Group's current assets increased by RM21.2 million from RM239.7 million in FY2018 to RM260.9 million as at FY2019, mostly due to:

- an increase in trade and other receivables by RM12.5 million;
- an increase in inventories by RM7.6 million; and
- an increase in cash and cash equivalent by RM0.9 million.

LIABILITIES

Total liabilities of the Group increased by RM17.0 million from RM267.0 million as at FY2018 to RM284.0 million as at FY2019.

Non-current liabilities of the Group increased by RM12.8 million from RM30.3 million for FY2018 to RM43.1 million for FY2019 due to the rise in non-current other financial liabilities, as a result of extension granted by borrowers.

Current liabilities of the Group increased by RM4.1 million from RM236.7 million in FY2018 to RM240.8 million in FY2019. The increase was mainly due to a RM24.1 million increase in trade and other payables, and partially offset by decrease in current portion of other financial liabilities.

In conclusion, the Group's net asset stood at RM19.2 million as at FY2019 as compared to RM16.7 million as at FY2018.

CASH FLOWS

Net cash and cash equivalents held by the Group increased from RM1.5 million in FY2018 to RM3.9 million in FY2019.

The increase was mostly due to the net cash flows from operating activities.

OUTLOOK

The Group continued to be influenced by Malaysia's political landscape and economic agenda changes in FY2019. "2019 was a year of moderation and consolidation on a journey towards recovery. No huge market changes, up or down, were expected with continued cautiousness in business dealings, going forward. There were early signs of recovery and Sarawak's property market was anticipated to pick up."[1]

"The residential sector continued to dominate the market in terms of volume and value, and moved slowly but steadily" whereas "the high rise residential sub-sector continued to face challenges in view of significant increase in supply where its take-up rates were greatly dependable on pricing, location and unique selling points."[1]

"The recent announcement by the State Government to develop 2 million hectares of land for agriculture to enable the State to become a net food exporter by 2030 meant an increase in demand for agricultural lands which the agricultural sector was one to look out for in the near future."[1]

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

[1] Source: Sarawak Property Bulletin "2019 Property Market Review & Outlook"

BOARD OF DIRECTORS

SU CHUNG JYE
EXECUTIVE CHAIRMAN AND CEO

Member, Nominating 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 24 July 2019.

With over 25 years of work experience in the construction and property development business, Mr Su is involved in all key aspects of the Group's operations, including setting corporate directions and strategic business developments.

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

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

WONG PAK KIONG
EXECUTIVE DIRECTOR AND DIRECTOR OF SALES AND MARKETING

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

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

With over 24 years of experience, Mr Wong is highly proficient in developing and conducting all sales, marketing and promotion campaigns, as well as managing and developing sales teams. He was appointed as the Deputy Chairman of Sarawak Housing and Real Estate Developers' Association (SHEDA) Kuching Branch in May 2018.

BOARD OF DIRECTORS

LOW YEW SHEN
NON-EXECUTIVE DIRECTOR

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

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

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 19 April 2018.

He is the Executive Chairman of Global Maritime and Port Services Pte. Ltd. With over 42 years of extensive experience in corporate management, operations and administration, both locally and internationally, Mr Goon has been conferred both the silver and gold public administration medals from the Singapore Government. He is a fellow of the Chartered Institute of Logistics and Transport.

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

BOARD OF DIRECTORS

FRANCIS HWANG HUAT KUONG
INDEPENDENT DIRECTOR

Chairman, Remuneration Committee
Member, Nominating 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 21 April 2017.

Mr Hwang is the Director and Principal Architect in his own architectural company, HA Architects Pte. Ltd., Singapore. Mr Hwang holds a Bachelor Degree of Science (Architecture) and a Bachelor Degree of Architecture from The University of Sydney, Australia. With more than 29 years of experience in the architectural industry, Mr Hwang is also registered with the Board of Architects, Singapore.

LAU KAY HENG
INDEPENDENT DIRECTOR

Member, Audit Committee
Member, Remuneration Committee

MR LAU KAY HENG is the Independent Director of Regal International Group Ltd. and was appointed to the Board on 10 August 2019.

Mr Lau is currently sitting on the board of a SGX-ST Catalist listed company, DISA Limited as the Independent and Non-Executive Director as well as the Chairman of the Audit and Risk Committee. He holds a Bachelor Degree of Science from the National University of Singapore with over 20 years of senior corporate management and corporate advisory experience in the Asia Pacific region.

KEY MANAGEMENT TEAM

GROUP

KONG MEI YEN
FINANCIAL CONTROLLER

Ms Kong Mei Yen is the Financial Controller of Regal International Group Ltd. She is responsible for the Group's financial accounting, financial reporting and management reporting.

Ms Kong has more than 12 years of experience in finance and accounting, having worked with major audit firms prior to her current appointment. Ms Kong is a CA (Singapore) holder with the Institute of Singapore Chartered Accountants.

MALAYSIA OPERATIONS

FREDERICK ENG MENG KHUAN
DIRECTOR OF PROJECT MANAGEMENT

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

With over 20 years of experience in the property development industry, Mr Eng is responsible for overseeing the project development and project management of the Malaysia Operations. His main responsibilities include strategic project management; directing project resources and operating within the limits of an established budget; establishing the project resource assignments and ensuring that the projects are properly managed and staffed.

LIANG NGEE PING
DIRECTOR OF CORPORATE DEVELOPMENT

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

With over 18 years of experience in the property development industry, Mr Liang is responsible for business development matters of the Malaysia Operations especially in the central region of Sarawak. His key responsibilities include being involved in the strategic marketing and operations planning with the CEO and other key executives; working closely with the Director of Sales and Marketing to develop, co-ordinate and implement marketing plans designed to maintain and increase existing business and capture new market opportunities.

ELIZABETH WONG SING HUI
CHIEF ACCOUNTANT

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

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

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

PROJECT PORTFOLIO HIGHLIGHTS

COMPLETED IN 2019

MILLION GIFTED 1

- Construction Project.
- **46 units** of detached, semi-detached and terrace houses situated at Matang area.
- Floor area per unit: **1000 - 1700 sqft**

UNIPARK MALL (PHASE 1)

- Construction Project.
- **10 units** of 3-storey shophouses within Kota Samarahan area.
- Floor area per unit: **3700 - 4600 sqft**

72 RESIDENCES (BLOCK B)

- Development Project.
- **72 units** of **2 blocks** high-end condominiums at Jalan Song area, which **40 units** in block A were completed in 2016 and **32 units** in block B were completed in 2019.
- Floor area per unit: **1600 - 2000 sqft**

PROJECT PORTFOLIO HIGHLIGHTS

TROPICS CITY

- **5 tower blocks** of **352 residential units**, **252 commercial units** and an enrichment hub located within Jalan Song area. It is set to build life around a business playground, lifestyle venue, education hub, medical zone and culture enriching centre suited for everyone. Estimated completion in 2021.
- Floor area per unit: **600 - 1400 sqft**

KOTA SERAMIKA

A whole new township development coming up to be located in the vicinity of Mile 22, Kampung Tapah connecting the Capital City Kuching and newly declared division of Serian situated along the proposed route of the Light Rail Transit network to be put in place by the State Government of Sarawak.

This new development of over 490 acres, 16 blocks, will comprise of strata and landed housing estate, amenities, commercial space, transportation hub and education hub. There will be over 1400 residential units, over 150 units of shophouses and 225 acres of detached industry plots, mall, facility buildings, research centre and schools. Vegetable distribution centre, ceramic exhibition centre, religious centre, community centre and medical centre will be on the value-added list as well.

KOTA SERAMIKA (BLOCK 1)

- **88 units** of landed house
- Floor area per unit: **870 sqft**
- **592 units** of 3 plots of 4-storey height affordable apartments
- Floor area per unit: **770 sqft**

EVENTS

Team building events have always been a key priority to Regal. Once employees have gone through an exciting experience together, they definitely get to bond together as sharing a strong experience is always the best way to build trust and engagement. The Group has confidence that organizing outdoor event helps encourage teamwork in a fun culture and believes it is the best way to build bridges across departments and get to know each other better outside of work, and that interaction extends to regular work activities as well.

REGAL MINI MARATHON @ REGAL PARKING AREA

Sometimes the best team building happens away from the office. Regal had organized the very first mini marathon on 29 March 2019 which was designed to be a company bonding experience to establish cohesive bond among employees, boost fitness and build internal camaraderie. The event had brought a surge of excitement among RIG's runners turning it into a fun team building exercise as it ended up with great big smiles and enthusiasm.

Regal had organized an adventurous mountain hiking event at Bukit Selabat on April 2019 for the employees to get exposure to the serenity and beauty of nature. There are a lot more things to enjoy while hiking than just climbing mountains and trekking through the woods and bushes. Apart from developing positive psychology and mental health to Regal staffs, the collection of the strengths of each individual with teamwork by lending a helping hand to each other within the expedition makes the team bounding even stronger.

REGAL TEAM BUILDING DAY @ BUKIT SELABAT

CORPORATE SOCIAL RESPONSIBILITY

SHARING IS CARING

Charitable giving has been a part of RIG for decades, as the Group constantly believes in sharing is a kind of honest communication in expressing our caring to people who need help. Regal has constantly looked into various ways to support community and welfare related activities as we know every little bit of help counts. Showing more concern to the less fortunate people and having respect for their needs without any selfishness is rewarding in the way of increasing our happiness set point.

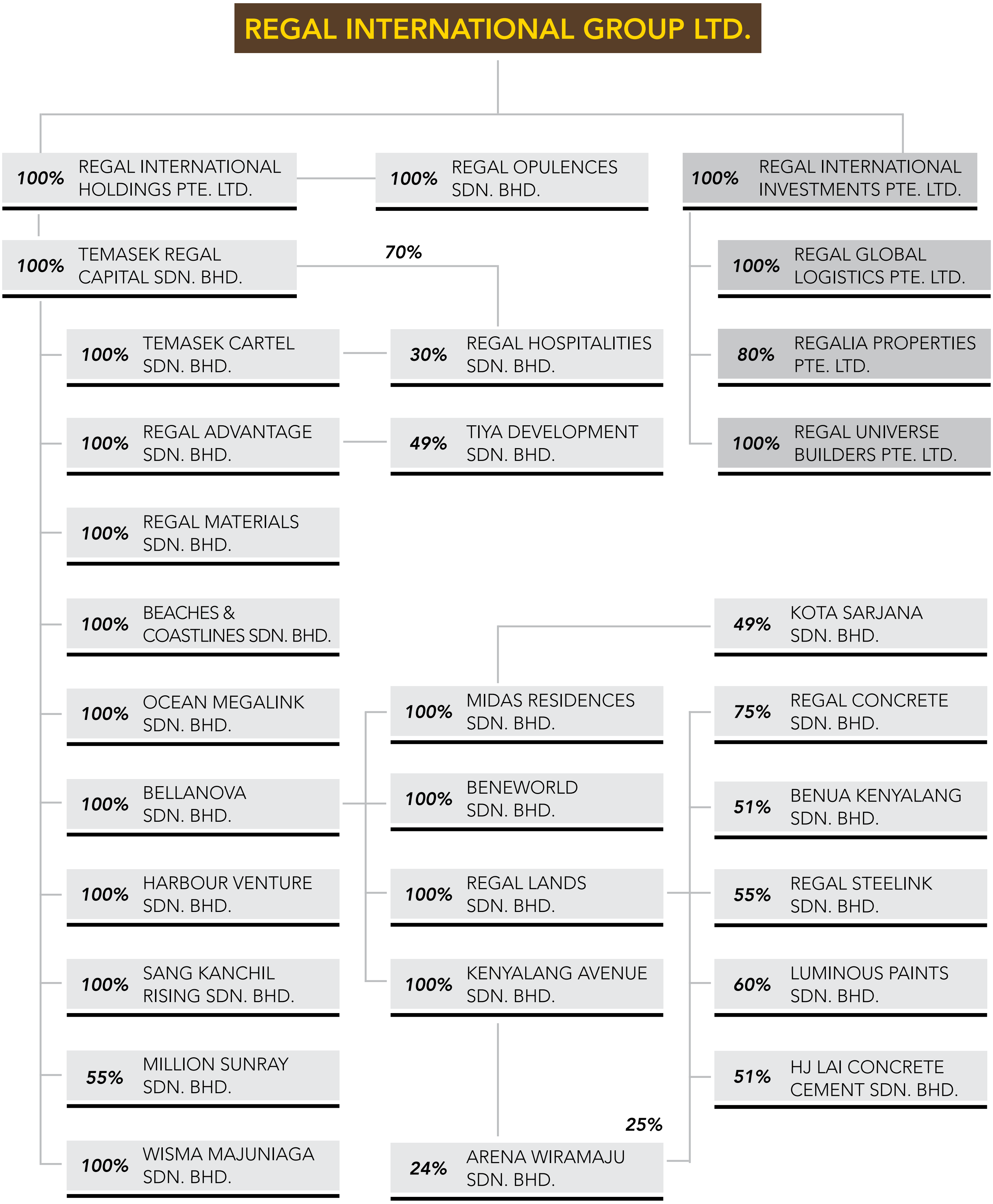
RED PACKETS GIVING @ HOME OF PEACE AND SARAWAK CHESHIRE HOME

In an annual tradition of Regal during Chinese New Year, the staff have charity visits to Home of Peace which is a charitable institution run by the Catholic Welfare Services Council Sarawak (CWS) under Roman Catholic Church, and giving out red packets for the elderly to share the blessings and happiness with them. Through this campaign, Regal aims to achieve the objective of instilling values such as respecting and most importantly spending time with elders, especially during Chinese New Year when family reunion is a very significant tradition. In addition to that, Regal employees had brought cheers by providing support to Sarawak Cheshire Home in conjunction with the festive season celebration too.

CHARITY FOOD FAIR @ PERKATA SARAWAK

PERKATA (known as Persatuan Bagi Kebajikan Kanak-Kanak Terencat Akal Sarawak) is a non-government organization that caters to children with special needs. This year, RIG employees have taken part in its fund-raising charity food fair which fall on 28th April 2019 for the welfare of intellectually disadvantaged children. It is great to see many people and organizations getting together for a good cause. With regards to the event, all contributions garnered are channeled towards upgrading school facilities and continuing education for more than hundreds of students.

GROUP STRUCTURE



* Accurate as at 10/12/2020

CORPORATE GOVERNANCE

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

This report describes the Company adopts the corporate governance practices in accordance with the principles and guidelines of the Code of Corporate Governance 2018 ("**Code**") and accompanying Practice Guidance, which supersedes the existing Code of Corporate Governance issued in 2012. 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

THE BOARD'S CONDUCT OF AFFAIRS

Principle 1: The Company is headed by an effective Board which is collectively responsible and works with Management for the long term success of the Company.

The Board, comprises individuals with diversified backgrounds and who collectively brings with them a wide range of experience, to work with the Management and oversee the Company.

<u>Provision 1.1 Duties of the Board</u>

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) supervise, monitor and 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.

The Directors are fiduciaries who 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 and hold management accountable for performance. The Board puts in place a code of conduct and ethics, set desired organisation culture and ensure proper accountability within the Group. The Board has clear policies and procedures for dealing with conflict of interest. Where the Director faces conflict of interest, he would rescue himself from discussions and decisions involving the issues of conflict.

CORPORATE GOVERNANCE

Provision 1.2 Induction, training and development of the Directors

Newly-appointed Directors are briefed with the business activities of the Company, its strategic plans, direction and corporate governance practices. It is required that a Director who has no prior experience as a Director of a company listed on the SGX-ST to undergo training in the roles and responsibilities of a director of a listed company as prescribed by the SGX-ST. Where required, appropriate training shall be arranged for newly appointed Directors to ensure that they are fully aware of their responsibilities and obligations as Directors. They will also be given opportunities to meet the Management so as to gain a better understanding of the Group's business. In addition, the Management regularly updates and familiarises the Directors on the business activities of the Company during the Board meetings.

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

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

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

Board members are encouraged to attend seminars and receive training to enable them to perform effectively as Directors. Seminar announcements are communicated to them regularly.

There was a new Director appointed during FY2019.

Provision 1.3 Matters requiring Board's approval

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

(a) overall business strategies;

(b) corporate governance and compliance;

(c) financial performance and result announcements;

(d) audited results and annual reports;

(e) annual budgets, investment and divestment proposals;

(f) material acquisition and disposal of assets;

(g) internal controls and risks management;

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

(i) all matters, which are delegated to Board Committees, are to be reported to and monitored by the Board.

CORPORATE GOVERNANCE

Provision 1.4 Board Committees

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

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

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

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

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

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 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	–	Member	–
Wong Pak Kiong	Executive Director	–	–	–
Low Yew Shen	Non-Executive Director	–	–	–
Goon Kok Loon	Lead Independent Director	Chairman	Chairman	Member
Francis Hwang Huat Kuong [(1)]	Independent Director	Member	Member	Chairman
Lau Kay Heng [(2)]	Independent Director	Member	–	Member

[(1)] Appointed as Chairman of Remuneration Committee on 11 May 2019
[(2)] Appointed as Independent Director on 10 August 2019

Provision 1.5 Board and 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. Schedule of Board meetings are circulated to the Directors prior to the start of the financial year to allow Directors to plan ahead for their attendance at the meetings. The Company's Constitution provides for telephonic conference meetings.

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. The NC has reviewed the Directorships of the Directors with multiple Board representations and is satisfied that these Directors are able to ensure that sufficient time and attention are given to the affairs of the Company and adequately carried out their duties as Directors.

CORPORATE GOVERNANCE

The attendance of the Directors at meetings of the Board and Board Committees held in financial year ended 31 December 2019 ("**FY2019**") is set out as follows:

Name of Director	Board	Board Committees Meetings			Annual General Meeting FY2018
		AC	RC	NC	
Total number of meetings held	**4**	**4**	**1**	**1**	**1**
Su Chung Jye	4	4 [(1)]	1	1	1
Wong Pak Kiong	4	4 [(1)]	1 [(1)]	1 [(1)]	1
Low Yew Shen	4	4 [(1)]	1 [(1)]	1 [(1)]	1
Goon Kok Loon	4	4	1	1	1
Chong Weng Hoe [(2)]	1	1	1	1	–
Francis Hwang Huat Kuong	4	4	1	1	1
Lau Kay Heng [(3)]	2	2	–	–	–

Note:

(1) By invitation.
(2) Resigned as Independent Director on 11 May 2019
(3) Appointed as Independent Director on 10 August 2019

Provision 1.6 Information to Directors

The Directors are provided with board papers and/or meeting materials prior to the meetings so that sufficient time is given to the Board members for them to make informed decisions and enable them to discharge their duties and responsibilities effectively. Management also provides and updates on the critical and major affairs of the Company on an on-going basis to Directors.

Provision 1.7 Board's access to Management, Company Secretary and external advisers

The Board has separate and independent access to the Senior Management team and the Company Secretary at all times.

The Company Secretary and/or his representatives attend all Board and Board Committees meetings. The role of the Company Secretary has been formally established in the letter of engagement with the Company. The responsibilities set out include advising the Board on governance matters and assisting the Chairman of the Board in ensuring information flows within the Board and its Board Committees and between the Management and the Directors. The Company Secretary will also provide the Board with updates to regulations and legislations that the Company are required to comply with, as required. The appointment and removal of the Company Secretary are subject to the Board's approval.

Where decisions to be taken by the Board require specialised knowledge or expert opinion, the Directors may seek and obtain independent professional advice to discharge the responsibilities effectively, the cost of which will be borne by the Company.

CORPORATE GOVERNANCE

BOARD COMPOSITION AND GUIDANCE

Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company.

Provisions 2.1, 2.2, 2.3 and 2.4 Independence of Directors and composition of the Board

As at the date of this report, the Board comprises of six (6) Directors, three (3) of whom are Independent Directors, one (1) Non-Executive Director and two (2) Executive Directors.

The Chairman of the Board, Mr Su Chung Jye, is an Executive Chairman ("**EC**") and Chief Executive Officer ("**CEO**"). The Board has three (3) independent directors and one (1) non-executive director, where Non-Executive Directors make up a majority of the Board. With half of the Board consisting of Independent Directors, there is a strong element of independence on 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 Board assesses the independence of each Director in accordance with the guidance provided in the Code. The criteria for independence are based on the definition given in Provision 2.1 of the Code. The independence of each Independent Director is reviewed annually by the NC based on the Code's definition of what constitutes an Independent Director. On an annual basis, each Independent Director is required to complete a "Confirmation of Independence" form to confirm his independence. The said form was drawn up based on the definitions and guidelines set forth in the Code and the NC Guide issued by Singapore Institute of Directors. The Directors are required to disclose to the Board any such relationship as and when arises and the Board will state the reasons if it determines that a director is independent notwithstanding the existence of relationships or circumstances which may appear relevant to the Board's determination.

The NC has reviewed the independence of each Independent Director and is satisfied with the independence of the current Independent Directors. The NC is of the view that the current Board has an independent element ensuring objectivity in the exercise of judgment on corporate affairs independently from the Management. The NC has conducted a rigorous review on the independence of the Independent Director, Mr Goon Kok Loon and considers that Mr Goon Kok Loon is independent even though he has served on the Board beyond nine years since from the date of his first appointment before the reverse takeover. The relevant factors that were taken into consideration in determining the independence of Mr Goon Kok Loon are set out under Principle 4 on page 23 of this annual report.

The Board is of the opinion that its current Board size of six (6) Directors is appropriate, taking into account the nature and scope of the Company's operations. The Board's composition reflects the broad range of experience, skills and knowledge necessary for the effective stewardship of the Group. The current Board composition is considered to have competent and qualified Directors who provide the Company with a good balance of accounting, finance and management expertise with strategic planning experience and sound industry knowledge.

The NC and the Board review the resumes and assess the capabilities, expertise and competencies of new candidate(s) for the appointment of new Director(s), if any. The Company would conduct a background check on the new candidate(s) and the new candidate(s) would provide the relevant declarations to the NC and the Board for review. Although the Company has yet to adopt a board diversity policy, the Company has embraced all aspects of diversity in the current Board composition save for gender diversity. The Board recognises the importance and value of gender diversity, however, the Board's collective view that it should not be considered the main selection and that merit of candidates, the right blend of skills, industry knowledge, needs of the Company, shall remain as priority.

CORPORATE GOVERNANCE

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

Provision 2.5 Meetings of Non-Executive Directors and Independent Directors

Where appropriate and necessary, the Non-Executive Director and Independent Directors would meet or communicate periodically 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 and collectively provide feedback to the Chairman as matters arising from such meetings. To facilitate a more effective feedback, Non-Executive Director and Independent Directors meet at least once a year with the Internal and External Auditors without the presence of the Management.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

Provisions 3.1 and 3.2 Chairman and Chief Executive Officer

The Board noted that Provision 3.1 of the Code requires the Chairman and CEO to be a separate person in order to ensure appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making. Presently, 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.

The Board establishes and sets out the division of responsibilities between the Chairman and CEO. As the Executive Chairman, Mr Su Chung Jye formulates and oversees the corporate and strategic development of the Group. He, with the consultation of Management, ensures that corporate information is adequately and timely disseminated to all Directors to facilitate effective contribution of all Directors. He promotes an open environment for debates, ensure sufficient allocation of time for thorough discussion of board meetings agenda and provide close oversight, guidance, advice and leadership to Management. Executive Chairman will play a pivotal role in fostering constructive dialogue between shareholders, the Board and Management. The Executive Chairman is assisted by the Management, 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.

Provision 3.3 Lead Independent Director

Mr Goon Kok Loon is the Lead Independent Director (the "**Lead ID**"). He acts as the leader of the Independent Directors at Board meetings to provide non-executive perspectives and contribute a balance of viewpoints on the Board. He 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 ID 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 ID is available to shareholders if they have any concerns relating to matters where 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: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

Provisions 4.1 and 4.2 Nominating Committee

As at the date of this report, the NC comprises of the following three (3) members, the majority of whom, including the Chairman, are independent.

Mr Goon Kok Loon	Chairman
Mr Francis Hwang Huat Kuong	Member
Mr Su Chung Jye	Member

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

(a) making recommendations to the Board on the review of succession plans for all Directors, particularly the Chairman, the CEO and the key management personnel;

(b) making recommendations to the Board on re-nomination taking into consideration each Director's contribution and performance;

(c) making recommendations on the appointment and re-appointment of directors (including alternate directors, if any);

(d) making recommendations on the process and criteria for evaluation of the performance of the Board, its board committees and directors and assessing the effectiveness of the Board and its board committees as a whole;

(e) determining annually whether a Director is independent as defined under the Code;

(f) making recommendations to the Board on matters relating to the appointment and ensuring that all members of the Board submit themselves for re-nomination and re-election at regular intervals;

(g) determining whether or not a Director is able to carry out his duties in light of his commitments to other companies; and

(h) the review of training and professional development programmes for the Board and its directors.

Each member of the NC shall abstain from voting on any resolution in respect of matters in which he has an interest.

Consistent with the Code, the Chairman of the NC is independent and is not associated with the substantial shareholders of the Company and the lead ID is also a member of the NC.

CORPORATE GOVERNANCE

Provision 4.3 Selection, appointment and re-appointment of Directors

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

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

The Board does not see any reason to set the maximum number of listed board representations that any Director may hold as all the Directors are able to devote to the Company's affairs in light of their commitments. However, as a general guideline to address time commitments that may be faced, a Director who holds more than five (5) listed company board representations may consult the Chairman before accepting any new appointments as a Director. Final approval of a candidate is determined by the Board.

The Company's Constitution provides that at each Annual General Meeting ("**AGM**") of the Company, not less than one third of the Directors (who have been longest in office since their appointment or re-election) are to retire from office by rotation. A retiring Director is eligible for re-election by the shareholders of the Company at the AGM. All new Directors appointed by the Board during the financial year shall hold office only until the next AGM, but will be eligible for re-appointment at that AGM.

There is no alternate director being appointed to the Board for FY2019.

Mr Low Yew Shen, while eligible for re-election, has expressed his intention not to seek for re-election at the forthcoming AGM to be held on 24 February 2021. The NC has recommended to the Board that Mr Lau Kay Heng and Mr Wong Pak Kiong be nominated for re-election at the forthcoming AGM, pursuant to Regulations 88 and 89 of the Constitution of the Company respectively. The Board had accepted the NC's recommendation and had tabled for Shareholders' approval. The details of the Retiring Directors seeking for re-election can be found on pages 37 to 40 of this Annual Report.

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

Provision 4.4 Determining independence of Directors

In determining the independence of Directors annually, the NC has reviewed the independence of Independent Directors as set out in Provisions 2.1, 2.2 and 2.3 of the Code. In assessing the independence of the Directors, the NC is satisfied that there are no relationships identified by the Code which would deem any of them to be not independent. Each of the Independent Directors has also declared that they are independent.

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

(1) The considerable amount of experience and wealth of knowledge that the Independent Director brings to the Company;

(2) The attendance and active participation in the proceedings and decision-making process of the Board and Board Committees meetings;

(3) Provision of continuity and stability to the new management at the Board level as the Independent Director has developed deep insight into the business of the Company and possesses experience and knowledge of the business;

(4) The qualification and expertise 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, the NC with the concurrence of the Board has reviewed the suitability of Mr Goon Kok Loon being Independent Director who has served on the Board beyond nine years, and has determined that Mr Goon Kok Loon remains independent. Mr Goon Kok Loon has abstained from voting on any resolution in respect of his own appointment.

<u>Provision 4.5 Directorships and commitments</u>

In respect to FY2019, the NC has reviewed the time spent and attention given by each of the Directors to the Company's affairs, 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, other major appointments and principal commitments, whether the appointment is executive or non-executive are set out on pages 8 to 10 of this Annual Report.

BOARD PERFORMANCE

Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

<u>Provisions 5.1 and 5.2 Performance criteria and evaluation process</u>

The NC will use its best efforts to ensure that Directors appointed to the Board possess the relevant background, experience and knowledge to enable balanced and well-considered decisions to be made. Every Board should implement a process to be carried out by NC for assessing the effectiveness of the Board as a whole and its Board Committees and for assessing the contribution by the Chairman and each individual Director to the effectiveness of the Board. The NC has assessed the performance and effectiveness of the Board as a whole and of each Board Committee. The evaluation is based on objective performance criteria which include size and composition of the Board, the Board's access to information, accountability, standards of conduct of the Directors, attainment of agreed targets, performance of the Board, attendance and contribution of each Director during Board and Board Committees meetings.

CORPORATE GOVERNANCE

During the financial year under review, each Director was required to complete the evaluation form and individual director's assessments adopted by the NC for annual assessment on the overall effectiveness of the Board as a whole, Board Committees and each Director's contributions, and the results have been collated by the Chairman of NC for review or discussion. The appraisal process focused on a set of performance criteria for the Board evaluation which includes the evaluation of the size and composition of the Board, the Board's access to information, the Board processes and accountability, Board performance in relation to discharging its principal responsibilities, communication with key management personnel and the Directors' standards of conduct. While for the individual directors' assessment, the criteria taken into consideration by the NC and the Chairman include contribution and performance based on factors such as attendance, preparedness and participation. The results of the evaluation exercise for the Board as a whole, and Board Committees were considered by the NC which then makes recommendations to the Board aimed at helping the Board to discharge its duties more effectively. The NC has full authority to engage an external facilitator to assist the NC to carry out the evaluation process, if the need arises.

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.

REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

Provisions 6.1 and 6.2 Remuneration Committee

As at the date of this report, the RC comprises of the following three (3) members. All the members are non-executive as recommended in the Code, including the Chairman, are independent.

Mr Francis Hwang Huat Kuong	Chairman
Mr Goon Kok Loon	Member
Mr Lau Kay Heng (1)	Member

(1) Appointed as RC member on 15 December 2020

The key functions of the RC include:

(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, including its termination terms, for each Executive Director and key management personnel;

(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 and key management personnel;

(e) Administer the Regal International Group's employee share option scheme ("**Scheme**") and Regal Group's 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.

CORPORATE GOVERNANCE

Provisions 6.3 and 6.4 Review of remuneration and engagement of remuneration consultants

In setting the remuneration framework, the RC has considered all aspect of remuneration and aims to have fair and reasonable package, including termination terms. The RC review covers all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options, and benefits-in-kind. No Director or key management personnel is involved in deliberating his/her own remuneration, compensation or any form of benefit.

The RC reviews and recommends to the Board the specific remuneration packages for the Executive Directors and key management personnel. The Board recommends the Directors' fees of Non-Executive Directors for approval by the shareholders at the AGM.

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 remuneration policy is to provide compensation packages at competitive market rates which will reward successful performance, attract, retain and motivate Executive Directors and key executives. The RC aims to be fair and avoid rewarding poor performance. 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. The RC has not sought for external advice or appointed consultant during FY2019 and will continue to monitor the need of engaging external remuneration consultant as and where applicable.

LEVEL AND MIX OF REMUNERATION

Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the Company, taking into account the strategic objectives of the Company.

Provisions 7.1, 7.2 and 7.3 Remuneration of Directors and Key Management Personnel

In determining remuneration packages for the directors and key management personnel, the RC will ensure that they are adequate by considering, in consultation with the Chairman of the Board, the respective individual's responsibilities, skills, expertise and contribution to the Company's performance, taking into consideration the remuneration and employment conditions within the same industry and Company's relative performance, to ensure the Company is able to attract and retain the best available executive talent, without being excessively generous and be able to motivate the Directors to provide good stewardship of the Company and key management personnel to successfully manage the Company for the long term.

Executive Directors are paid based on their service agreements ("**Agreements**") with the Company which are subject to review every three (3) years. These include a profit sharing scheme that is performance related to align their interests with those of the shareholders. The Agreements are not excessively long and they do not have onerous removal clauses. They provide for termination by either party upon giving not less than six (6) months' notice in writing. Currently, the Agreements do not contain clauses that allow the Company to reclaim variable components of remuneration in exceptional circumstances. Key management personnel are entitled to a variable performance bonus based on the framework determined by the RC and taking into consideration the Company's performance.

The Company has adopted the Regal International Group employee share option scheme ("**Scheme**"). This long term incentive scheme serves as retention schemes to reward and retain key management personnel and Directors whom have contributed to the growth and success of the Group. The objectives of the Scheme include retention of key employees of the Group whose contributions are essential to the long-term growth and profitability of the Group, instilling loyalty and a strong identification by participants with the long-term goals of the Company and attraction of potential employees with relevant skills to contribute to our Group creating value for the shareholders so as to align the interests of participants to the interest of the shareholders.

CORPORATE GOVERNANCE

The Non-Executive 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 Directors' fees are reviewed annually to ensure that the Non-Executive Directors are not overcompensated to the extent that their independence may be compromised.

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. The Company remunerates key executives based on a balanced assessment of each individual's performance and the performance of the Group, taking into account industry benchmarking without setting excessive bonuses. Furthermore, the Company believes that there are alternative legal avenues to these specific contractual provisions that will enable the Company to recover financial losses arising from such exceptional events from the key management personnel.

DISCLOSURE ON REMUNERATION

Principal 8: The Company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

Provisions 8.1, 8.2 and 8.3 Remuneration disclosures

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, and other payments and benefits paid by the Company and its subsidiaries to the Directors and key management personnel of the Company.

A breakdown showing the level and mix of each individual Director's remuneration in all forms by the Group for FY2019 is set out below:

Remuneration band and name of Director	Salary (%)	Bonus (%)	Fees (%)	Total (%)	Options granted during the year
Below S$250,000					
Su Chung Jye	92.3	7.7	–	100	–
Wong Pak Kiong	92.3	7.7	–	100	–
Low Yew Shen	–	–	100	100	–
Goon Kok Loon	–	–	100	100	–
Francis Hwang Huat Kuong	–	–	100	100	–
Lau Kay Heng (1)	–	–	100	100	–

(1) Appointed on 10 August 2019

CORPORATE GOVERNANCE

A breakdown showing the level and mix of each individual key management personnel's remuneration in all forms by the Group for FY2019 is set out below:

Name of key management personnel	Salary (%)	Bonus (%)	Fees (%)	Total (%)	Options granted during the year
Below S$250,000					
Frederick Eng Meng Khuan	100	–	–	100	–
Elizabeth Wong Sing Hui	100	–	–	100	–
Liang Ngee Ping	79.5	–	20.5	100	–
Kong Mei Yen	87.8	12.2	–	100	–

For FY2019, the aggregate total remuneration paid to these key management personnel (who are not Directors or the CEO) approximated to S$312,000.

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

Mr Su Chung Jye and Mr Wong Pak Kiong are also the substantial shareholders as well as controlling shareholders of the Company.

Save for the above, the Company does not have any employee whose annual remuneration exceeded S$100,000, who is a substantial shareholder of the Company or is an immediate family member of a Director or CEO or substantial shareholder, during the year.

The Company has adopted the Scheme and granted to Group employees, Executive Directors and Non-executive Directors in 2015. More details are set out under the Statement by Directors in page 41 of this Annual Report.

ACCOUNTABILITY AND AUDIT

RISK MANAGEMENT AND INTERNAL CONTROLS

Principal 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the Company and its shareholders.

Provisions 9.1 and 9.2 Risk management and internal controls

The Board is responsible for the governance of risk and the overall internal control framework with the support of the AC, 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.

CORPORATE GOVERNANCE

The Management, the internal auditors, and the external auditors conduct reviews and audits on a regular basis that involve testing the adequacy and effectiveness of material internal controls on key risks. Any material non-compliance or lapses in internal controls and its corresponding mitigating actions are reported to the AC. At least annually, the Board, with the assistance from AC, reviews the adequacy and effectiveness of the Company's risk management and internal control systems, including financial, operational, compliance and information technology risks.

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

i. Operational risks

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

ii. Compliance and legal risks

The various operating business units are responsible in ensuring 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 126 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.

While no system can provide absolute assurance against material loss or financial misstatement, the Group's internal controls are designed to provide reasonable assurance that assets are safeguarded, proper accounting records are maintained and financial information used within the business and for publication is reliable. In designing the internal controls, the Board has taken into consideration the risks which the business is exposed to and the costs of protecting against such risks.

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 2019.

The Board has received assurance from:

(a) the CEO and the Financial Controller ("**FC**") that the financial records have been properly maintained and the financial statements for FY2019 give a true and fair view of the Company's operations and finances; and

(b) the CEO and other key management personnel that the risk management and internal control systems are adequate and effective in addressing the financial, operational, compliance and information technology controls and risk management systems.

AUDIT COMMITTEE

Principle 10: The Board has an Audit Committee which discharges its duties objectively.

Provisions 10.1, 10.2 and 10.3 Audit Committee

As at the date of this report, the AC comprises of the following three (3) members, all of whom, including the Chairman who is the Lead ID, are independent.

Mr Goon Kok Loon	Chairman
Mr Francis Hwang Huat Kuong	Member
Mr Lau Kay Heng [(1)]	Member

(1) Appointed on 10 August 2019

The Board is of the view that members of the AC are appropriately qualified and have the necessary accounting or related financial management expertise or experience to discharge their responsibilities. None of the AC members were previous partners or directors of the Company's existing auditing firm within the previous two (2) years commencing on the date of their ceasing to be a partner of the auditing firm or director of the auditing firm; and in any case, for as long as they have any financial interest in the auditing firm.

The main roles and responsibilities of the AC include:

(a) 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;

(b) review the quarterly, half-yearly and annual financial statements, statement of financial position and statement of profit or loss and other comprehensive income accounts and assurance from the CEO and FC on the financial statements 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 significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance;

(d) review annually the adequacy and effectiveness of the Group's internal controls and risk management systems;

(e) review the audit plans and audit report of the internal and external auditors;

(f) review the adequacy, effectiveness, independence, scope and results of the external audit function, and ensure that a clear reporting structure is in place between the AC and the internal auditors;

(g) 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);

(h) 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;

CORPORATE GOVERNANCE

(i) 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;

(j) review and approve any interested person transactions falling within the scope of Chapter 9 of the Listing Manual;

(k) review potential conflicts of interest (if any);

(l) review the independence of the external auditors and make recommendations to the Board regarding the nomination of the external auditor for appointment, re-appointment or removal, and the remuneration and terms of engagement of the external auditors;

(m) 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;

(n) undertake such other reviews and projects as may be requested by the Board, and report to the Board its findings from time to time on matters arising and requiring the attention of the AC; and

(o) 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 has full access to the Management as well as the External and Internal Auditors respectively, 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.

Provision 10.4 Internal audit function

The Group has engaged Nexia TS Risk Advisory Pte Ltd ("**Nexia**") as the internal auditors who report directly to the Board and Management with an independent assessment in terms of reliability, adequacy and effectiveness of the internal controls established by Management. In addition, internal auditors supports the AC and the Board in assessing key internal controls through a structured review procedure. The internal auditor has unfettered access to all documents, records, properties and personnel, including the Board, the AC and Management.

The internal auditors plans its internal audit schedules in consultation with, but independent of, the Management. The audit plan is submitted to the AC for approval prior to the commencement of the internal audit work. Internal auditors have a direct and primary reporting line to the AC and assist the AC in overseeing and monitoring measures that have been implemented to detect and correct internal control weaknesses that have been identified. The internal auditors' activities are guided by the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

In FY2019, the AC has reviewed with Nexia on their audit plan and their evaluation of the system of internal controls, their findings relating to the effectiveness of material internal controls, including financial, operational and compliance controls and Management's responses to those findings. The AC is satisfied that Nexia is independent, effective, adequately qualified and resourced and has the appropriate standing within the Group to discharge its duties effectively.

CORPORATE GOVERNANCE

Provision 10.5 Meeting with external and internal auditors

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

The AC has reviewed the volume of non-audit services to the Company by the external auditors and is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. Details of the aggregate amount of audit and non-audit services paid or payable to the external auditors during FY2019 are disclosed in Note 10 set out on page 84 of the Annual Report. The external auditors of the Company, Messrs RSM Chio Lim LLP had expressed their intention not to seek for re-appointment at the forthcoming AGM to be held on 24 February 2021. The Company accepted the resignation and will appoint another external auditors within 3 months from the cessation date.

The Group has appointed different auditors for its overseas subsidiaries as disclosed in Note 16 set out on pages 93 to 98 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 715 of the Listing Manual in relation to its external auditors.

Whistle-blowing Policy

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

(i) independent investigations are carried out in an appropriate and timely manner;

(ii) appropriate action is taken to correct the weakness in internal controls and policies which allowed the perpetration of fraud and/or misconduct and to prevent a recurrence; and

(iii) administrative, disciplinary, civil and/or criminal actions that are initiated following the completion of investigations are appropriate, balance and fair, while providing reassurance that employees will be protected from reprisals or victimisation for whistle blowing in good faith and without malice.

Parties who wish to report suspected acts of misconduct or non-compliance may submit reports in writing directly to the chairman of the AC. The reports must be sufficiently detailed, setting out the background and history of events and reasons for the concern. The AC will review the complaint and may investigate further and take appropriate action, if required.

The AC has put in place a whistle-blowing policy, whereby employees of the Group and external parties, which includes the Group's business associates, may in confidence, raise concerns about possible improper financial reporting or other matters to Mr Goon Kok Loon, the AC Chairman. The objective for such arrangement is to ensure independent investigations of such matters and for appropriate follow-up actions. Reports of suspected fraud, corruption, dishonest practices or other similar matters can be lodged via email klgoon@gmaritime.com. As at to-date, there were no reports received through the whistle blowing mechanism.

CORPORATE GOVERNANCE

SHAREHOLDER RIGHTS AND ENGAGEMENT

SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

Principle 11: The Company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the Company. The Company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

Provisions 11.1, 11.2, 11.3 and 11.4 Conduct of general meetings

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 for ordinary resolutions and/or 21 clear calendar days before the meeting for special resolutions. 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 notice of AGM is also published in the newspaper within the mandatory period. Shareholders are also informed on the procedures for the poll voting at the general meetings.

All shareholders are entitled to attend the general meetings and are provided the opportunity to participate in the general meetings. If any shareholder is unable to attend, he/she is allowed to appoint up to two proxies to vote on his/her behalf at the general meeting through proxy forms sent in advance. The Company's constitution does not include the nominee or custodial services to appoint more than two proxies. The Company's constitution has provided that the implementation, subject to security measures as may be deemed necessary or expedient, such voting methods to allow shareholders who are unable to vote in person at any general meeting the option to vote in absentia, including but not limited to voting by mail, electronic mail or facsimile.

All Directors including the Chairman of the Board Committees are normally to be present for all meetings and available to address questions at these meetings. External auditors are also present to assist the Directors in addressing any queries raised by the shareholders about the conduct of audit and the preparation and content of the auditors' report. The Board welcomes questions from shareholders who wish to raise issues, either informally or formally before or during the meetings. Attendance of Directors for FY2018 AGM is set out under Principle 1 of this report.

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

Provision 11.5 Minutes of general meetings

Minutes of general meetings recording the substantial and relevant comments and queries relating to the agendas of the general meetings raised by shareholders, together with the responses from the Board and Management, are prepared by the Company Secretary. The Company will make available minutes of meetings to shareholders upon their written request. The Company does not publish minutes of general meetings on its corporate website as there are potential adverse implications to the Company if the minutes of the general meetings are published to the public at large, including risk of disclosure of sensitive information to the Group's competitors. The Company ensures that, consistent with the intent of Principle 11, all shareholders are treated fairly and equitably.

CORPORATE GOVERNANCE

Provision 11.6 Dividend policy

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

For FY2019, the Board does not recommend any payment of dividends for FY2019 as the Company was not profitable for FY2019 and the Company requires the existing cash to fund its operating business. In compliance with Rule 704(24) of the Listing Rule of SGX-ST, in the event that the Board decides not to declare or recommend a dividend, the Company is mindful to disclose the reason(s) for the decision together with the announcement of the financial statements.

ENGAGEMENT WITH SHAREHOLDERS

Principle 12: The Company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the Company.

Provisions 12.1, 12.2 and 12.3 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 focuses on facilitating the communications with all stakeholders, shareholders, analysts and media on a regular basis, attending to their queries or concerns as well as keeping the investors publicly apprised of the Group's corporate developments and financial performance. In addition, there is an Investor Relations section on its website for shareholders to express their views at ir@regalinternational.com.sg so as to promote fair communication.

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. The notice of AGM is also published in the newspaper within the mandatory period.

CORPORATE GOVERNANCE

MANAGING STAKEHOLDERS RELATIONSHIPS

ENGAGEMENT WITH STAKEHOLDERS

Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

Provisions 13.1, 13.2 and 13.3 Engagement with stakeholders

The Board considers the Company's obligations to its shareholders and also the interests of its material stakeholders as the relationships with material stakeholders may have an impact on the Company's long-term sustainability. The Company engages its stakeholders through various channels to ensure the best interest of the Group and the needs and interest of material stakeholders are aligned. Stakeholders are parties who may be affected by the Company's activities or whose actions can affect the ability of the Company to conduct its activities. The Board has identified its stakeholders as shareholders, customers, contractors, suppliers, employees, investors, government and regulatory bodies, institutions and the communities. The Company maintains its corporate website to communicate and engage with the stakeholders.

In addition, the Group will be issuing its sustainability report for FY2019 to keep the stakeholders informed on the commitment made by the Company in fostering the creation of long-term value for the stakeholders and sustainable development of the global economy.

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 AC reviews the transaction to determine that it is on normal commercial terms and hence, not prejudicial to the interest of the Company and Shareholders, before making recommendations to the Board for endorsement. The Company does not have a general mandate from shareholders for IPTs. For FY2019, there were no material IPTs entered into, 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 the Best Practices Guide on Securities Transactions prohibiting its Directors and key management 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 FY2019.

CORPORATE GOVERNANCE

TABLE A

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

Name of Director	Wong Pak Kiong	Lau Kay Heng
Date of appointment	29 October 2014	10 August 2019
Date of last re-appointment	21 April 2017	N.A.
Age	44	54
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board has accepted the NC's recommendation, who has reviewed and considered Mr Wong's performance as an Executive Director of the Company.	The Board of Directors of the Company has accepted the NC's recommendation, who has reviewed and considered Mr Lau's performance as an Independent Director of the Company. The Board considers Mr Lau to be independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.
Whether appointment is executive, and if so, the area of responsibility	Executive, responsible for establishing, managing and executing all sales and marketing strategies for the Group, especially for the Malaysia Operations.	Non-Executive.
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Director	Independent Director, a member of AC and RC.
Professional qualifications	Nil	Mr Lau was conferred the prestigious Public Service Commission of Singapore Scholarship and graduated from the National University of Singapore with a Bachelor of Science.

CORPORATE GOVERNANCE

Name of Director	Wong Pak Kiong	Lau Kay Heng
Working experience and occupation(s) during the past 10 years	Mr Wong has over 24 years of work experience in the property development business. He is highly proficient in developing and conducting all sales, marketing and promotion campaigns, as well as managing and developing sales teams.	Mr Lau has over 20 years of experience in the corporate management, corporate advisory, merger and acquisition, fund raising experience spanning the Asia Pacific region for various renowned American multinational and Singapore listed companies.
Shareholding interest in the listed issuer and its subsidiaries	Yes 115,587,137 ordinary shares consist of 10,060,320 ordinary shares of direct interest and 105,526,817 ordinary shares of deemed interest	No
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No	No
Conflict of interest (including any competing business)	None	None
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes

CORPORATE GOVERNANCE

Name of Director	Wong Pak Kiong	Lau Kay Heng
Other Principal Commitments* Including Directorships# * "Principal Commitments" has the same meaning as defined in the Code # These fields are not applicable for announcements pursuant to Listing Rule 704(9)	<u>Past (for the last 5 years)</u> Upright Strategy Sdn. Bhd. <u>Present</u> Director of Ikram Mahawangsa Sdn. Bhd., Regal International Holdings Pte. Ltd., Regal International Investments Pte. Ltd., Regal Universe Builders Pte. Ltd., Regalia Properties Pte. Ltd., Arena Wiramaju Sdn. Bhd., Beaches & Coastlines Sdn. Bhd, Bellanova Sdn. Bhd., Beneworld Sdn. Bhd., Harbour Venture Sdn. Bhd., Kenyalang Avenue Sdn. Bhd., Kota Sarjana Sdn. Bhd., Midas Residences Sdn. Bhd., Million Sunray Sdn. Bhd., Ocean Megalink Sdn. Bhd., Regal Advantage Sdn. Bhd., Regal Materials Sdn. Bhd., Regal Lands Sdn. Bhd., Regal Hospitalities Sdn. Bhd., Sang Kanchil Rising Sdn. Bhd., Temasek Cartel Sdn. Bhd., Temasek Regal Capital Sdn. Bhd., Wisma Majuniaga Sdn. Bhd., Trillion Vista Sdn. Bhd., Pusat Latihan Score Sdn. Bhd., Billion Light Sdn. Bhd., Rich Innovasi Sdn.. Bhd., Jesselton Point Sdn Bhd., Evergreen Spine Sdn. Bhd., Kuching IT Sdn. Bhd., Wonder Steps Sdn. Bhd., and Regal Opulences Sdn. Bhd.	<u>Past (for the last 5 years)</u> - Cacola Furniture International Limited - Premiere Eastern Energy Limited - iBosses Corporation Limited - Asia M&A Group Pte. Ltd. - Kitchen Culture Holdings Ltd. - 3L Asia Capital Pte. Ltd. - Stirling Coleman Capital Limited <u>Present</u> - Disa Limited - A3 International Investments Ltd. - Disa Digital Safety Pte. Ltd.

CORPORATE GOVERNANCE

Name of Director	Wong Pak Kiong	Lau Kay Heng
Disclosure applicable to the appointment of Director only.		
Any prior experience as a director of an issuer listed on the Exchange?	No	Yes
If yes, please provide details of prior experience.	N/A	- Disa Limited - Cacola Furniture International Limited - Kitchen Culture Holdings Ltd.
If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.	Nil	Nil
Please provide details of relevant experience and the nominating committee reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	Has attended the following trainings: (1) Briefings conducted by Shook Lin & Bok LLP; (2) Courses offered by the SID; and (3) Training for Directors and Key Executive Officers conducted by RHTLaw Taylor Wessing LLP on 1 March 2016.	Nil

The Retiring Directors have responded negative to items (a) to (k) listed in Rule 720(6) of the Listing Manual of SGX-ST.

STATEMENT BY DIRECTORS

YEAR ENDED 31 DECEMBER 2019

The Directors of the Company are pleased to present the financial statements of the Company and of the Group for the reporting year ended 31 December 2019.

1. Opinion of the Directors

In the opinion of the Directors,

(a) the financial statements and the consolidated financial statements are drawn up so as to give a true and fair view of the financial position of the Company and, of the financial position and performance of the Group for the reporting year covered by the financial statements or consolidated financial statements; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

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

2. Directors

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

Executive Directors:
Su Chung Jye
Wong Pak Kiong

Non-Independent and Non-Executive Director:
Low Yew Shen

Independent Directors:
Goon Kok Loon
Francis Hwang Huat Kuong
Lau Kay Heng (Appointed on 10 August 2019)

STATEMENT BY DIRECTORS

YEAR ENDED 31 DECEMBER 2019

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 shares in or debentures of the Company or other related body corporate as recorded in the register of Directors' shareholdings kept by the Company under section 164 of the Companies Act, Chapter 50 (the "**Act**") except as follows:

	Shareholding in which the Director has direct beneficial interest			Shareholding in which the Director is deemed to have a beneficial interest		
Name of Directors	**At beginning of the reporting year**	**At end of the reporting year**	**At 21 January 2020**	**At beginning of the reporting year**	**At end of the reporting year**	**At 21 January 2020**
The Company			Number of shares of no par value			
Su Chung Jye	16,138,381	16,138,381	16,138,381	109,424,076	109,424,076	109,424,076
Wong Pak Kiong	10,060,320	10,060,320	10,060,320	105,526,817	105,526,817	105,526,817
Low Yew Shen	6,389,000	6,389,000	6,389,000	–	–	–
Ikram Mahawangsa Sdn Bhd						
Su Chung Jye	5,000	5,000	5,000	800	800	800
Wong Pak Kiong	2,000	2,000	2,000	–	–	–

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

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

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

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

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

5. Performance share plan and employee share option scheme

Performance share plan

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

The Plan expired on 19 January 2020. No shares were granted to the employees since the inception of the Plan.

STATEMENT BY DIRECTORS

YEAR ENDED 31 DECEMBER 2019

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 Committee whose members are:

Francis Hwang Huat Kuong	(Appointed as Chairman on 11 May 2019)
Goon Kok Loon	
Lau Kay Heng	(Appointed on 15 December 2020)

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

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

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

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

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

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

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

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

STATEMENT BY DIRECTORS

YEAR ENDED 31 DECEMBER 2019

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	Exercise period To	Number of options outstanding as at beginning of the year	Number of options granted during the year	Number of options exercised / cancelled / lapsed during the year	Number of options outstanding as at end of year	Exercise price S$
03/06/2016	02/06/2024	4,905,000	–	(550,000)	4,355,000	0.38
03/06/2017	02/06/2024	4,905,000	–	(550,000)	4,355,000	0.30
		9,810,000	–	(1,100,000)	8,710,000	

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

Directors and Controlling Shareholders of the Company	Options granted in 2015	Options from start of Scheme to end of 2018	Exercised/ lapsed from start of Scheme to end of 2019	Balance at 31.12.2019	
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
Director					
Low Yew Shen	100,000	100,000	–	100,000	#a
	100,000	100,000	–	100,000	#b
Associate of a Controlling Shareholder of the Company					
Serena Su Chung Wen	120,000	120,000	(120,000)	–	#a
	120,000	120,000	(120,000)	–	#b
	2,120,000	2,120,000	(240,000)	1,880,000	

#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

YEAR ENDED 31 DECEMBER 2019

6. Options

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

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

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

7. Report of Audit Committee

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

Goon Kok Loon (Chairman)
Francis Hwang Huat Kuong
Lau Kay Heng (Appointed on 10 August 2019)

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

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

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

8. 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 2019.

STATEMENT BY DIRECTORS

YEAR ENDED 31 DECEMBER 2019

9. Subsequent developments

Subsequent to the announcement on 3 August 2020, the Group finalised the audited financial statements of the significant subsidiaries that led to additional adjustments being recorded and this resulted in differences between the unaudited full year results and the numbers as included in the audited financial statements.

Other than the above, there are no significant developments subsequent to the release of the Group's and the Company's preliminary financial statements, as announced on 3 August 2020, which would materially affect the Group's and the Company's operating and financial performance as of the date of this report.

10. Disclaimer of opinion by auditors

The Directors of the Company provided their responses in announcement dated 8 February 2021 in relation to the matters raised in the Independent Auditor's Report which formed the basis of the disclaimer of opinion.

On behalf of the Directors

Su Chung Jye
Director

Wong Pak Kiong
Director

5 February 2021

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF REGAL INTERNATIONAL GROUP LTD.

Report on the audit of the financial statements

Disclaimer of opinion

We were engaged to audit the financial statements of Regal International Group Ltd. (the "**Company**") and its subsidiaries (the "**Group**"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2019, 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.

We do not express an opinion on the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company. Because of the significance of the matters described in the Basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

(a) Disposal of Upright Strategy Sdn Bhd to Twin Revenue Sdn Bhd

On 31 December 2019, the Group disposed its wholly-owned subsidiary, Upright Strategy Sdn Bhd ("**Upright**") with a negative book value of RM20,206,000 to Twin Revenue Sdn Bhd ("**Twin Revenue**"), a substantial shareholder of the Company, for RM2,500,000. This resulted in a gain on disposal to the Group of RM22,706,000 as disclosed in Note 12 to the financial statements. We, together with the component auditors, had discussions with management on the business rationale and commercial substance to substantiate the amount of the gain from disposing Upright to Twin Revenue as Upright had no significant recorded assets and has no employees.

Although management provided responses and explanations relating to our inquiries about the disposal of Upright to Twin Revenue, we were unable to obtain sufficient appropriate audit evidence on the business rationale and commercial substance for Twin Revenue acquiring Upright, the appropriateness of the corresponding accounting treatment and related presentation of the gain on disposal in the financial statements, and whether these are in the normal course of business. Consequently, we were unable to determine whether any adjustments to and/or disclosures in the financial statements may be necessary.

(b) Payments to a director of Twin Revenue Sdn Bhd

The Group had an outstanding receivable balance due from Twin Revenue of RM1,402,000 as at 31 December 2019 as disclosed in Note 22 to the financial statements. We, together with the component auditors, had discussions with management on the business rationale and commercial substance of this amount outstanding.

Management explained that a subsidiary of the Group entered into a collaboration agreement with Twin Revenue on 10 August 2015. The parties were to collaborate and co-operate with each other in respect of a proposed mixed commercial and residential development project that would also include a medical centre. In consideration of Twin Revenue entering the agreement, the subsidiary of the Group was required to pay an earnest consideration to Twin Revenue of RM1.6 million as the preliminary commitment fee for the acquisition of the said project and said medical centre. The agreement also stipulated that the commitment fee be paid to a Twin Revenue director as the wholly authorised recipient of the commitment fee and the authorised person to act on behalf of Twin Revenue with regards to all applications, discussions, negotiations and dealings for the said project and medical centre. We and the component auditors were not previously aware of this agreement.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF REGAL INTERNATIONAL GROUP LTD.

Basis for disclaimer of opinion (cont'd)

(b) Payments to a director of Twin Revenue Sdn Bhd (cont'd)

Management also advised that in accordance with a letter of mutual termination dated 15 January 2020, between the Group's subsidiary concerned and Twin Revenue, the collaboration agreement has been terminated and the commitment fee is to be refunded to the Group within 18 months of the date of the letter of mutual termination. Notwithstanding the letter of mutual termination dated 15 January 2020, the Group made additional payments totalling approximately RM147,000 to the Twin Revenue director concerned up to 3 June 2020. As of the date of this report, the Group has been refunded RM1,402,000.

Although management provided responses and explanations relating to our inquiries about the above payments to the Twin Revenue director, we were unable to obtain sufficient appropriate audit evidence on the business rationale and commercial substance for the Group extending payments to a director of Twin Revenue and whether these are in the normal course of business. Consequently, we were unable to determine whether any adjustments to and/or disclosures in the financial statements may be necessary.

(c) Other transactions with Twin Revenue Sdn Bhd

As mentioned in (a) above, Twin Revenue is a substantial shareholder of the Company. Twin Revenue is also a significant customer of the Group accounting for approximately 28% of the total revenue for the reporting year ended 31 December 2019. The Group has total receivables, before allowance for impairment, of RM35,295,000 from Twin Revenue and the Group has total payables of RM4,474,000 to Twin Revenue as disclosed in Notes 22 and 30 to the financial statements respectively.

Receipts of approximately RM23,776,000 were received by the Group from Twin Revenue subsequent to the reporting year ended 31 December 2019. The Group also made payments of approximately RM10,335,000 to Twin Revenue as payments on behalf subsequent to the reporting year end. We, together with the component auditors, had discussions with management on the business rationale and commercial substance for the payments on behalf of Twin Revenue.

Management explained that a subsidiary of the Group entered into a letter of mutual agreement with Twin Revenue on 20 August 2017. In continuity of the collaborative relationship between the subsidiary of the Group and Twin Revenue, the letter of mutual agreement stipulated that the Group is willing and able to make advances to Twin Revenue to enable Twin Revenue to meet and/or make their necessary obligations for the ongoing construction/project works being carried out on Twin Revenue's lands and/or project sites. These advances are to be refunded by Twin Revenue in due course from Twin Revenue's entitlements and/or profits garnered from the projects. We and the component auditors were not previously aware of this letter of mutual agreement.

Although management provided responses and explanations relating to our inquiries about the above payments to Twin Revenue, we were unable to obtain sufficient appropriate audit evidence on the business rationale and commercial substance for the Group making payments on behalf of Twin Revenue and whether these are in the normal course of business. Consequently, we were unable to determine whether any adjustments to and/or disclosures in the financial statements may be necessary, including the recoverability of all the outstanding receivables from Twin Revenue.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF REGAL INTERNATIONAL GROUP LTD.

Basis for disclaimer of opinion (cont'd)

(d) Completeness of subsequent events

Certain subsequent events have been identified and disclosed by management in Note 37 to the financial statements.

We, together with the component auditors, have not yet been provided with the latest consolidated accounts of the Group and the unaudited management accounts of the significant subsidiaries of the Group subsequent to 31 December 2019 for us to complete our subsequent events review. Management provided us with extracts of general ledger details to support their assessment with regards to certain of our inquiries in relation to subsequent sales of properties and collections from selected customers. However, we were not provided with the complete financial information of the Group and Company after the reporting year ended 31 December 2019. As such, we were unable to obtain sufficient appropriate audit evidence that all subsequent events that have occurred up to the date of our report that may require adjustment to, or disclosure in the financial statements have been identified.

Consequently, we were unable to determine if any further adjustments to or disclosures are needed for the financial statements for the reporting year ended 31 December 2019.

Material uncertainty related to going concern

We draw attention to Note 1 of the financial statements. Without the gain of RM22,706,000 on the disposal of Upright mentioned in paragraph (a) above, the Group would have incurred a loss net of tax of RM20,137,000 for the reporting year ended 31 December 2019. The Company incurred a loss net of tax of RM26,810,000 for the reporting year ended 31 December 2019. The Group did not fully pay instalments for bank loans and finance leases as mentioned in Note 29; and has not paid its tax obligations to the Malaysian tax authorities as mentioned in Note 11, preference share dividends as disclosed in Notes 29E and 30 and employees' defined contribution plans and other employees benefits as disclosed in Note 30. The ability of the Group and the Company to continue as going concerns is dependent on (a) the directors who are the controlling shareholders not demanding repayment of the balances owed to them for the foreseeable future; (b) the Group being able to generate sufficient net cash flows from its operating activities; (c) the Group being able to secure more financing arrangements; and (d) the Group being profitable in the future. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's and Company's ability to continue as going concerns. Our opinion is not further modified in respect of this matter.

Responsibilities of Management and Directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and the Singapore Financial Reporting Standards (International), 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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF REGAL INTERNATIONAL GROUP LTD.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company in accordance with the Singapore Standards on Auditing and to issue an auditor's report. However, because of the matters described in the Basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group 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.

Report on other legal and regulatory requirements

In our opinion, in view of the significance of the matters referred to in Basis for disclaimer of opinion section of our report, we do not express an opinion on whether the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act. The accounting and other records required by the Act to be kept by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

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

RSM Chio Lim LLP
Public Accountants and
Chartered Accountants
Singapore

5 February 2021

Engagement partner - effective from year ended 31 December 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2019

	Note	Group 2019 RM'000	Group 2018 RM'000
Revenue	5	82,161	62,609
Cost of sales		(69,330)	(61,062)
Gross profit		12,831	1,547
Interest income	6	33	536
Other gains	7	824	146
Marketing and distribution costs	10	(2,115)	(4,186)
Administrative expenses	10	(19,637)	(25,157)
Other losses	7	(4,744)	(3,857)
Finance costs	8	(6,326)	(6,205)
Gain on disposal of subsidiary	12	22,706	–
Share of profit (loss) from equity-accounted associate	17	366	(487)
Profit (Loss) before tax		3,938	(37,663)
Income tax (expense) benefit	11	(1,369)	762
Profit (Loss) net of tax		2,569	(36,901)
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations, net of tax		(29)	(76)
Other comprehensive loss for the year, net of tax		(29)	(76)
Total comprehensive income (loss) for the year		2,540	(36,977)
Profit (Loss) attributable to owners of parent, net of tax		3,270	(35,759)
Loss attributable to non-controlling interests, net of tax		(701)	(1,142)
Profit (Loss), net of tax		2,569	(36,901)
Total comprehensive income (loss) attributable to owners of the parent		3,241	(35,835)
Total comprehensive loss attributable to non-controlling interests		(701)	(1,142)
Total comprehensive income (loss) for the year		2,540	(36,977)
Earnings (Loss) per share			
Earnings (Loss) per share currency unit		Sen	Sen
Basic	13	1.45	(15.90)
Diluted	13	1.45	(15.90)

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	14	12,475	14,663	6	–
Development rights	15	11,276	11,276	–	–
Investments in subsidiaries	16	–	–	26,732	54,859
Investment in associate	17	3,808	4,342	–	–
Investment properties	18	13,680	11,286	–	–
Deferred tax assets	11	617	417	–	–
Other assets	19	480	2,045	–	1,551
Total non-current assets		42,336	44,029	26,738	56,410
Current assets					
Inventories	21	136,563	128,919	–	–
Trade and other receivables	22	102,458	89,968	5,233	4,364
Other assets	19	14,913	14,689	47	62
Cash and cash equivalents	23	6,950	6,090	564	569
Total current assets		260,884	239,666	5,844	4,995
Total assets		303,220	283,695	32,582	61,405
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	24	144,552	144,552	381,051	381,051
Accumulated losses		(131,942)	(135,677)	(432,022)	(405,677)
Share option reserve	25	2,933	3,398	2,933	3,398
Foreign currency translation reserve		2,797	2,826	70,268	70,268
Merger reserve	26	1,563	1,563	–	–
Other reserve	27	1,495	1,495	–	–
Equity attributable to owners of the parent		21,398	18,157	22,230	49,040
Non-controlling interests		(2,197)	(1,496)	–	–
Total equity		19,201	16,661	22,230	49,040
Non-current liabilities					
Deferred tax liabilities	11	9	–	–	–
Other payables	30	9,792	8,979	–	–
Other liabilities	28	–	55	–	–
Other financial liabilities	29	33,321	21,284	–	–
Total non-current liabilities		43,122	30,318	–	–
Current liabilities					
Income tax payable		20,197	19,948	–	–
Trade and other payables	30	183,306	159,132	5,003	3,990
Other liabilities	31	3,835	2,680	–	–
Other financial liabilities	29	33,559	54,956	5,349	8,375
Total current liabilities		240,897	236,716	10,352	12,365
Total liabilities		284,019	267,034	10,352	12,365
Total equity and liabilities		303,220	283,695	32,582	61,405

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

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2019

Group	Total equity RM'000	Attributable to owners of the Parent sub-total RM'000	Share capital RM'000	Accumulated losses RM'000	Share option reserve RM'000	Foreign currency translation reserve RM'000	Merger reserve RM'000	Other reserve RM'000	Non-controlling interests RM'000
Current year:									
Opening balance at 1 January 2019	16,661	18,157	144,552	(135,677)	3,398	2,826	1,563	1,495	(1,496)
Changes in equity:									
Total comprehensive income (loss) for the year	2,540	3,241	–	3,270	–	(29)	–	–	(701)
Share options forfeited (Note 25)	–	–	–	465	(465)	–	–	–	–
Closing balance at 31 December 2019	19,201	21,398	144,552	(131,942)	2,933	2,797	1,563	1,495	(2,197)
Previous year:									
Opening balance at 1 January 2018	52,142	52,497	144,552	(100,120)	3,600	2,902	1,563	–	(355)
Changes in equity:									
Total comprehensive loss for the year	(36,977)	(35,835)	–	(35,759)	–	(76)	–	–	(1,142)
Transfer of share to non-controlling interest	1	–	–	–	–	–	–	–	1
Share options forfeited (Note 25)	–	–	–	202	(202)	–	–	–	–
Other reserve (Note 27)	1,495	1,495	–	–	–	–	–	1,495	–
Closing balance at 31 December 2018	16,661	18,157	144,552	(135,677)	3,398	2,826	1,563	1,495	(1,496)

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

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2019

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 2019	49,040	381,051	(405,677)	3,398	70,268
Changes in equity:					
Total comprehensive loss for the year	(26,810)	–	(26,810)	–	–
Share options forfeited (Note 25)	–	–	465	(465)	–
Closing balance at 31 December 2019	22,230	381,051	(432,022)	2,933	70,268
Previous year:					
Opening balance at 1 January 2018	431,764	381,051	(23,155)	3,600	70,268
Changes in equity:					
Total comprehensive loss for the year	(382,724)	–	(382,724)	–	–
Share options forfeited (Note 25)	–	–	202	(202)	–
Closing balance at 31 December 2018	49,040	381,051	(405,677)	3,398	70,268

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

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2019

	Group	
	2019	**2018**
	RM'000	**RM'000**
Cash flows from operating activities		
Profit (Loss) before tax	3,938	(37,663)
Adjustments for:		
Depreciation of property, plant and equipment	2,773	2,868
Interest expense	6,326	6,205
Interest income	(33)	(536)
Allowance for impairment on leasehold property	623	1,624
Allowance for impairment on trade and other receivables – net	3,607	1,065
Allowance for impairment of land held for property development	–	219
Allowance for impairment on inventories	412	1,388
Provision for liquidated and ascertained damages	7,627	9,671
Accrued tax penalties	134	1,331
Property, plant and equipment written off	97	–
Gain on disposal of subsidiary	(22,706)	–
Share of (profit) loss from equity-accounted associate	(366)	487
Operating cash flows before changes in working capital	2,432	(13,341)
Inventories	(8,881)	(1,293)
Trade and other receivables	(3,269)	976
Other assets	1,341	3,713
Trade and other payables	29,383	11,230
Other liabilities	1,100	430
Net cash flows from operations before tax	22,106	1,715
Income tax paid	(1,204)	(128)
Net cash flows from operating activities	**20,902**	**1,587**
Cash flows from (used in) investing activities		
Purchase of property, plant and equipment	(249)	(265)
Disposal of subsidiary, net of cash disposed (Note 12)	488	–
Interest received	33	20
Net cash flows from (used in) investing activities	**272**	**(245)**
Cash flows used in financing activities		
Repayment of borrowings and lease liabilities	(8,859)	(5,630)
Cash restricted in use	(330)	(45)
(Repayment to) Proceeds from substantial shareholder – net	(965)	4,533
(Pepayment to) Proceeds from related parties – net	(10,787)	296
Proceeds from associate – net	1,456	2,672
(Repayment to) Proceeds from directors of subsidiaries – net	(116)	199
Proceeds from directors who are controlling shareholders of Company – net	3,466	406
Interest paid	(2,662)	(5,588)
Net cash flows used in financing activities	**(18,797)**	**(3,157)**
Net increase (decrease) in cash and cash equivalents	2,377	(1,815)
Cash and cash equivalents, statement of cash flows, beginning balance	1,512	3,319
Effect of exchange rate changes on cash and cash equivalents	3	8
Cash and cash equivalents, statement of cash flows, ending balance (Note 23A)	**3,892**	**1,512**

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

1. General

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

The Board of Directors approved and authorised these financial statements for issue on the date of the Statement of Directors. The Directors have the power to amend and reissue the financial statements.

The Company is an investment holding company. The principal activities of the subsidiaries are as disclosed in Note 16 below.

The Company is listed on the Main Board of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") since 8 May 2008.

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

Basis for going concern

The financial statements have been prepared on a going concern basis, which assumes that the Group and the Company will be able to meet their obligations as and when they fall due in the next 12 months from 31 December 2019. The Group has a profit after tax of RM2,569,000 (2018: loss after tax of RM36,901,000) for the reporting year ended 31 December 2019. The Company incurred a loss after tax of RM26,810,000 (2018: loss after tax of RM382,724,000) for the reporting year ended 31 December 2019. The Group did not fully pay instalments for bank loans and lease obligations as stated in Note 29, preference share dividends as stated in Notes 29E and 30 and its tax obligations to the Malaysian tax authorities have not been settled in prior years as stated in Note 11. As is disclosed in Note 30, the Group has not paid the employees' defined contribution plans and other employees benefits amounting to RM2,470,000 (2018: RM2,211,000) as at 31 December 2019. Notwithstanding the above, the Group had net current assets and net assets positions of RM19,987,000 (2018: RM2,950,000) and RM19,201,000 (2018: RM16,661,000) respectively. The Group's net current assets include inventories of RM10,430,000 that are pledged for certain non-current financial liabilities. Excluding this pledge, the Group will be in a net current assets position of RM9,557,000. The Company had a net current liabilities position of RM4,508,000 (2018: RM7,370,000) and net assets of RM22,230,000 (2018: RM49,040,000) respectively. The Group's and Company's objectives, policies and processes for managing capital; financial risk management objectives; details of its financial instruments; availability of borrowing facilities; and its exposures to credit risk and liquidity risk are described in the notes to the financial statements.

The validity of the going concern assumption on which the financial statements have been prepared depends on the ability of the Group and the Company to generate sufficient cash flows from operations to pay debts as and when they fall due and the Group and Company being profitable in the future. The Group and Company have unrestricted cash and cash equivalents of RM3,892,000 (2018: RM1,512,000) and RM564,000 (2018: RM569,000) respectively and there are completed unsold development properties and development properties in progress of RM26,329,000 (2018: RM34,766,000), which the Group is able to pledge with financial institutions to obtain additional financing.

The Directors, who are also the controlling shareholders, have agreed not to demand repayment of the balances owed to them of RM5,866,000 as disclosed in Note 30. The Group also enters into contra arrangements with suppliers in exchange for services, or for eventual sale to third parties which helps in its working capital management.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

1. General (cont'd)

Basis for going concern (cont'd)

The Group has multiple ongoing projects with contents and values to serve its target customers' profile to sell existing and in-progress development properties, which are expected to generate revenue subsequent to the reporting year end to meet operating cash flows requirements for the Group. The Group has also had verbal discussions with the Malaysian tax authorities on a repayment plan and has restructured certain loans with its principal lenders as disclosed in Note 29A to manage its cash flows better. The Group is also in discussions with its redeemable preference shareholder to extend the repayment period as mentioned in Notes 29E and 37.

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

As at the date of these financial statements, the Directors believe that the Group and Company are well placed to manage their business risks and have adequate resources to meet their obligations as and when they fall due for at least 12 months from the end of the reporting year ended 31 December 2019. Accordingly, the Directors are of the opinion that it is appropriate for the financial statements to be prepared using the going concern basis.

Statement of compliance with financial reporting standards

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

Accounting convention

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

Basis of presentation

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

1. General (cont'd)

Basis of presentation (cont'd)

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

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

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

2. Significant accounting policies and other explanatory information

2A. Significant accounting policies

Revenue recognition

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

<u>Revenue from sales of goods and development land</u>

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

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; and (b) development properties in the process of development accounted under the over time method for revenue recognition.

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

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

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

Revenue from construction of development properties

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

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

2A. Significant accounting policies (cont'd)

Revenue recognition (cont'd)

Revenue from rendering of services

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

Rental income

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

Interest income

Interest income is recognised using effective interest rate method.

Government grants

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

Employee benefits

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

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

2A. Significant accounting policies (cont'd)

Share-based compensation

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

Borrowing costs

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

Foreign currency transactions

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

Translation of financial statements of other entities

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

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

2A. Significant accounting policies (cont'd)

Income tax

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

Property, plant and equipment

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

Leasehold properties and improvements	–	Over the terms of lease that are from 2% to 20%
Plant and equipment	–	10% to $33\frac{1}{3}$%

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

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

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

2A. Significant accounting policies (cont'd)

Property, plant and equipment (cont'd)

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

The right-of-use assets are included in property, plant and equipment and are accounted and presented as if they were owned such as property, plant and equipment.

Investment property

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

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

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

Leases of lessee

A lease is a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A right-of-use asset is capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. A liability corresponding to the capitalised lease is also recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. The right-of-use asset is depreciated over the earlier of the end of the useful life of the right-of-use asset or the end of the lease term and an interest expense is recognised on the lease liabilities (included in finance costs). For short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office equipment), an accounting policy choice exists under the lease standard whereby the lease payments are expensed to profit or loss as incurred on a straight line basis over the remaining lease term.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

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

2A. Significant accounting policies (cont'd)

Leases of lessor

As a lessor, the reporting entity classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset and it is presented in its statement of financial position as a receivable at an amount equal to the net investment in the lease. For a finance lease, the finance income is recognised over the lease term, based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. Lease receipts from operating leases are recognised as income on either a straight-line basis or another systematic basis over the term of the lease.

Intangible assets – development rights

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

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

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

Subsidiaries

A subsidiary is an entity including unincorporated and special purpose entity that is controlled by the reporting entity and the reporting entity is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The existence and effect of substantive potential voting rights that the reporting entity has the practical ability to exercise (that is, substantive rights) are considered when assessing whether the reporting entity controls another entity.

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

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

2A. Significant accounting policies (cont'd)

Associate

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

In the consolidated financial statements, the accounting for investments in an associate is accounted under 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 the 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 associate 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 when its investment ceases to be an associate and accounts for the investment in accordance with the financial reporting standard on financial instruments from that date. Any gain or loss is recognised in profit or loss. Any investment retained in the former associate is measured at fair value at the date that it ceases to be an associate.

Business combinations

A business combination is a transaction or other event which requires that the assets acquired and liabilities assumed constitute a business. It is accounted for by applying the acquisition method of accounting. The cost of a business combination includes the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquiree. The acquisition-related costs are expensed in the periods in which the costs are incurred and the services are received except for any costs to issue debt or equity securities are recognised in accordance with the financial reporting standard on financial instruments. As of the acquisition date, the acquirer recognises, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree measured at acquisition-date fair values as defined in and that meet the conditions for recognition under the financial reporting standard on business combinations. If there is gain on bargain purchase, for the gain on bargain purchase a reassessment is made of the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the business combination and any excess remaining after this reassessment is recognised immediately in profit or loss. There were no business combinations during the reporting year.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

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

2A. Significant accounting policies (cont'd)

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.

Inventories

<u>Goods for resale</u>

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

<u>Unsold completed development properties</u>

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

Impairment of non-financial assets

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

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

2A. Significant accounting policies (cont'd)

Financial instruments

Recognition and derecognition of financial instruments:

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

Classification and measurement of financial assets:

1. Financial asset classified as measured at amortised cost: A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss ("**FVTPL**"), that is (a) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Typically trade and other receivables, cash and cash equivalents are classified in this category.

2. Financial asset that is a debt asset instrument classified as measured at fair value through other comprehensive income ("**FVTOCI**"): There were no financial assets classified in this category at reporting year end date.

3. Financial asset that is an equity investment measured at FVTOCI: There were no financial assets classified in this category at reporting year end date.

4. Financial asset classified as measured at FVTPL: There were no financial assets classified in this category at reporting year end date.

Classification and measurement of financial liabilities:

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

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

2A. Significant accounting policies (cont'd)

Cash and cash equivalents

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

Fair value measurement

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

Fair values are categorised into different levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety: Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). Transfers between levels of the fair value hierarchy are recognised at the end of the reporting period during which the change occurred.

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

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

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

2B. Other explanatory information (cont'd)

Redeemable preference shares

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

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.

Net realisable value of development properties held for sale:

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

Measurement of impairment of subsidiaries:

Where an investee is in net equity deficit and/or has suffered losses, a test is made whether the investment in the investee has suffered any impairment. This measurement requires significant judgement. An estimate is made of the future profitability of the investee, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, and operational and financing cash flows. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require material adjustment to the carrying amount of the investment in subsidiaries. The disclosure about the cost of investment in subsidiaries is included in Note 16, which explains that a change in the key assumption could give rise to an impairment of the cost of investment in subsidiaries. The carrying amount of the specific cost of investment of the subsidiaries at the end of the reporting year affected by the assumption is RM26,732,000 (2018: RM54,859,000).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

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

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

Revenue recognised over time:

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

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

Provision on liquidated and ascertained damages:

For contracts with variable considerations (i.e. liquidated and ascertained damages), revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Thereafter, the amount of revenue recognised is adjusted for possibility of delays of the projects. The Group reviews the progress of the projects at each end of the financial period and updates the transaction price accordingly. The carrying amount of the Group's provision for liquidated and ascertained damages at the end of the financial period is disclosed in Note 30A.

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.

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

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

Allowance for trade receivables:

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

Assessment of impairment of property, plant and equipment, development rights and investment properties:

An assessment is made for the reporting year whether there is any indication that the asset may be impaired. If any such indication exists, an estimate is made of the recoverable amount of the property, plant and equipment, investment properties and development rights. The recoverable amounts of property, plant and equipment, investment properties and development rights, if applicable, is measured based on the value in use calculations. Judgement is required in evaluating the assumptions and methodologies used by Management, in particular those relating to the forecasted revenue growth and profit margins. The disclosures about property, plant and equipment, development rights and investment properties are included in Notes 14, 15 and 18 respectively, which explains that small changes in the key assumptions used could give rise to an impairment of the property, plant and equipment, development rights and investment properties in the future. Actual outcomes could vary from these estimates.

Income tax amounts:

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

Assessing whether a contract is, or contains, a lease:

At inception of a contract, management uses judgement in assessing whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, management assesses whether: (a) The contract involves the use of an identified asset; (b) The reporting entity has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and (c) the reporting entity has the right to direct the use of the asset. The carrying amount is disclosed in the notes on right-of-use assets and lease liabilities.

NOTES TO THE FINANCIAL STATEMENTS

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3. Related party relationships and transactions

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

The ultimate controlling parties are Mr Su Chung Jye and Mr Wong Pak Kiong, Directors and Controlling Shareholders.

3A. Members of the Group:

Name	Relationship	Country of incorporation
Ikram Mahawangsa Sdn. Bhd.	Immediate and ultimate parent company	Malaysia

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

3B. Related party transactions:

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

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

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

	Group	
	2019	2018
	RM'000	RM'000
Substantial shareholder, Twin Revenue Sdn Bhd ("**Twin Revenue**")		
Revenue from construction contracts	23,010	16,572
Notional interest expenses	(288)	–
Revenue from rendering of services	8	–
Proceeds from disposal of subsidiary (Note 12)	2,500	–
Related parties		
Sale of development properties	1,798	1,591
Sale of construction material	675	1,605
Construction expenses	(156)	(7,831)
Rental expenses	(54)	(54)
Notional interest expenses	(7)	–
Revenue from construction contracts	5,675	2,774

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

3B. Related party transactions: (cont'd)

	Group	
	2019	2018
	RM'000	RM'000
Associate		
Notional interest expenses	(211)	–
Revenue from rendering of services	75	–
Sale of construction materials	20	23
Dividend income	900	–
Directors of the Company		
Rental expenses	(346)	(346)
Notional interest expenses	(172)	–
Directors of subsidiaries		
Notional interest expenses	(47)	–

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

3C. Key management compensation:

	Group	
	2019	2018
	RM'000	RM'000
Salaries and other short-term employee benefits	1,794	2,523
Contributions to defined contribution plan	97	101
	1,891	2,624

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

	Group	
	2019	2018
	RM'000	RM'000
Remuneration of Directors of the Company	756	1,307
Fees to Directors of the Company	190	401
Remuneration of Directors of the subsidiary companies	273	292
Fees to Directors of the subsidiary companies	29	220
Contributions to defined contribution plan	33	32

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

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

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

Key management personnel include the Directors and those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. The above amounts for key management compensation are for the Directors of the Company and four (2018: four) 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:

	Related parties	
	2019	2018
	RM'000	RM'000
Group		
Other receivables (other payables) :		
Balance at beginning of the year	(296)	–
Notional interest expenses	(7)	–
Amounts paid out and settlement of liabilities on behalf of the related parties - net	10,787	–
Amounts paid in and settlement of liabilities on behalf of the Group - net	–	(296)
Balance at end of the year	10,484	(296)
Presented in the statement of financial position as follows:		
Other receivables (Note 22)	12,028	196
Other payables (Note 30)	(1,544)	(492)
	10,484	(296)

	Associate	
	2019	2018
	RM'000	RM'000
Group		
Other payables:		
At beginning of the year	(2,555)	(568)
Notional interest adjustment	–	685
Notional interest expenses	(211)	–
Dividend declared	900	–
Amounts paid in and settlement of liabilities on behalf of the Group – net	(1,456)	(2,672)
At end of the year (Note 30)	(3,322)	(2,555)

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

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

	Substantial shareholder	
	2019	2018
	RM'000	RM'000
Group		
Other payables:		
Balance at beginning of the year	(3,599)	–
Notional interest adjustment	–	934
Notional interest expenses	(288)	–
Disposal of subsidiary to shareholder (Note 12)	2,500	–
Amounts paid in and settlement of liabilities on behalf of the Group – net	(1,535)	(4,533)
Balance at end of the year	(2,922)	(3,599)
Presented in the statement of financial position as follows:		
Other receivables (Note 22)	965	–
Other payables (Note 30)	(3,887)	(3,599)
	(2,922)	(3,599)

	Directors of subsidiaries	
	2019	2018
	RM'000	RM'000
Group		
Other payables:		
Balance at beginning of the year	(722)	(675)
Notional interest adjustment	–	152
Notional interest expenses	(47)	–
Amounts paid out and settlement of liabilities on behalf of the Group - net	–	(199)
Amounts paid in and settlement of liabilities on behalf of the directors of subsidiaries - net	116	–
Balance at end of the year (Note 30)	(653)	(722)

NOTES TO THE FINANCIAL STATEMENTS

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

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

	Directors who are controlling shareholders of Company	
	2019	2018
	RM'000	RM'000
Group		
Other payables:		
Balance at beginning of the year	(2,228)	(2,383)
Notional interest adjustment	–	561
Notional interest expenses	(172)	–
Amounts paid in and settlement of liabilities on behalf of the Group – net	(3,466)	(406)
Balance at end of the year (Note 30)	(5,866)	(2,228)

	Subsidiaries	
	2019	2018
	RM'000	RM'000
Company		
Other receivables:		
Balance at beginning of the year	46,747	43,816
Amounts paid in and settlement of liabilities on behalf of the Company – net	(2,057)	–
Amounts paid out and settlement of liabilities on behalf of the subsidiaries – net	–	2,692
Translation exchange adjustment	164	239
Balance at end of the year (Note 22)	44,854	46,747

	Directors who are controlling shareholders of Company	
	2019	2018
	RM'000	RM'000
Company		
Other payables:		
Balance at beginning of the year	–	–
Amounts paid in and settlement of liabilities on behalf of Company	(1,478)	–
Balance at end of the year (Note 30)	(1,478)	–

4. Financial information by operating segments

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

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

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

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

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

The construction segment is in the business of construction work.

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

4B. Profit or loss and reconciliations

	Property development RM'000	Construction RM'000	Trading RM'000	Others RM'000	Total RM'000
2019					
Revenue					
External revenue	42,828	29,171	7,963	2,199	82,161
Recurring EBITDA	(3,921)	(2,777)	(534)	(2,803)	(10,035)
Depreciation	(527)	(361)	(233)	(1,652)	(2,773)
Finance costs	(2,839)	(240)	(553)	(2,694)	(6,326)
ORBIT	(7,287)	(3,378)	(1,320)	(7,149)	(19,134)
Gain on disposal of subsidiary	–	–	–	22,706	22,706
Share of profit from equity-accounted associate	366	–	–	–	366
Profit before tax					3,938
Income tax expense					(1,369)
Profit after tax					2,569
2018 (Restated)					
Revenue					
External revenue	30,720	22,637	7,829	1,423	62,609
Recurring EBITDA	(23,708)	(1,237)	1,192	(4,350)	(28,103)
Depreciation	(433)	(509)	(222)	(1,704)	(2,868)
Finance costs	(2,300)	(391)	(579)	(2,935)	(6,205)
ORBIT	(26,441)	(2,137)	391	(8,989)	(37,176)
Share of loss from equity-accounted associate	(487)	–	–	–	(487)
Loss before tax					(37,663)
Income tax benefit					762
Loss after tax					(36,901)

NOTES TO THE FINANCIAL STATEMENTS

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

4C. Assets and reconciliations

	Property development RM'000	Construction RM'000	Trading RM'000	Others RM'000	Adjustment and elimination RM'000	Total RM'000
2019						
Total assets for reportable segments	211,805	49,107	14,268	26,878	(3,266)	298,792
Unallocated:						
Property, plant and equipment	–	–	–	7	–	7
Investment in associate	3,808	–	–	–	–	3,808
Trade and other receivables	–	–	–	5,233	(5,233)	–
Other assets	–	–	–	49	–	49
Cash and cash equivalents	–	–	–	564	–	564
Total Group assets	215,613	49,107	14,268	32,731	(8,499)	303,220
2018 (Restated)						
Total assets for reportable segments	174,760	68,402	13,004	20,996	–	277,162
Unallocated:						
Property, plant and equipment	–	–	–	7	–	7
Investment in associate	4,342	–	–	–	–	4,342
Trade and other receivables	–	–	–	4,365	(4,364)	1
Other assets	–	–	–	1,614	–	1,614
Cash and cash equivalents	–	–	–	569	–	569
Total Group assets	179,102	68,402	13,004	27,551	(4,364)	283,695

NOTES TO THE FINANCIAL STATEMENTS

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

4D. Liabilities and reconciliations

	Property development RM'000	Construction RM'000	Trading RM'000	Others RM'000	Adjustment and elimination RM'000	Total RM'000
2019						
Total liabilities for reportable segments	157,885	57,845	25,830	68,542	(37,691)	272,411
Unallocated:						
Trade and other payables	–	–	–	35,042	(28,783)	6,259
Other financial liabilities	–	–	–	5,349	–	5,349
Total Group liabilities	157,885	57,845	25,830	108,933	(66,474)	284,019
2018 (Restated)						
Total liabilities for reportable segments	129,325	66,638	26,756	65,616	(36,148)	252,187
Unallocated:						
Trade and other payables	–	–	–	17,061	(10,589)	6,472
Other financial liabilities	–	–	–	8,375	–	8,375
Total Group liabilities	129,325	66,638	26,756	91,052	(46,737)	267,034

4E. Information about sales to major customers

In 2019, revenue of RM23,010,000 was recognised from a substantial shareholder, which is attributable to the property development and construction segments. No other customer has revenue transactions over 10% of the Group's revenue.

In 2018, revenue of RM16,572,000 was recognised from a substantial shareholder, which is attributable to the property development and construction segments. No other customer has revenue transactions over 10% of the Group's revenue.

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

4F. Geographical information

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

Revenue	2019 RM'000	2018 RM'000
Singapore	902	359
Malaysia	81,259	62,250
	82,161	62,609
Other geographical information:		
Singapore		
- Addition of capital expenditure	12	105
- Depreciation	1,152	1,189
- Allowance for impairment losses	623	1,624
Malaysia		
- Addition of capital expenditure	287	460
- Depreciation	1,621	1,679
- Allowance for impairment losses	4,019	2,672
Segment assets		
Singapore		
- Non-current	4,659	6,583
Malaysia		
- Non-current	37,060	37,029

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

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5. Revenue

Revenue classified by type of good or service:

	Group	
	2019 RM'000	2018 RM'000
Sale of development land	–	3,500
Sale of goods	7,963	7,829
Sale of development properties	42,828	27,220
Revenue from construction contracts	29,171	22,637
Revenue from rendering of services	1,141	706
Rental income	976	462
Others	82	255
	82,161	62,609

Revenue classified by duration of contract:

	Group	
	2019 RM'000	2018 RM'000
Short-term contracts	14,040	11,745
Long-term contracts	68,121	50,864
	82,161	62,609

Revenue classified by timing of revenue recognition:

	Group	
	2019 RM'000	2018 RM'000
Point in time	14,040	11,584
Over time	68,121	51,025
	82,161	62,609

6. Interest income

	Group	
	2019 RM'000	2018 RM'000
Interest income	33	20
Notional interest income	–	516
	33	536

NOTES TO THE FINANCIAL STATEMENTS

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7. Other gains and (other losses)

	Group	
	2019 RM'000	2018 RM'000
Allowance for impairment loss for leasehold property (Note 14)	(623)	(1,624)
Allowance for impairment loss for land held for property development	–	(219)
Allowance for impairment loss for trade and other receivables (Note 22)	(3,942)	(1,093)
Reversal of impairment loss allowance for trade and other receivables (Note 22)	335	28
Compensation received	3	118
Foreign exchange losses – net	(82)	(70)
Property, plant and equipment written off	(97)	–
Sundry gains (losses) – net	486	(851)
Net	(3,920)	(3,711)
Presented in profit or loss as:		
Other gains	824	146
Other losses	(4,744)	(3,857)
Net	(3,920)	(3,711)

8. Finance costs

	Group	
	2019 RM'000	2018 RM'000
Interest expenses to financial institutions	3,101	3,052
Redeemable preference shares dividends	2,000	2,617
Notional interest expenses	725	–
Interest expenses on lease liabilities [(a)] (Note 29B)	500	536
	6,326	6,205

(a) Relates to interest expense on finance leases of RM386,000 (2018: RM 536,000) and lease liabilities of RM114,000 (2018: Nil).

NOTES TO THE FINANCIAL STATEMENTS

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9. Employee benefits expense

	Group	
	2019	**2018**
	RM'000	**RM'000**
Short-term employee benefits expense	10,203	13,650
Contributions to defined contribution plans	935	1,324
Total employee benefits expenses	11,138	14,974

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

	2019	2018
Cost of sales	525	613
Marketing and distribution costs (Note 10)	884	692
Administrative expenses (Note 10)	9,729	13,669
Total employee benefits expenses	11,138	14,974

10. Marketing and distribution costs and administrative expenses

The major components include the following:

	Group	
	2019	**2018**
	RM'000	**RM'000**
Marketing and distribution costs:		
Employee benefits expense (Note 9)	884	692
Amortisation of contract costs (Note 20)	206	2,513
Administrative expenses:		
Auditors' remuneration:		
Auditor of the Company	457	266
Other auditors:		
- current year	497	470
- underprovision in previous reporting year	279	82
Non-audit fees paid and payable to other auditors	122	141
Employee benefits expense (Note 9)	9,729	13,669
Depreciation of property, plant and equipment (Note 14)	2,773	2,868
Accrued tax penalties	134	1,331
Short-term rental expenses (2018: Rental expenses per SFRS(I) 1-17)	814	1,085

NOTES TO THE FINANCIAL STATEMENTS

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11. Income tax

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

	Group	
	2019 RM'000	2018 RM'000
Current tax expense (benefit):		
Current tax expense	1,552	844
Under (Over) provision adjustments to current tax in respect of prior periods	8	(1,729)
Subtotal	1,560	(885)
Deferred tax (benefit) expense:		
Deferred tax (benefit) expense	(207)	221
Under (Over) provision adjustments to deferred tax in respect of prior periods	16	(98)
Subtotal	(191)	123
Total income tax expense (benefit)	1,369	(762)

The income tax in profit or loss varied from the amount of income tax amount determined by applying the Malaysian income tax rate of 24% (2018: 24%) to profit or loss before income tax as a result of the following differences:

	Group	
	2019 RM'000	2018 RM'000
Profit (Loss) before tax	3,938	(37,663)
Share of (profit) loss from equity-accounted associate	(366)	487
	3,572	(37,176)
Income tax expense (benefit) at the above rate	857	(8,922)
Non-deductible items	1,114	1,771
Unrecognised deferred tax assets	1,094	9,712
Utilisation of previously unrecognised deferred tax assets	(1,832)	(1,991)
Effect of different tax rates in different countries	112	495
Under (Over) provision adjustment to current tax in respect of prior periods	8	(1,729)
Under (Over) provision adjustments to deferred tax in respect of prior periods	16	(98)
Total income tax expense (benefit)	1,369	(762)

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

11. Income tax (cont'd)

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

	Group	
	2019	2018
	RM'000	RM'000
Excess of tax values over carrying value of property, plant and equipment	347	(267)
Excess of carrying value over tax values of property, plant and equipment	9	1,650
Tax losses carry forward and unabsorbed capital allowances	1,406	(9,062)
Provisions	(1,008)	(188)
Unrecognised deferred tax assets	1,094	9,712
Utilisation of previously unrecognised deferred tax assets	(1,832)	(1,991)
Others	(207)	269
Total deferred tax (benefit) expense recognised in profit or loss	(191)	123

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

	Group	
	2019	2018
	RM'000	RM'000
Deferred tax liabilities:		
Excess of carrying value over tax values of property, plant and equipment	(9)	–
Total deferred tax liabilities	(9)	–
Deferred tax assets:		
Excess of tax values over carrying value of property, plant and equipment	11	358
Tax losses carry forward and unabsorbed capital allowances	7,852	9,258
Provisions [(a)]	3,104	4,346
Others	618	411
Total deferred tax assets	11,585	14,373
Net total of deferred tax assets	11,576	14,373
Unrecognised deferred tax assets [(a)]	(10,968)	(13,956)
Net balance	608	417
Presented in the statement of financial position as follows:		
Deferred tax assets	617	417
Deferred tax liabilities	(9)	–
	608	417

(a) Due to the disposal of subsidiary, there was an adjustment to provisions and unrecognised deferred tax assets of RM2,250,000.

With effect from 2019, the unutilised tax losses and capital allowances for the Malaysian subsidiaries can only be carried forward for a maximum period of 7 years and will expire in the reporting year ending 31 December 2026. The accumulated unutilised tax losses and capital allowances that arose prior to 2019 can also be carried forward and will expire in the reporting year ending 31 December 2026.

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11. Income tax (cont'd)

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

The Group's Malaysian subsidiaries have accumulated tax losses and capital allowances of RM32,715,000 (2018 : RM38,575,000) as at 31 December 2019 that will expire in the reporting year ending 31 December 2026. It is not certain whether future taxable profit will be available against which the subsidiaries' unused tax losses can be utilised. Consequently, a deferred tax asset has not been recognised for these tax losses and capital allowances.

In 2018, the Group was served with tax demand letters from the tax authorities for unpaid taxes amounting to RM6,732,000 for its subsidiaries and RM5,839,000 for its associate in Malaysia. These amounts were recorded in the respective books as income tax payable. The Group has also accrued for the tax penalties arising from the late payments. The Group has been liaising with the tax authorities to arrange for the payment plans of the outstanding amounts. As of the date of the financial statements, the Group has paid RM856,000 to the tax authorities.

12. Disposal of subsidiary

The subsidiary, Upright Strategy Sdn. Bhd. ("**Upright**") was disposed on 31 December 2019 to Twin Revenue Sdn. Bhd., a substantial shareholder of the Company.

The following table summarises the carrying value of the account balances of Upright that was disposed on 31 December 2019:

	Group
	At date of disposal in 2019
	RM'000
Plant and equipment	384
Inventories	825
Trade and other receivables	919
Cash and cash equivalents	1,062
Trade and other payables	(22,960)
Income tax payable	(241)
Other financial liabilities (Note 23C)	(195)
Net liabilities disposed of	(20,206)
Gain on disposal of subsidiary	22,706
Total consideration	2,500
Satisfied by:	
Cash proceeds	1,550
Other receivables	950
Total consideration	2,500
Net cash inflow on disposal:	
Cash consideration	1,550
Cash balance disposed of	(1,062)
Net cash inflow	488

The total loss for the year from Upright that has been included in the consolidated financial statements to the date of disposal is RM7,720,000 (2018: RM17,660,000).

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13. Earnings (Loss) per share

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

	Group	
	2019	**2018**
Numerator: Profit (Loss) attributable to equity holders - RM'000		
- Profit (Loss) for the year	3,270	(35,759)
Total basic earnings (losses)	3,270	(35,759)
Denominator: Weighted average number of ordinary shares on issue:		
- Basic	224,917,251	224,917,251
- Diluted	224,917,251	224,917,251

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

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

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

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14. Property, plant and equipment

Group	Leasehold properties and improvements RM'000	Plant and equipment RM'000	Total RM'000
Cost:			
At 1 January 2018	8,766	25,290	34,056
Additions	–	565	565
Translation exchange adjustment	46	3	49
At 31 December 2018	8,812	25,858	34,670
Additions	1,377	299	1,676
Disposals/ Written off	–	(230)	(230)
Disposal of subsidiary	(7)	(933)	(940)
Translation exchange adjustment	37	–	37
At 31 December 2019	10,219	24,994	35,213
Accumulated depreciation and impairment losses:			
At 1 January 2018	851	14,607	15,458
Depreciation	1,165	1,703	2,868
Impairment for the year	1,624	–	1,624
Translation exchange adjustment	54	3	57
At 31 December 2018	3,694	16,313	20,007
Depreciation	1,157	1,616	2,773
Impairment for the year	623	–	623
Disposals/ Written off	–	(133)	(133)
Disposal of subsidiary	(4)	(552)	(556)
Translation exchange adjustment	24	–	24
At 31 December 2019	5,494	17,244	22,738
Carrying value:			
At 1 January 2018	7,915	10,683	18,598
At 31 December 2018	5,118	9,545	14,663
At 31 December 2019	4,725	7,750	12,475

NOTES TO THE FINANCIAL STATEMENTS

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

Company	Plant and equipment RM'000
Cost:	
At 1 January 2018 and 31 December 2018	135
Additions	7
At 31 December 2019	142
Accumulated depreciation:	
At 1 January 2018	111
Depreciation	24
At 31 December 2018	135
Depreciation	1
At 31 December 2019	136
Carrying value:	
At 1 January 2018	24
At 31 December 2018	–
At 31 December 2019	6

During the reporting year, one of the Group's leasehold properties with a carrying amount of RM4,104,000 (2018: RM6,611,000) was impaired by RM623,000 (2018: RM1,624,000). This arose from Management's review of the recoverable amount of property, plant and equipment. Management estimated the fair value less costs of disposal based on recent market prices of assets with similar remaining tenure. The non-recurring fair value measurement is categorised with its fair value hierarchy at Level 3. Management determined that the highest and best use of the asset is the current use and that it would provide maximum value to market participants principally through its use in combination with other assets.

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

Certain plant and equipment are under finance lease agreements (Note 29B). Certain leasehold buildings are pledged as security for the banking facilities (Note 29).

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31 DECEMBER 2019

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

14A. Right-of-use assets

The right-of-use assets have been included in property, plant and equipment. The details are as follows:

Group	Leasehold property RM'000	Plant and equipment RM'000	Total RM'000
Cost			
At 1 January 2019 [a]	1,377	14,727	16,104
Additions	–	92	92
Written off	–	(107)	(107)
Disposal of subsidiary	–	(453)	(453)
Translation exchange adjustments	5	–	5
At 31 December 2019	1,382	14,259	15,641
Accumulated depreciation:			
At 1 January 2019	–	8,096	8,096
Depreciation	241	1,019	1,260
Written off	–	(98)	(98)
Disposal of subsidiary	–	(237)	(237)
Translation exchange adjustments	1	–	1
At 31 December 2019	242	8,780	9,022
Carrying value:			
At 1 January 2019	1,377	6,631	8,008
At 31 December 2019	1,140	5,479	6,619

(a) Included in leasehold property is an amount of RM1,377,000 (Note 29B), that relates to right-of-use assets that were recognised upon adoption of SFRS(I) 16.

The leasehold property has a remaining lease term of 5 years, and there are no options to purchase or for extension. The leases of plant and equipment have remaining lease terms of 1 – 7 years.

Certain right-of-use assets of RM6,619,000 (2018: RM6,631,000) were under lease agreements (Note 29B).

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15. Development rights

	Group	
	2019	2018
	RM'000	RM'000
Cost:		
At beginning and end of the year	11,276	11,276

This relates to the rights to develop, construct and complete the buildings to be built on parcels of land totalling approximately 1.35 hectares in the Samarahan District in Sarawak, Malaysia with a total of 515 units comprising of two blocks of residential/retail units (the "**Project**"). The Project's construction and sales were expected to commence in 2020, but Management has postponed this to 2021, and it is targeted for completion by 2024.

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

Development rights Valuation technique and unobservable inputs Discounted cash flow method:	Range (weighted average) 2019	 2018
Estimated discount rates using pre-tax rates that reflect current market assessments at the risks specific to the asset	11%	8%
Cash flow forecasts period	4 years	4 years

Selling price range per square foot: Approximates RM370-438 (2018: RM480 – 950)
Development rights per square foot: Approximates RM44 (2018: RM78)

The development rights per square foot has dropped as management has used the expected saleable square foot per the project plan in their assessment in 2019 but the land area was used in prior year as the project plan was not yet finalised.

There has been no amortisation for the development rights as the project's construction is expected to commence in 2021.

Based on the sensitivity analysis performed, any reasonable change in the key assumptions would not result in any impairment adjustment except if the selling price range per square foot had been RM405 (2018: RM500) for residential units only with commercial units pricing unchanged at RM400 (2018: RM650 – 950), there would be a need to reduce the carrying amount of the development rights by RM890,000 (2018: RM690,000).

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16. Investments in subsidiaries

	Company	
	2019 RM'000	2018 RM'000
Carrying value:		
Unquoted equity shares, at cost	393,597	393,597
Impairment allowance	(366,865)	(338,738)
	26,732	54,859
Movements in allowance for impairment:		
Balance at beginning of the year	(338,738)	–
Allowance for the year	(28,127)	(338,738)
Balance at end of the year	(366,865)	(338,738)
Net book value of subsidiaries	(15,910)	(19,892)

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

The Group carried out a review of the recoverable amount of the subsidiaries, having regard to the net present value of the significant existing projects on hand based on the net of the Gross Development Value ("**GDV**") and Gross Development Cost ("**GDC**") for the development properties and assessed this to be RM33,593,000.

Management had applied its knowledge of the business in determining the estimated selling prices of the respective properties and took into account the selling prices of recent sales in the existing projects and comparable properties, and expectations of the property market conditions. These subsidiaries are in the Group's property development and construction segments. This review led to the recognition of an impairment loss of RM28,127,000 (2018: RM338,738,000) that has been recognised in the Company's profit or loss, after considering the Company's share of the subsidiaries' net liabilities.

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	
	2019 RM'000	2018 RM'000	2019 %	2018 %
Regal International Holdings Pte. Ltd. [(a)] Singapore Investment holding company	393,597	393,597	100	100
Regal International Investments Pte. Ltd. [(a)] Singapore Investment holding company	– #	– #	100	100
	393,597	393,597		

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

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16. 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	
	2019	2018
	%	%
Held through Regal International Holdings Pte. Ltd.		
Arena Wiramaju Sdn. Bhd. [(b), (c)] Malaysia Property development	100	100
Kota Sarjana Sdn. Bhd. [(b), (c)] Malaysia Property development	80	80
Beaches & Coastlines Sdn. Bhd. [(b)] Malaysia Construction and property development	100	100
Bellanova Sdn. Bhd. [(b)] Malaysia Construction and property development	100	100
Beneworld Sdn. Bhd. [(b)] Malaysia Mortgage consultancy	100	100
HJ Lai Concrete Cement Sdn. Bhd. [(b)] Malaysia Development, construction and trading of construction materials	51	51
Kenyalang Avenue Sdn. Bhd. [(b)] Malaysia Construction and property development	100	100
Midas Residences Sdn. Bhd. [(b)] Malaysia Property development	100	100
Ocean Megalink Sdn. Bhd. [(b)] Malaysia Property development	100	100
Regal Advantage Sdn. Bhd. [(b)] Malaysia Construction and property development	100	100

NOTES TO THE FINANCIAL STATEMENTS

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16. 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 2019 %	2018 %
Held through Regal International Holdings Pte. Ltd. (cont'd)		
Regal Lands Sdn. Bhd. (b) Malaysia Investment in properties and property development	100	100
Regal Materials Sdn. Bhd. (b) Malaysia Trading in construction materials	100	100
Sang Kanchil Rising Sdn. Bhd. (b) Malaysia Rental of machineries	100	100
Temasek Cartel Sdn. Bhd. (b) Malaysia Marketing of real estate and property development	100	100
Temasek Regal Capital Sdn. Bhd. (b) Malaysia Investment holding company	100	100
Upright Strategy Sdn. Bhd. (b), (d) Malaysia Construction and property development	–	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), (e) Malaysia Property development and construction	51	75

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16. 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	
	2019	2018
	%	%
Held through Regal International Holdings Pte. Ltd. (cont'd)		
Regal Steelink Sdn. Bhd. [(b)] Malaysia Steel works and supply	55	55
Luminous Paints Sdn. Bhd. [(b)] Malaysia Painting works and supply	60	60
Million Sunray Sdn. Bhd. [(b)] Malaysia Property investment, development and construction	55	55
Wisma Majuniaga Sdn. Bhd. [(b)] Malaysia Property investment, development and construction	100	100
Held through Regal International Investments Pte. Ltd.		
Regal Global Logistics Pte. Ltd. [(a)] Singapore Investment holding company	100	100
Regalia Properties Pte. Ltd. [(a)] Singapore Real estate agencies and valuation services	80	80
Regal Universe Builders Pte. Ltd. [(a), (g)] Singapore Wholesale and distribution of office furniture	51	51
Regal Global Capital Pte. Ltd. [(a), (f)] Singapore Asset and portfolio management company	–	75

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16. Investments in subsidiaries (cont'd)

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

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

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

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

(d) On 31 December 2019, the Group disposed 100% of the interest in the subsidiary to a substantial shareholder, Twin Revenue Sdn. Bhd. at a consideration of RM2,500,000. Please also see Note 12.

(e) On 8 February 2019, the Group disposed 24% of its interest in the subsidiary to an external party at a consideration of RM24.

(f) The subsidiary was deregistered on 4 April 2019. The subsidiary has not been audited.

(g) On 10 December 2020, the Group acquired 49% of the interest in the subsidiary from the other shareholder at a consideration of S$5,000.

Summarised financial statements in respect of a subsidiary that has a material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	Kota Sarjana Sdn. Bhd.	
	2019	**2018**
	RM'000	**RM'000**
Current assets	28,976	32,707
Non-current assets	10	13
Current liabilities	(14,510)	(41,322)
Non-current liabilities	(25,448)	(73)
Equity attributable to owners of the company	(8,778)	(6,940)
Non-controlling interests	(2,194)	(1,735)

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16. Investments in subsidiaries (cont'd)

	Kota Sarjana Sdn. Bhd.	
	2019	2018
	RM'000	RM'000
Revenue	1,785	2,976
Expenses	(4,082)	(6,996)
Loss for the year	(2,297)	(4,020)
Loss attributable to owners of the company	(1,838)	(3,182)
Loss attributable to non-controlling interests	(459)	(838)
Loss for the year	(2,297)	(4,020)
Total comprehensive loss attributable to owners of the company	(1,838)	(3,182)
Total comprehensive loss attributable to non-controlling interests	(459)	(838)
Total comprehensive loss for the year	(2,297)	(4,020)
Net cash inflow (outflow) from operating activities	499	(3,049)
Net cash (outflow) inflow from financing activities	(499)	3,049
Net cash outflow	*	*

Except the above, there are no other subsidiaries that have non-controlling interests that are considered material to the reporting entity.

* Less than RM1,000

17. Investment in associate

	Group	
	2019	2018
	RM'000	RM'000
Carrying value comprising:		
Unquoted equity shares, at cost	678	678
Dividends paid	(4,440)	(3,540)
Notional interest adjustment	(343)	(343)
Share of post-acquisition profit	7,913	7,547
	3,808	4,342
Movement in carrying value:		
Balance at beginning of year	4,342	5,172
Dividends	(900)	–
Share of profit (loss) for the year	366	(487)
Notional interest adjustment [(c)]	–	(343)
	3,808	4,342
Share of carrying value of associate	3,808	4,342

NOTES TO THE FINANCIAL STATEMENTS

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17. 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	
	2019	2018	2019	2018
	RM'000	RM'000	%	%
Tiya Development Sdn. Bhd. [(a), (b)] Malaysia Property development	678	678	50	50

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

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

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

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

Summarised statement of financial position:

	Tiya Development Sdn. Bhd.	
	2019	2018
	RM'000	RM'000
Current assets	15,819	17,725
Non-current assets	3,680	2,656
Total assets	19,499	20,381
Current liabilities	(11,883)	(11,698)
Total liabilities	(11,883)	(11,698)
Net assets	7,616	8,683
Proportion of the Group's ownership	50.0%	50.0%
Net carrying amount of interest in the associate	3,808	4,342

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17. Investment in associate (cont'd)

Summarised statement of comprehensive income:

	Tiya Development Sdn. Bhd. 2019 RM'000	Tiya Development Sdn. Bhd. 2018 RM'000
Revenue	2,300	1,420
Profit (Loss) after tax	732	(975)
Total comprehensive income (loss)	732	(975)
Dividends paid during the year	1,800	–

18. Investment properties

	Group 2019 RM'000	Group 2018 RM'000
Under construction at cost:		
At beginning of the year	11,286	8,465
Additions	2,394	2,821
At end of the year	13,680	11,286

The investment properties consist of 5 (2018: 5) blocks of commercial and office spaces that are still under construction as at year end. The stage of completion for the investment properties approximated 24% (2018: 20%) as at year end and is expected to be completed in the year 2022. These properties are located at Jalan Song in Kuching, Malaysia.

The properties will be built on leasehold lands with unexpired lease terms ranging between 19 to 96 years.

The fair value of each investment property was measured in December 2019 based on the highest and best use method to reflect the actual market state and circumstances as of end of the reporting year. The fair value for disclosure purposes was based on a valuation made by Management on a systematic basis at least once yearly. There has been no change to the valuation technique during the year. Management determined that the highest and best use of the asset is the current use and that it would provide maximum value to market participants principally through its use in combination with other assets.

The investment properties are pledged by the substantial shareholder to obtain financing.

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18. Investment properties (cont'd)

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

Asset:	**Leasehold commercial property in Kuching**
Fair value for disclosure purposes:	RM16,560,000 (2018: RM13,800,000)
Fair value hierarchy:	Level 3
Valuation technique for recurring fair value:	Direct comparison method (Fair value less construction costs to complete)
Significant observable inputs and range (weighted average):	Price per square foot approximates RM243 (2018: RM243)
Sensitivity on Management's estimates – 10% variation from estimate:	Impact – Lower or higher by RM1,656,000 (2018: RM1,380,000)

19. Other assets

	Group	
	2019	**2018**
	RM'000	**RM'000**
Deposits to secure services	14	8
Deposits to secure land for development	3,063	2,784
Prepayments	376	415
Key man life insurance policy (Note 19A)	–	1,551
Tax recoverable	14	36
Costs incurred to fulfil construction contracts (Note 20)	11,446	11,446
Land held for property development	152	152
Payments in advance to landowners (*)	328	342
	15,393	16,734
Presented in statement of financial position:		
Non-current	480	2,045
Current	14,913	14,689
	15,393	16,734

(*) 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 year.

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19. Other assets (cont'd)

	Company	
	2019	2018
	RM'000	RM'000
Deposits to secure services	1	1
Prepayments	46	61
Key man life insurance policy (Note 19A)	–	1,551
	47	1,613
Presented in statement of financial position:		
Non-current	–	1,551
Current	47	62
	47	1,613

19A. Key man life insurance policy

	Group and Company	
	2019	2018
	RM'000	RM'000
Balance at beginning of the year	1,551	1,551
Redemption	(1,551)	–
Balance at end of the year	–	1,551

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

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

The keyman life insurance policy was redeemed in 2019.

20. Contract assets (liabilities)

20A. Contract assets for development properties in the process of development accounted under the over time method

	Group	
	2019	2018
	RM'000	RM'000
The amount is made up of:		
Costs incurred to obtain or fulfil contracts	75,830	69,981
Costs to obtain contracts	1,507	1,557
Excess of work done over progress billings	13,008	24,318
	90,345	95,856
Movement for costs incurred to obtain or fulfil contracts:		
At beginning of the year	69,981	68,607
Costs incurred in the year	20,493	5,563
Reversal to cost of sales on prior year costs recognised	–	1,710
Charged to cost of sales upon meeting performance obligations	(13,487)	(4,092)
Other costs charged to cost of sales	(332)	(1,807)
Disposal of subsidiary	(825)	–
At end of the year	75,830	69,981
Movement for costs to obtain contracts:		
At beginning of the year	1,557	299
Costs incurred in the year	156	3,771
Charged to marketing and distribution costs (Note 10)	(206)	(2,513)
At end of the year	1,507	1,557
Movement for excess of work done over progress billings		
At beginning of the year	24,318	30,953
Revenue recognised during the year	15,916	15,691
Progress billings billed to customers	(27,076)	(22,326)
Disposal of subsidiary	(150)	–
At end of the year	13,008	24,318

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

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

20B. Contract assets for construction contracts in the process of development accounted under the over time method

	Group	
	2019 RM'000	2018 RM'000
The amount is made up of:		
Costs incurred to obtain or fulfil contracts	17,222	17,697
Excess of work done over progress billings	2,605	16
	19,827	17,713
Movement for costs to fulfil contracts:		
At beginning of the year	17,697	17,719
Costs incurred in the year	29,085	17,591
Charged to cost of sales upon meeting performance obligations	(29,560)	(14,375)
Other costs charged to cost of sales	–	(3,238)
At end of the year	17,222	17,697
Movement for excess of work done over progress billings		
At beginning of the year	16	188
Revenue recognised during the year	13,454	1,091
Progress billings billed to customers	(10,865)	(1,263)
At end of the year	2,605	16

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

20C. Contract liabilities for development properties in the process of development accounted under the over time method

	Group	
	2019 RM'000	2018 RM'000
The amount is made up of:		
Excess of progress billings over work done	34,818	25,508
Provision for liquidated and ascertained damages	17,235	9,671
	52,053	35,179
Movement for excess of progress billings over work done:		
At beginning of the year	25,508	15,375
Revenue recognised during the year	(34,414)	(20,247)
Consideration received or receivable	43,724	30,380
At end of the year	34,818	25,508
Movement for provision for liquidated and ascertained damages		
At beginning of the year	9,671	–
Addition	7,627	9,671
Payment	(63)	–
At end of the year	17,235	9,671

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

20D. Contract liabilities for construction contracts in the process of development accounted under the over time method

	Group 2019 RM'000	Group 2018 RM'000
The amount is made up of:		
Excess of progress billings over work done	8,775	16,094
Movement for excess of progress billings over work done:		
At beginning of the year	16,094	319
Revenue recognised during the year	(15,717)	(21,546)
Consideration received or receivable	8,398	37,321
At end of the year	8,775	16,094
Contract assets are presented in financial statements as:		
Costs incurred to fulfil construction contracts under other assets (Note 19)	11,446	11,446
Development properties in progress under inventories (Note 21)	77,337	71,538
Receivables from customers on long-term contracts under trade and other receivables (Note 22)	21,389	30,585
	110,172	113,569
Contract liabilities are presented in financial statements as:		
Provision for liquidated and ascertained damages under trade and other payables (Note 30)	17,235	9,671
Due to customers on construction contracts and development properties under trade and other payables (Note 30)	43,593	41,602
	60,828	51,273

The change in balances is mainly due to an increase in projects during the year offset by an increase in provision for liquidated damages.

The contract assets are for: Group's rights to consideration for work completed but not billed at the reporting date on the contracts; costs incurred to obtain or fulfil a contract with a customer; costs to obtain contracts with customers; pre-contract costs and setup costs; and the amount of any impairment losses recognised in the reporting year. The contract assets are transferred to the receivables when the rights become unconditional.

The contract liabilities primarily relate to the advance consideration received from customers for which there is obligation to transfer the products or services. The Group recognises revenue for each respective performance obligation according to the efforts or inputs to the satisfaction of performance obligation.

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21. Inventories

	Group	
	2019	2018
	RM'000	RM'000
Construction materials	1,211	1,662
Development properties in progress (Note 20)	77,337	71,538
Completed development properties	59,815	57,107
Less: allowance for impairment of completed development properties	(1,800)	(1,388)
	136,563	128,919
Movement in allowance:		
Balance at beginning of the year	(1,388)	–
Charged to profit or loss included in cost of sales	(412)	(1,388)
Balance at end of the year	(1,800)	(1,388)
Cost of inventories charged to profit or loss included in cost of sales	32,448	23,798

Certain completed development properties and development properties in progress of RM31,686,000 (2018: RM20,953,000) and RM19,743,000 (2018: RM33,631,000) are pledged as security for banking facilities (Note 29).

The pledged properties include certain completed development properties of RM16,909,000 (2018: certain development properties in progress of RM12,488,000) which are pledged for the redeemable preference shares (Note 29E). The Group obtained approval from the lender on 14 October 2019 to proceed with the sale of these properties, however any sales proceeds need to be used to redeem the preference shares first.

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22. Trade and other receivables

	Group	
	2019	2018
	RM'000	RM'000
Trade receivables:		
Outside parties [a]	34,639	24,831
Less : allowance for impairment for outside parties	(4,632)	(3,831)
Substantial shareholder [b] (Note 3)	29,615	24,786
Less : allowance for impairment for substantial shareholder	(1,665)	–
Related parties (Note 3)	6,659	6,839
Less : allowance for impairment for related parties	(256)	–
Receivables from customers on long-term contracts [d] (Note 20)	21,389	30,585
Retention receivables on long-term contracts	2,288	2,877
Subtotal	88,037	86,087
Other receivables:		
Outside parties [a]	3,055	4,427
Less : allowance for impairment for outside parties	(815)	(742)
Substantial shareholder [c] (Note 3)	965	–
Related parties (Note 3)	12,028	196
Less : allowance for impairment for related parties	(812)	–
Subtotal	14,421	3,881
Total trade and other receivables	102,458	89,968

(a) Included in the Group's trade and other receivables from outside parties are amounts of RM20,043,000 (2018: RM13,946,000) and RM Nil (2018: RM760,000) respectively that will be used to contra off future purchases of materials or services rendered by suppliers.

(b) Includes a commitment fee of RM1,402,000 (2018: RM1,156,000) paid directly to the director of Twin Revenue, who is the wholly authorised recipient designated by Twin Revenue to receive the commitment fee for a project.

(c) Includes an amount of RM950,000 (2018: RM Nil) representing the remaining monies to be collected from the disposal of a subsidiary (Note 12).

(d) Includes an amount of RM4,715,000 (2018: RM3,724,000) relating to balances due from Twin Revenue.

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22. Trade and other receivables (cont'd)

	Group	
	2019	2018
	RM'000	RM'000
Movement in allowance:		
Balance at beginning of the year	(4,573)	(3,507)
Charged to profit or loss included in other losses (Note 7)	(3,942)	(1,093)
Allowance written back included in other gains (Note 7)	335	28
Translation exchange adjustment	–	(1)
Balance at end of the year	(8,180)	(4,573)

	Company	
	2019	2018
	RM'000	RM'000
Other receivables:		
Subsidiaries (Notes 3 and 16)	44,854	46,747
Less: allowance for impairment	(39,621)	(42,383)
Subtotal	5,233	4,364
Total trade and other receivables	5,233	4,364
Movement in allowance:		
Balance at beginning of the year	(42,383)	–
Charged to profit or loss included in other losses	(520)	(42,383)
Allowance written back included in other gains [e]	3,445	–
Translation exchange adjustment	(163)	–
Balance at end of the year	(39,621)	(42,383)

(e) The allowance was written back as a subsidiary repaid the monies.

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

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22. Trade and other receivables (cont'd)

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

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

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

		Group	
	Gross carrying amount RM'000	**Loss allowance RM'000**	**Net balance RM'000**
2019			
Not past due	68,205	–	68,205
Past due 1-30 days	3,136	–	3,136
Past due 31-60 days	3,688	–	3,688
Past due 61-90 days	432	–	432
Past due 91-120 days	4,516	–	4,516
Past due 121 days	12,325	(6,553)	5,772
Retention receivables	2,288	–	2,288
Total	94,590	(6,553)	88,037
2018			
Not past due	55,300	–	55,300
Past due 1-30 days	878	–	878
Past due 31-60 days	90	–	90
Past due 61-90 days	11,655	–	11,655
Past due 91-120 days	857	–	857
Past due 121 days	18,256	(3,831)	14,425
Retention receivables	2,882	–	2,882
Total	89,918	(3,831)	86,087

As part of the process of setting customer credit limits, different credit terms are used. The average credit period generally granted to trade customers is about 21 - 90 days (2018: 21 - 90 days). However, some customers take a longer period to settle the amounts.

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22. Trade and other receivables (cont'd)

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

	Group	
	2019	2018
	RM'000	RM'000
Top 1 customer	3,242	4,001
Top 2 customers	5,721	7,810
Top 3 customers	7,481	11,610

The other receivables at amortised cost shown above are subject to the expected credit loss model under the financial reporting standard on financial instruments. The other receivables at amortised cost and which can be graded as low risk individually are considered to have low credit risk. At the end of the first reporting period, a loss allowance is recognised at an amount equal to 12 month expected credit losses because there has not been a significant increase in credit risk since initial recognition. A loss allowance of RM1,627,000 (2018: RM742,000) is recognised in the current year

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

23. Cash and cash equivalents

	Group	
	2019	2018
	RM'000	RM'000
Not restricted in use	4,872	4,344
Cash under project accounts [(a)]	442	440
Restricted in use [(b)]	1,636	1,306
	6,950	6,090
Interest earning balances	1,636	1,306

(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.

23. Cash and cash equivalents (cont'd)

The rate of interest for the cash on interest earning balances is 2.70% – 3.35% (2018: 2.19% - 3.20%) per annum.

	Company	
	2019	**2018**
	RM'000	**RM'000**
Not restricted in use	564	569
Interest earning balances	–	–

23A. Cash and cash equivalents in the Group's statement of cash flows

	Group	
	2019	**2018**
	RM'000	**RM'000**
As shown above	6,950	6,090
Restricted in use	(1,636)	(1,306)
Bank overdrafts (Note 29)	(1,422)	(3,272)
Cash and cash equivalents at end of year	3,892	1,512

Included in the cash and cash equivalents of the Group is an amount of RM1,200,000 (2018: RM700,000) which is not registered under the name of the Group as at 31 December 2019. It is registered in the name of Mr. Su Chung Jye and pledged for facilities granted to the Group.

23B. Non-cash transactions

(a) There were additions to property, plant and equipment of RM1,676,000 (2018: RM565,000) out of which RM1,377,000 (2018: Nil) and RM50,000 (2018: RM300,000) relates to right-of-use assets recognised together with lease liabilities and assets acquired by means of finance lease respectively (Note 14).

(b) The Group incurred interest expense of RM6,326,000 (2018: RM6,205,000) of which RM4,553,000 (2018: RM1,728,000) remains unpaid at the end of the year and is included in other payables. After excluding the notional interest expenses of RM725,000 (2018: Nil) and interest expenses on lease liabilities of RM114,000 (2018: Nil) and including the outstanding interest payable at the end of prior year of RM1,728,000 (2018: RM1,111,000), the Group made a total cash payments of RM2,662,000 (2018: RM5,588,000).

NOTES TO THE FINANCIAL STATEMENTS

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23. Cash and cash equivalents (cont'd)

23C. Reconciliation of liabilities arising from financing activities:

	2018 RM'000	Cash flows RM'000	Non-cash changes RM'000	2019 RM'000
Other financial liabilities excluding bank overdrafts	72,968	(8,859)	1,349 [(a), (b), (c)]	65,458
Other payables – substantial shareholder – net (Note 3D)	3,599	(965)	288 [(d)]	2,922
Other payables – associate	2,555	1,456	(689) [(d), (e)]	3,322
Other payables – directors of subsidiaries	722	(116)	47 [(d)]	653
Other payables – directors who are controlling shareholders of Company	2,228	3,466	172 [(d)]	5,866

(a) Other financial liabilities relating to the disposed subsidiary amounting to RM195,000 (Note 12) were transferred out as at 31 December 2019.

(b) There were lease liabilities of RM1,377,000 arising from right-of-use assets and RM50,000 of assets acquired by means of finance leases.

(c) Includes accrued interest expense of RM114,000 as at 31 December 2019 and translation adjustments of RM3,000.

(d) Relates to notional interest expense on amount due to substantial shareholder of RM288,000, amount due to associate of RM211,000, amount due to directors of subsidiaries of RM47,000 and amount due to directors of the company of RM172,000 (Note 3D).

(e) The dividend income of RM900,000 was offset with amount due to associate.

24. Share capital

The number of issued ordinary shares is analysed as follows:

	Group		Company	
	Number of shares issued	Issued and paid up share capital RM'000	Number of shares issued	Issued and paid up share capital RM'000
Ordinary shares of no par value:				
Balance at 1 January 2018, 31 December 2018 and 31 December 2019	224,917,251	144,552	224,917,251	381,051

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

24. 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. Management sets the amount of capital to meet its requirements and the risk taken. There were no changes in the approach to capital management during the reporting year. Management manages the capital structure and makes adjustments to it where necessary or possible in the light of changes in conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, Management may adjust the amount of dividends paid to owners, return capital to owners, issue new shares, or sell assets to reduce debt.

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

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

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	
	2019	**2018**
	RM'000	**RM'000**
Net debt:		
All current and non-current borrowings including lease liabilities/ finance leases	66,880	76,240
Less cash and cash equivalents	(6,950)	(6,090)
Net debt	59,930	70,150
Adjusted capital:		
Total equity	19,201	16,661
Adjusted capital	19,201	16,661
Debt-to-adjusted capital ratio	312%	421%

The favourable change as shown by the decrease in the debt-to-adjusted capital ratio for the reporting year resulted primarily from the gain from disposal of subsidiary of RM22,706,000 (Note 12).

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25. Share option reserve

25A. Employee share option scheme

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

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

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

25B. Activities under the share option scheme:

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

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

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

			Outstanding number of options ('000) at	
Exercise price	**Grant date**	**Exercise period**	**2019**	**2018**
S$0.38	3 June 2015	3 June 2016 to 2 June 2024 [a]	4,355	4,905
S$0.30	3 June 2015	3 June 2017 to 2 June 2024 [a]	4,355	4,905
Balance at end of year			8,710	9,810

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

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25. Share option reserve (cont'd)

25B. Activities under the share option scheme: (cont'd)

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

Directors and Controlling Shareholders of the Company	Options granted in 2015	Options from start of scheme to end of 2018	Exercised/ lapsed from start of scheme to end of 2019	Balance at 31.12.2019	
Su Chung Jye	600,000	600,000	–	600,000	#a
	600,000	600,000	–	600,000	#b
Wong Pak Kiong	240,000	240,000	–	240,000	#a
	240,000	240,000	–	240,000	#b
Low Yew Shen	100,000	100,000	–	100,000	#a
	100,000	100,000	–	100,000	#b
Associate of a Controlling Shareholder of the Company					
Serena Su Chung Wen	120,000	120,000	(120,000)	–	#a
	120,000	120,000	(120,000)	–	#b
	2,120,000	2,120,000	(240,000)	1,880,000	

#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

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

Participants	Options granted in 2015	Options from start of scheme to end of 2018	Exercised/ lapsed from start of scheme to end of 2019	Balance at 31.12.2019	
Frederick Eng Meng Khuan	525,000	525,000	–	525,000	#c
	525,000	525,000	–	525,000	#d
Liang Ngee Ping	525,000	525,000	–	525,000	#c
	525,000	525,000	–	525,000	#d
	2,100,000	2,100,000	–	2,100,000	

#c Exercise price of S$0.38. Exercise period from 3 June 2016 to 2 June 2024
#d Exercise price of S$0.30. Exercise period from 3 June 2017 to 2 June 2024

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

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25. Share option reserve (cont'd)

25C. Accounting for the share options:

Share option reserve:

	Group and Company	
	2019	**2018**
At beginning of the year	3,398	3,600
Forfeited	(465)	(202)
At end of the year	2,933	3,398

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.

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

26. Merger reserve

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

27. Other reserve

	Group	
	2019	**2018**
	RM'000	**RM'000**
Notional interest adjustment		
At beginning of the year	1,495	–
Notional interest adjustment	–	1,495
At end of the year	1,495	1,495

On 31 December 2018, certain shareholders and the associate provided letters to the Group indicating that they will not demand repayment of the amount owed to them of RM7,290,000 (Note 30) over the next 36 months. Accordingly, the Group has classified the balances as non-current and present valued the amount at a rate of 8%. The difference has been recorded as other reserve.

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28. Other non-financial liabilities, non-current

	Group	
	2019 RM'000	2018 RM'000
Non-refundable deposits	–	55

Management entered into a contract for leasing warehouse space for 3 years in 2018. The deposits will be forfeited if the tenant terminates the tenancy within 2 years from the commencement of the contract.

29. Other financial liabilities

	Group	
	2019 RM'000	2018 RM'000
Non-current:		
Financial instruments with floating interest rates:		
Term loans (secured) (Note 29A)	22,259	828
Financial instruments with fixed interest rates:		
Lease liabilities (secured) (Note 29B)	1,062	456
Redeemable preference shares (secured) (Note 29E)	10,000	20,000
Non-current total	33,321	21,284
Current:		
Financial instruments with floating interest rates:		
Term loans (secured) (Note 29A)	13,062	38,660
Bank overdrafts (secured) (Note 29C)	1,422	3,272
Banker acceptance (secured) (Note 29D)	151	1,414
Financial instruments with fixed interest rates:		
Lease liabilities (secured) (Note 29B)	3,924	6,610
Redeemable preference shares (secured) (Note 29E)	15,000	5,000
Current total	33,559	54,956
Total	66,880	76,240
Non-current portion is repayable as follows:		
Due within 2 to 5 years	33,321	20,456
After 5 years	–	828
Total non-current portion	33,321	21,284

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29. Other financial liabilities (cont'd)

	Company 2019 RM'000	Company 2018 RM'000
Current:		
Financial instruments with floating interest rates:		
Term loans (secured) (Note 29A)	5,349	8,375
Current total	5,349	8,375
Total	5,349	8,375

The ranges of floating interest rates were as follows:

	2019	2018
Term loans	3.75% to 11.70%	3.27% to 11.95%
Bank overdrafts	BLR[a] + 1.50% to 2%	BLR[a] + 1% to 2%
Banker acceptance	BLR[a] + 1.50%	BLR[a] + 1.25% to 1.50%

(a) Base lending rate

The ranges of fixed interest rates were as follows:

	2019	2018
Lease liabilities	2.42% – 9.16%	2.40% – 8.30%

29A. Term loans (secured)

	Group 2019 RM'000	Group 2018 RM'000
Non-current:		
Term loans due within 2 to 5 years	22,259	828
Current:		
Term loans (secured)	13,062	38,660
Total	35,321	39,488

	Company 2019 RM'000	Company 2018 RM'000
Current:		
Term loans (secured)	5,349	8,375
Total	5,349	8,375

29. Other financial liabilities (cont'd)

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

Term loan	Commencement month of repayment	Number of Monthly instalments	Monthly instalments RM	2019 RM'000	2018 RM'000
1	January 2015	240	8,584	882	911
2	January 2015	120	10,100	662 [a]	679
3	August 2015	Combined trade financing		486 [b]	499
4	December 2015	180	6,554	581	602
5	December 2015	180	6,056	535	555
6	November 2016	48	73,750	917 [c]	1,632
7	December 2016	84	17,467	678 [d]	788
8	December 2016	48	73,977	1,162 [e]	1,835
9	December 2016	–	–	22,259 [h]	22,785
10	November 2017	Rollover loan		5,349 [f]	8,375
11	December 2018	120	9,742	890	827
12	October 2019	84	11,600	920 [g]	–
				35,321	39,488

(a) This loan was restructured after year-end. The interest rate remains unchanged at BLR + 1.8% but the monthly instalment commitment has been revised and extended from August 2020 to September 2023.

(b) This loan was restructured after year-end. The interest rate remains unchanged at BLR + 1.8% but the monthly instalment commitment has been revised and extended from August 2020 to June 2023.

(c) This loan was restructured after year-end from the current fixed interest rate of 4.5% per annum. The interest rate has changed to Base Financing Rate ("**BFR**") + 4.0% and the instalment has been extended to 36 instalments from 31 March 2020. The restructured loan is further secured by assignment over the rights, titles and interest or legal charges and/or power of attorney over an associate's completed development property.

(d) This loan was restructured after year-end. The interest rate remains unchanged at BLR + 5.0% but the instalment has been extended to 84 instalments from 3 June 2020.

(e) This loan was restructured after year-end from the current fixed interest rate of 4.5% per annum. The interest rate has changed to BFR + 4.0% and the instalment has been extended to 60 instalments from 28 February 2020. The restructured loan is further secured by assignment over the rights, titles and interest or legal charges and/or power of attorney over an associate's completed development property.

(f) Management is in discussions with the bank for the restructuring of this loan. Under the terms of restructuring, the interest rate will remains unchanged at BLR + 2.0% but the monthly instalment commitment will be revised and extended from January 2021 to June 2022. The restructured loan is further secured by assignment over the rights, titles and interest or legal charges and/or power of attorney over two units of a subsidiary's completed development properties.

(g) This loan was restructured after year-end. The interest rate remains unchanged at BLR + 1.5% but the instalment has been extended from 28 February 2027 to 28 October 2027.

(h) The Group obtained approval from the lender to repay the loan when it sells the pledged units and the loan will not be recalled within the next 2 years.

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31 DECEMBER 2019

29. Other financial liabilities (cont'd)

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

The term loans are covered by the following:-

(i) Joint and several guarantees by certain Directors of the Company;

(ii) Joint and several guarantees by Directors of certain subsidiaries of the Group;

(iii) Corporate guarantees provided by certain subsidiaries of the Group;

(iv) Assignment over the rights, titles and interest or legal charges and/or power of attorney over properties held for sale and leasehold property;

(v) Guarantee by Syarikat Jaminan Pembiayaan Perniagaan Berhad ("**SJPP**") under the Working Capital Guarantee Scheme; and

(vi) Pledge of cash and cash equivalent of a subsidiary

During the reporting year, there were defaults in payment of instalments of RM573,000 (2018: RM418,000) on the borrowings of RM5,903,000 (2018: RM7,501,000) at the end of the reporting year. Due to callable clauses in the loan agreements, Management has classified the affected borrowings as current. However, the lenders have not recalled these facilities. The Group has paid or restructured the defaults at the date of this financial statements.

Subsequent to year end, the Group is in discussions with certain lenders to restructure the Group's term loans. As at the date of the financial statements, the Group has received the replies from the lenders to extend the facility and/or reschedule the monthly instalments and tenures based on the revised applicable interest rate.

29B. Lease liabilities (secured)

The lease liabilities consists of finance lease under hire purchase and lease liabilities under SFRS(I) 16.

Lease liabilities/ finance leases are presented in the statement of financial position as follows:

	Group	
	2019	**2018**
	RM'000	**RM'000**
Lease liabilities, current	3,924	6,610
Lease liabilities, non-current	1,062	456
	4,986	7,066

29. Other financial liabilities (cont'd)

29B. Lease liabilities (secured) (cont'd)

Reconciliation of lease commitments and lease liabilities at the date of initial application:

	Group 2019 RM'000
Operating lease commitments as at 31 December 2018	2,384
Relief option for short-term leases	(675)
Subtotal - Operating lease liabilities before discounting	1,709
Discounted using incremental borrowing rate	(330)
Translation exchange adjustments	(2)
Total lease liabilities at end of reporting year	1,377

Movements of lease liabilities for the reporting year are as follows:

	Group 2019 RM'000
Lease liabilities recognised at 31 December 2018	7,066
Lease liabilities recognised upon adoption of SFRS (I) 16 (Note 14A)	1,377
Total lease liabilities recognised at 1 January 2019	8,443
Lease payments paid	(3,815)
Additions	50
Accretion of interest (Note 8)	500
Disposal of subsidiary (Note 12)	(195)
Translation exchange adjustments	3
Total lease liabilities at end of reporting year	4,986

There were defaults in payment of instalments of RM571,000 (2018: RM656,000) on the lease liabilities of RM3,172,000 (2018: RM5,887,000) at the end of the reporting year. This was due to shortage of liquid funds. Due to callable clauses in the finance lease agreements, Management has classified the affected borrowings as current. However, the lenders have not recalled these facilities. The Group has paid the defaults at the date of this financial statements.

The new standard on leases has been applied using the modified retrospective transaction approach and the impact of RM1,377,000 has been adjusted to the balances at the beginning of the year.

The lease liabilities above do not include the short-term leases of less than 12 months and lease of low-value underlying assets. The right-of-use assets are disclosed in Note 14A.

On transition to the new standard on leases, the weighted average incremental borrowing rate applied to lease liabilities recognised was 2.42% to 9.16% (2018: 2.40% - 8.30%) per year. The right-of-use assets and lease liabilities before the date of initial application are measured at the same amounts as under the new standard.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

29. Other financial liabilities (cont'd)

29B. Lease liabilities (secured) (cont'd)

The obligations under lease liabilities are secured by a legal charge over the leased assets.

Group	Minimum payments RM'000	Finance charges RM'000	Present value RM'000
2019			
Minimum lease payments payable:			
Due within one year	4,392	(468)	3,924
Due within 2 to 5 years	1,202	(140)	1,062
Total	5,594	(608)	4,986
Carrying value of right-of-use assets under lease liabilities			6,619
2018			
Minimum lease payments payable:			
Due within one year	7,369	(759)	6,610
Due within 2 to 5 years	473	(17)	456
Total	7,842	(776)	7,066
Carrying value of equipment under lease liabilities			6,631

The total for lease liabilities and the average 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 lease liabilities was estimated by discounting the future cash flows payable under the terms of the lease liabilities using the interest rates ranging between 2.40% to 9.16% per annum applicable to similar lease liabilities (Level 2).

29C. Bank overdrafts (secured)

The bank overdrafts are covered by:

(i) Joint and several guarantees of certain Directors of the Company;

(ii) Joint and several guarantee by Directors of one of the subsidiaries of the Group;

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

(iv) Corporate guarantees provided by certain subsidiaries of the Group;

(v) Legal charge or deed of assignment and power of attorney over certain subsidiaries' properties held for sale;

(vi) Legal charge over the completed property of associate; and

(vii) Pledge of cash and cash equivalents in a subsidiary (Note 23).

29. Other financial liabilities (cont'd)

29D. Bank acceptance (secured)

	Commencement date	2019 RM'000	2018 RM'000
1	February 2016	151	380
2	July 2016	–	1,034
		151	1,414

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; and

(iv) Legal charge over the subsidiary's properties held for sale.

29E. Redeemable preference shares (secured)

	Group	
	2019 RM'000	2018 RM'000
Issued and fully paid:		
25,000,000 shares issued at RM1 each	25,000	25,000
Fair value	25,000	25,370
Presented in the statement of financial position as follows:		
Other financial liabilities, non-current	10,000	20,000
Other financial liabilities, current	15,000	5,000
Total	25,000	25,000

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

The preference shares have a right to a fixed cumulative dividend of 8% per annum payable bi-annually. They are redeemable in 5 tranches of RM5,000,000 per tranche on 13 July 2019, 13 January 2020, 25 May 2020, 23 July 2020 and 25 November 2020. They rank ahead of ordinary shares in the event of liquidation, both for their entitlement to a return of capital and for any arrears of dividend. The preference shares are non-voting unless dividends become in arrears.

The preference shares are covered by the following:

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

29. Other financial liabilities (cont'd)

29E. Redeemable preference shares (secured) (cont'd)

The Group has not paid the dividend payables of RM1,442,000 (2018: RM616,000) as at 31 December 2019 and this is included in other payables as disclosed in Note 30.

During the year, the Group had managed to extend the repayment of RM5,000,000 per tranche totalling RM15,000,000 that was to be paid respectively on July 2019, January 2020 and July 2020 to July 2020, January 2021 and July 2021. Subsequent to year-end, Management has negotiated with Koperasi Jayadiri Malaysia Berhad to restructure the repayment of the redeemable preference shares and the related dividend payable of RM2,727,000 (Note 37).

30. Trade and other payables

	Group	
	2019	**2018**
	RM'000	**RM'000**
Trade payables:		
Outside parties and accrued liabilities	91,563	95,376
Substantial shareholder (Note 3)	587	–
Related parties (Note 3)	4,338	1,027
Due to customers on construction contracts and development properties (Note 20)	43,593	41,602
Provision for liquidated and ascertained damages (Note 30A)	17,235	9,671
Subtotal	157,316	147,676
Other payables:		
Outside parties and accrued liabilities [(a)]	15,372	9,111
Interest payables	3,111	1,112
Preference shares dividend payables (Note 29E)	1,442	616
Associate (Notes 3 and 17)	3,322	2,555
Directors of subsidiaries (Note 3)	653	722
Directors who are controlling shareholders of company (Note 3)	5,866	2,228
Directors' fees payable	585	–
Substantial shareholder (Note 3)	3,887	3,599
Related parties (Note 3)	1,544	492
Subtotal	35,782	20,435
Total trade and other payables	193,098	168,111
Presented in the statement of financial position as follows:		
Trade and other payables, current	183,306	159,132
Trade and other payables, non-current	9,792	8,979
	193,098	168,111

(a) Includes accrued defined contribution plans and other employee benefits that remains unpaid of RM2,470,000 (2018: RM2,211,000). As of the date of financial statements, the Group has paid RM1,240,000 to the authority.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

30. Trade and other payables (cont'd)

	Company 2019 RM'000	Company 2018 RM'000
Other payables:		
Outside parties and accrued liabilities	2,940	3,990
Directors' fees payable	585	–
Directors who are controlling shareholders (Note 3)	1,478	–
Total trade and other payables, current	5,003	3,990

30A. Provision for liquidated and ascertained damages

	Group 2019 RM'000	Group 2018 RM'000
Balance at beginning of the year	9,671	–
Provision for the year	7,627	9,671
Payments made during the year	(63)	–
Balance at end of the year	17,235	9,671

Provision relates to late delivery of certain projects under construction of the Group.

31. Other liabilities

	Group 2019 RM'000	Group 2018 RM'000
Refundable deposits	3,835	2,680

32. Operating lease payment commitments – as lessee

Prior to 1 January 2019, the total of future minimum lease payments commitments under non-cancellable operating leases were as follows:-

	Group 2018 RM'000
Not later than one year	1,106
Later than one year and not later than five years	995
Later than five years	283
Rental expense for the year	1,085

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

33. Operating lease income commitments – as lessor

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

	Group 2019 RM'000	Group 2018 RM'000
Not later than one year	122	209
Between 1 to 2 years	–	122
Total	122	331
Rental income for the year (Note 5)	976	462

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 2019 RM'000	Group 2018 RM'000
Financial assets:		
Financial assets at amortised cost	89,365	82,903
Financial liabilities:		
Financial liabilities at amortised cost	220,220	205,429

	Company 2019 RM'000	Company 2018 RM'000
Financial assets:		
At end of the year	5,797	6,484
Financial liabilities:		
At end of the year	10,352	12,365

Further quantitative disclosures are included throughout the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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

34B. Financial risk management

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

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

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

34C. Fair value of financial instruments

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

34D. Credit risk on financial assets

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

Reviews and assessments of credit exposures in excess of designated limits are made. Renewals and reviews of credits limits are subject to the same review process.

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

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

34E. Liquidity risk – financial liabilities maturity analysis

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

Group **Non-derivative financial liabilities:**	**Less than 1 year** **RM'000**	**2 – 5 years** **RM'000**	**After 5 years** **RM'000**	**Total** **RM'000**
2019				
Gross borrowings commitments	32,275	36,398	–	68,673
Gross finance lease obligations	4,392	1,202	–	5,594
Trade and other payables	139,713	11,417	–	151,130
At end of the year	176,380	49,017	–	225,397
2018				
Gross borrowings commitments	51,701	23,200	948	75,849
Gross finance lease obligations	7,369	473	–	7,842
Trade and other payables	117,530	11,417	–	128,947
At end of the year	176,600	35,090	948	212,638

Company **Non-derivative financial liabilities:**	**Less than 1 year** **RM'000**
2019	
Gross borrowings commitments	5,556
Trade and other payables	5,003
At end of the year	10,559
2018	
Gross borrowings commitments	8,672
Trade and other payables	3,990
At end of the year	12,662

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

The liquidity risk refers to the difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. It is expected that all the liabilities will be paid at their contractual maturity. The average credit period taken to settle trade payables is about 30 – 120 days (2018: 30 – 120 days). The classification of the financial assets is shown in the statement of financial position as they may be available to meet liquidity needs and no further analysis is deemed necessary.

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

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

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

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

	Group	
	2019	**2018**
	RM'000	**RM'000**
Corporate guarantees in favour of financial institutions for facilities extended to:		
- Subsidiaries	10,298	8,125
- Related parties	500	–

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.

	Group	
	2019	**2018**
	RM'000	**RM'000**
Undrawn borrowing facilities	8,667	10,753

34F. Interest rate risk

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

	Group	
	2019	**2018**
	RM'000	**RM'000**
Financial liabilities:		
Fixed rate	29,986	32,066
Floating rate	36,894	44,174
Total at end of the year	66,880	76,240
Financial assets:		
Floating rate	1,636	1,306
Total at end of the year	1,636	1,306

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

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

34F. Interest rate risk (cont'd)

	Company 2019 RM'000	Company 2018 RM'000
Financial liabilities:		
Floating rate	5,349	8,375

The interest rates are disclosed in the respective notes. The floating rate debt obligations are with interest rates that are re-set regularly ranging from one to six month intervals.

Sensitivity analysis:

	Group 2019 RM'000	Group 2018 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	369	442

	Company 2019 RM'000	Company 2018 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	53	84

The impact to financial assets is not significant.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

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

34G. Foreign currency risk

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

Analysis of significant amounts denominated in non-functional currencies:

Group and Company Financial assets:	**Cash RM'000**	**Loans and receivables RM'000**	**Total RM'000**
2019:			
United States dollars ("**USD**")	122	–	122
New Taiwan dollars ("**NTD**")	64	–	64
Singapore dollars ("**SGD**")	378	1	379
	564	1	565
2018:			
USD	173	–	173
NTD	92	–	92
SGD	304	1,552	1,856
	569	1,552	2,121

Group and Company Financial liabilities:	**Other financial liabilities RM'000**	**Trade and other payables RM'000**	**Total RM'000**
2019:			
SGD	5,349	2,603	7,952
NTD	–	49	49
	5,349	2,652	8,001
2018:			
SGD	8,375	3,737	12,112
NTD	–	37	37
	8,375	3,774	12,149

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

NOTES TO THE FINANCIAL STATEMENTS

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

34G. Foreign currency risk (cont'd)

Sensitivity analysis:

	Group and Company	
	2019	2018
	RM'000	RM'000
A hypothetical 10% strengthening in the exchange rate of the functional currency against the USD with all other variables held constant would have an adverse effect on pre-tax profit or loss of	(12)	(17)
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	(2)	(6)
A hypothetical 10% strengthening in the exchange rate of the functional currency against the SGD with all other variables held constant would have an adverse effect on pre-tax profit or loss of	757	1,026

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

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

35. Changes and adoption of financial reporting standard

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

SFRS (I) No.	Title
SFRS (I) 1-19	Amendments: Plan Amendment, Curtailment or Settlement
SFRS (I) 9	Amendments: Prepayment Features with Negative Compensation
SFRS (I) 16	Leases (and Leases - Illustrative Examples & Amendments to Guidance on Other Standards)
SFRS(I) 1-28	Amendments to Long-term Interests in Associates and Joint Ventures
SFRS (I) INT 23	Uncertainty over Income Tax Treatments
SFRS (I) 1-12	Improvements (2017) – Amendments: Income Taxes
SFRS (I) 1-23	Improvements (2017) – Amendments: Borrowing Costs
SFRS (I) 3	Improvements (2017) – Amendments: Business Combinations
SFRS (I) 11	Improvements (2017) – Amendments: Joint Arrangements

35. Changes and adoption of financial reporting standard (cont'd)

SFRS(I) 16 Leases

The financial reporting standard on leases is effective for annual periods beginning on or after 1 January 2019 and it supersedes the previous reporting standard and the related interpretations on leases. For the lessee, almost all leases are brought onto the statement of financial position under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. Thus, the entity has recognised a right-of-use asset and a corresponding liability in respect of all these leases (unless they qualify for low value or short-term leases) which might have a material impact on the amounts recognised in the financial statements. The amount by which each financial statement line item is impacted in the current reporting year by the application of the new standard on leases are disclosed in the relevant notes to the financial statements. The reporting entity elected to apply the modified retrospective approach for this new standard on leases. Under the modified retrospective approach, the comparative information is not restated and therefore there is no presentation of a third column for the statement of financial position. Upon adoption of this financial reporting standard, the Group had disclosed its right-of-use assets and lease liabilities in Notes 14 and 29.

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

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

SFRS (I) No.	Title	Effective date for periods beginning on or after
SFRS (I) 3	Definition of a Business – Amendments	1 Jan 2020
SFRS (I) 1-1 and 1-8	Definition of Material – Amendments to The Conceptual Framework for Financial Reporting	1 Jan 2020
	The Conceptual Framework for Financial Reporting	1 Jan 2020
SFRS (I) 16	Amendment to SFRS (I) 16: COVID-19 Related Rent Concessions	1 Jun 2020
SFRS (I)10 and SFRS (I) 1-28	Sale or Contribution of Assets between and Investor and its Associate or Joint Venture	Not fixed yet

NOTES TO THE FINANCIAL STATEMENTS

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37. Events after the end of the reporting year

(a) On 21 September 2020, the Group incorporated a wholly-owned subsidiary, Regal Opulences Sdn. Bhd. in Malaysia, held through Regal International Holdings Pte. Ltd.

The Group had on 10 December 2020, through its wholly-owned subsidiary, Regal Opulences Sdn. Bhd. ("**ROSB**") acquired Koperasi Jayadiri Malaysia Berhad ("**KOJADI**")'s 11 million redeemable preference shares (the "**RPS**") from Temasek Regal Capital Sdn. Bhd. at a purchase consideration of RM11 million ("**Consideration**") pursuant to the terms and conditions to be set out in the Share Sale Agreement entered into between KOJADI and ROSB (the "**Agreement**"). This is part of the exercise of restructuring the financial liabilities of the Group to extend the settlement period of the RPS principal and dividends due and payable to KOJADI ("**Restructuring**"). The Consideration will be paid by way of cash or by way of redemption of assigned properties over a period of 3 years, together with the interest chargeable, from the date of the Agreement. Further collaterals are provided for the Consideration, remaining RPS and dividends payable, including assigned properties of the Group of RM40,333,000, assigned properties of its associate of RM1,700,000, assigned properties of its related parties of RM4,770,000, corporate guarantees by Regal International Holdings Pte. Ltd. and personal guarantees by the two Executive Directors of the Company. Also see Note 29E.

In addition, the Group also obtained approval from KOJADI on 10 December 2020 to extend the redemption of the remaining 14 million RPS and the payment of the outstanding dividends and interest accruing therefrom for a period of 3 years from 10 December 2020 in consideration of the properties that have been assigned to them as indicated above.

(b) The COVID-19 pandemic and the aftermath of the pandemic has caused and will continue to cause disruptions for the foreseeable future to and create uncertainty surrounding the reporting entity's business, including affecting its relationships with its existing and future customers, suppliers and employees, which could have an adverse effect on its business, financial results and operations. There is significant uncertainty around the medium to long term impact of COVID-19. Economic forecasts are continually changing, government support for businesses are evolving and assets held by other entities may have material uncertainties and/or disclaimers regarding the impact of COVID-19. These uncertainties give rise to difficulties in making an accurate assessment by Management of the future impacts on the reporting entity. In particular, COVID-19 conditions continue to cause delays in operations for their construction projects at certain project sites. Such delays may have an impact on provisions such as liquidated and ascertained damages. Management will continue to closely monitor the further economic development and its impact. It is however reasonably possible that COVID-19 pandemic will have an adverse impact on the reporting entity's revenues and results for the next reporting year, the extent of which will depend on how long the aftermath of the pandemic lasts.

STATISTICS OF SHAREHOLDINGS

AS AT 19 JANUARY 2021

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

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	27	3.93	1,452	0.00
100 - 1,000	127	18.46	88,193	0.04
1,001 - 10,000	277	40.26	1,390,932	0.62
10,001 - 1,000,000	247	35.90	18,796,191	8.36
1,000,001 AND ABOVE	10	1.45	204,640,483	90.98
TOTAL	**688**	**100.00**	**224,917,251**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	106,968,617	47.56
2	PHILLIP SECURITIES PTE LTD	59,052,834	26.26
3	DBS NOMINEES (PRIVATE) LIMITED	9,700,607	4.31
4	LOW YEW SHEN (LIU YAOSHENG)	6,389,000	2.84
5	KGI SECURITIES (SINGAPORE) PTE. LTD.	6,355,665	2.83
6	UOB KAY HIAN PRIVATE LIMITED	5,464,566	2.43
7	TONY LING LEE TOM	5,274,600	2.35
8	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	2,191,399	0.97
9	OCBC SECURITIES PRIVATE LIMITED	2,013,032	0.90
10	RAFFLES NOMINEES (PTE.) LIMITED	1,230,163	0.55
11	MAYBANK KIM ENG SECURITIES PTE. LTD.	685,999	0.31
12	CITIBANK NOMINEES SINGAPORE PTE LTD	683,810	0.30
13	LIM CHOON KEE	638,000	0.28
14	HSBC (SINGAPORE) NOMINEES PTE LTD	593,399	0.26
15	CHNG KWEI HOONG	584,999	0.26
16	CHAN SIOK HUI	545,266	0.24
17	KAY LAY CHIN SANDY (GUO LIJUN SANDY)	536,333	0.24
18	ONG BOK LIM OR TEOH JOK LAN	496,666	0.22
19	JESSICA ONG BOON CHIN	477,166	0.21
20	TEO CHIA CHIN	446,900	0.20
	TOTAL	**210,329,021**	**93.52**

STATISTICS OF SHAREHOLDINGS

AS AT 19 JANUARY 2021

SUBSTANTIAL SHAREHOLDERS AS AT 19 JANUARY 2021

(As recorded in the Register of Substantial Shareholders)

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

Notes:

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

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

(3) Ikram is deemed to be interested in 16,500,000 shares where were lent to Mr Su, of which 10,000,000 shares are directly held by Stratland and 6,500,000 shares are directly held by Mr Su.

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

As at 19 January 2021, 25.83% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST which requires 10% of the equity securities (excluding preference shares, convertible equity securities, treasury shares and subsidiary holdings) in a class that is listed to be in the hands of the public.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("**AGM**") of Regal International Group Ltd. ("**Company**") will be held by way of electronic means on Wednesday, 24 February 2021 at 3.00 p.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 2019 together with the Auditors' Report thereon. **(Resolution 1)**

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

Mr. Wong Pak Kiong	(Regulation 89)	**(Resolution 2)**
Mr. Lau Kay Heng	(Regulation 88)	**(Resolution 3)**

[See Explanatory Note (i)]

3. To note the retirement of Mr. Low Yew Shen pursuant to Regulation 89 of the Constitution of the Company at the conclusion of this AGM.

4. To approve the payment of Directors' fees of S$62,839 for the financial year ended 31 December 2019. (FY2018: S$73,920) **(Resolution 4)**

5. To note the resignation of Messrs RSM Chio Lim LLP, as the Auditors of the Company.

[See Explanatory Note (ii)]

6. 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:

7. **Authority to issue shares in the capital of the Company pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore 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 of Singapore (the "**Companies Act**") 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) allot and issue shares in the Company ("**Shares**") whether by way of rights, bonus or otherwise); and/or

(ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

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

NOTICE OF ANNUAL GENERAL MEETING

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

(the "**Share Issue Mandate**")

provided that:

(1) the aggregate number of Shares (including shares to be issued in pursuant to the Instruments, made or granted pursuant to this Resolution and instruments to be issued pursuant to this Resolution shall not exceed 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares and Instruments to be issued (including Shares to be issued pursuant to the Instruments) other than on a pro-rata basis to existing shareholders of the Company shall not exceed 20% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares and Instruments that may be issued under sub-paragraph (1) above, the total number of issued shares and Instruments shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

    (a) new shares arising from the conversion or exercise of any convertible securities;

    (b) new shares arising from exercising share options or vesting of share awards, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and

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

    Adjustments in accordance with sub-paragraph 7(2)(a) or 7(2)(b) above are only to be made in respect of new shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of passing of the Share Issue Mandate.

(3) in exercising the Share Issue Mandate conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and

(4) unless revoked or varied by the Company in a general meeting, the Share Issue Mandate shall continue in force (i) until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of the Instruments.

[See Explanatory Note (iii)] **(Resolution 5)**

NOTICE OF ANNUAL GENERAL MEETING

8. **Authority to issue shares under the Regal International Group Employee Share Option Scheme**

That pursuant to Section 161 of the Companies Act, the Directors of the Company be authorised and empowered to offer and grant share options under the Regal International Group Employee Share Option Scheme ("**Scheme**") and to allot and issue from time to time such number of shares in the capital of the Company (excluding treasury shares and subsidiary holdings) as may be required to be issued pursuant to the exercise of share options granted by the Company under the Scheme, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued and/or issuable pursuant to the Scheme and all shares awarded under the Regal International Group Performance Share Plan shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time and that such authority shall, unless varied or revoked by the Company in a general meeting, continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (iv)] **(Resolution 6)**

By Order of the Board

Siau Kuei Lian
Company Secretary
Singapore, 9 February 2021

Explanatory Notes:

(i) Mr Wong Pak Kiong will, upon re-election as a Director of the Company, remain as Executive Director of the Company and will be considered non-independent. Please refer to Table A of the Corporate Governance Report on page 37 to page 40 of the Annual Report for the detailed information required pursuant to Rule 720(6) of the Listing Manual of SGX-ST.

Mr. Lau Kay Heng will, upon re-election as a Director of the Company, remain as the Independent Director of the Company, a member of the Audit Committee and Remuneration Committee, and will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST. Please refer to the Table A of the Corporate Governance Report on page 37 to page 40 of the Annual Report for the detailed information required pursuant to Rule 720(6) of the Listing Manual of SGX-ST.

(ii) The Auditors of the Company, Messrs RSM Chio Lim LLP had expressed their intention not to seek for re-appointment at this AGM. The Board of the Company accepted the resignation of Messrs RSM Chio Lim LLP as independent auditors of the Company, and shall be taking the necessary steps to replace the independent auditors of the Company, in consultation with the Audit Committee of the Company, with another firm of auditors. The Company will seek approval from Shareholders to appoint the new auditors and a circular setting out further details on the proposed change of auditors, together with the Notice of Special General Meeting, will be despatched to Shareholders in due course. The Company will update Shareholders on any material developments on this matter, where necessary and required under the Listing Manual of the Singapore Exchange Securities Trading Limited.

NOTICE OF ANNUAL GENERAL MEETING

(iii) The Ordinary Resolution 5 in item 7 above, if passed, will authorise and empower the Directors of the Company from the date of this AGM until the date of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to 20% may be issued other than a pro-rata basis to existing shareholders of the Company.

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

(iv) The Ordinary Resolution 6 in item 8 above, if passed, will authorise and empower the Directors of the Company from the date of this AGM until the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is earlier, to issue Shares in the capital of the Company pursuant to the 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 do not exceed in aggregate (for the entire duration of the Scheme) fifteen per centum (15%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time.

Notes:

General

1. The AGM will be held by electronic means only pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (as amended from time to time). Printed copies of this Notice, Proxy Form and the Annual Report 2019 will not be sent to members. Instead, this Notice, Proxy Form and the Annual Report 2019 will be made available to members by electronic means via publication on the SGX website at www.sgx.com/securities/company-announcements and on the Company's website at https://www.regalinternational.com.sg.

   In view of the current COVID-19 situation and in light of the advisories issued by the relevant authorities in Singapore as well as the related safe distancing measures in Singapore, members of the Company are encouraged to attend the Meeting via webcast.

2. Alternative arrangements are instead put in place to allow shareholders to participate in the AGM by:-

   a. watching or listening to the AGM proceedings via a Live Webcast (as defined below). Shareholders who wish to participate as such will have to pre-register in the manner outlined in Notes 3 to 6 below;

   b. submitting questions ahead of the AGM. Please refer to Notes 7 to 8 below for further details; and

   c. voting by proxy at the AGM. Please refer to Notes 9 to 18 below for further details.

Participation in AGM proceedings via "Live Webcast"

3. A member of the Company or their corporate representative(s) (in the case of a member which is a legal entity) will be able to watch or listen to the proceedings of the AGM through a "live" webcast, either, via mobile phone, tablet or computer ("**Live Webcast**"). In order to do so, member must pre-register with the Company by **3.00 p.m. on 21 February 2021** ("**Registration Deadline**"), at the URL http://agm.conveneagm.com/regal (the "**Regal AGM Website**"), to create an account. Corporate members must also submit the Corporate Representative Certificate to the Company at the following email address: contact@regalinternational.com.sg.

4. Following the authentication of his/her/its status as a member of the Company, such member will receive an email on their authentication status and will be able to access the Live Webcast using the account created.

5. Members who have pre-registered by the Registration Deadline but do not receive the aforementioned email by 3.00 p.m. on 23 February 2021 should contact the Company for assistance at support@conveneagm.com, with the following details included:-

   (a) the member's full name; and

   (b) his/her/its identification/registration number.

6. Non-CPF/SRS holders whose shares are registered under Depository Agents ("**DAs**") must **also** contact their respective DAs to indicate their interest in order for their respective DAs to make the necessary arrangements for them to participate in the Live Webcast.

NOTICE OF ANNUAL GENERAL MEETING

Submission of questions prior to the AGM

7. Shareholders will not be able to ask questions during the Live Webcast, therefore it is important for shareholders to register and submit their questions in advance of the AGM. A member of the Company may submit questions relating to the resolutions to be tabled for approval at the AGM or the Company's businesses and operations. The Company will endeavour to address questions which are substantial and relevant.

8. To do so, all questions must be submitted no later than 16 February 2021 at 3.00 p.m. by digital submission to the **Regal AGM Website**.

Voting by proxy

9. The Company will not be providing an electronic voting system at the AGM to be convened. Accordingly, members will not be able to vote online on the resolutions to be tabled for approval at the AGM. A member (whether individual or corporate) may appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM. In appointing the Chairman of the Meeting as proxy, such member (whether individual or corporate) is/are advised to specify his/her/its votes for the respective resolutions in the instrument appointing the Chairman of the Meeting as proxy ("**Proxy Form**"), failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.

10. The Chairman of the Meeting, as proxy, need not be a member of the Company.

11. The Proxy Form must be submitted through any one of the following means: (a) by digital submission at the **Regal AGM Website**; (b) by depositing a physical copy at the office of the Company's Share Registrar at **30 Cecil Street, #19-08 Prudential Tower, Singapore 049712**; or (c) by sending a scanned PDF copy by email to contact@regalinternational.com.sg, in each case, no later than **3.00 p.m. on 21 February 2021**, and failing which, the Proxy Form will not be treated as valid.

12. In the case of submission of the Proxy Form other than via the Regal AGM Website, a member who wishes to submit an instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

13. In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically.

14. In the case of submission of the Proxy Form other than via the Regal AGM Website, the Proxy Form must be executed under the hand of the appointor or of his attorney duly authorised in writing. Where the Proxy Form is executed by a corporation, it must be executed under its common seal or under the hand of its officer or attorney duly authorised. Where the Proxy Form is signed on behalf of the appointor by an attorney, the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the Proxy Form, failing which the Proxy Form may be treated as invalid.

15. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative with respect to the AGM, in accordance with Section 179 of the Companies Act and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.

16. The Company shall be entitled to reject the Proxy Form if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the Proxy Form.

17. In the case of a member of the Company whose shares are entered against his/her name in the Depository Register, the Company may reject any Proxy Form if the member, being the appointor, is not shown to have shares entered against his/her name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

18. A member of the Company who holds his/her shares through a Relevant Intermediary* and who wishes to exercise his/her voting rights by appointing the Chairman of the Meeting as proxy should approach his/ her Relevant Intermediary as soon as possible to specify his/her voting instructions. CPF/SRS investor who wishes to vote should approach his/her CPF Agent Bank or SRS Operator at least seven (7) working days before the date of the AGM to submit his/her voting instructions.

*A Relevant Intermediary is:

a) a banking corporation licensed under the Banking Act (Chapter 19) of Singapore, 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) of Singapore and who holds shares in that capacity; or

NOTICE OF ANNUAL GENERAL MEETING

c) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36) of Singapore, 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 Central Provident Fund Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

PERSONAL DATA PRIVACY

By pre-registering for the Live Webcast, submitting a Proxy Form appointing the Chairman of the Meeting as proxy to attend, speak and vote at the AGM and/or any adjournment thereof, and/or submitting questions relating to the resolutions to be tabled for approval at the AGM or the Company's businesses and operations, a member of the Company consents to the collection, use and disclosure of such member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration, analysis and facilitation by the Company (or its agents or service providers) of his/her/its participation in the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines.

Due to the constantly evolving COVID-19 situation, the Company will closely monitor the situation and reserve the right to change our arrangements for the AGM at short notice. Shareholders should check SGXNET and the Company's website at http://www.regalinternational.com.sg for the latest updates of the AGM. The Company apologises for any inconvenience caused and seek the understanding and cooperation of all Shareholders in enabling the Company to hold its AGM with the optimum safe distancing measures amidst the current COVID-19 pandemic.

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. Alternative arrangements relating to, amongst others, attendance, submission of questions in advance and voting by proxy at the Meeting are set out in the Company's announcement which, together with the Notice of Annual General Meeting dated 9 February 2021, have been uploaded on SGXNET. The announcement and the Notice of Annual General Meeting can also be accessed at the Company's corporate website (http://www.regalinternational.com.sg).
2. An investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investor**") (as may be applicable) should approach his/her CPF Agent Bank and/or SRS Operator at least 7 working days before the Meeting to submit his/her voting instructions.
3. 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 **Chairman of the Meeting** as *my/our proxy to attend and vote for *me/us on *my/our behalf at the Annual General Meeting (the "**Meeting**") of the Company to be held by way of electronic means on Wednesday, 24 February 2021 at 3.00 p.m. and at any adjournment thereof. I/We direct the Chairman of the Meeting to vote for, against or abstain from voting 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 appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid**.

No.	Resolutions relating to:	No. of Votes "For"*	No. of Votes "Against"*	No. of Votes "Abstain"*
Ordinary Business				
1	Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2019			
2	Re-election of Mr. Wong Pak Kiong as a Director			
3	Re-election of Mr. Lau Kay Heng as a Director			
4	Approval of Directors' fees amounting to S$62,839 for the financial year ended 31 December 2019			
Special Business				
5	Authority to issue shares			
6	Authority to issue shares under the Regal International Group Employee Share Option Scheme			

If you wish to exercise all your votes 'For', 'Against' or "Abstain" from voting, please tick (√) within the box provided. Alternatively, please indicate the number of votes as appropriate. If you mark the abstain box for a particular resolution, you are directing the Chairman of the Meeting not to vote on that resolution on a poll and your votes will not be counted in computing the required majority on a poll.

Dated this __________ day of ________________ 2021

Total number of Ordinary Shares held:

____

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 shall be deemed to relate to all the Shares held by you.

2. Pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (as amended from time to time) and the related safe distancing measures in Singapore, the Meeting will be held by way of electronic means only. Members of the Company are encouraged to attend the Meeting via webcast. The Company will not be providing an electronic voting system at the AGM to be convened. Accordingly, members of the Company will not be able to vote online on the resolutions to be tabled for approval at the AGM.

3. If a member of the Company (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it may appoint the Chairman of the Meeting as his/her/its proxy to vote on his/her/its behalf at the AGM. In appointing the Chairman of the Meeting as proxy, such member (whether individual or corporate) is/are advised to specify his/her/its votes for the respective resolutions in this Proxy Form, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.

4. The Chairman of the Meeting, as proxy, need not be a member of the Company.

5. This Proxy Form must be submitted through any one of the following means: (a) by digital submission at the URL http://agm.conveneagm.com/regal (the "**Regal AGM Website**"); or (b) by depositing a physical copy at the office of the Company's Share Registrar at **30 Cecil Street, #19-08 Prudential Tower, Singapore 049712**; or (c) by sending a scanned PDF copy via email to contact@regalinternational.com.sg, in either case, no later than **3.00 p.m. on 21 February 2021**, and failing which, this Proxy Form will not be treated as valid.

6. In the case of submission of the Proxy Form other than via the Regal AGM Website, a member who wishes to submit an instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

7. **In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically either through the Regal AGM Website or via email to the Company.**

8. In the case of submission of this Proxy Form other than via the Regal AGM Website, this Proxy Form must be executed under the hand of the appointor or of his attorney duly authorised in writing. Where this Proxy Form is executed by a corporation, it must be executed under its common seal or under the hand of its officer or attorney duly authorised. Where this Proxy Form is signed on behalf of the appointor by an attorney, the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with this Proxy Form, failing which this Proxy Form may be treated as invalid.

9. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative with respect to the AGM, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.

10. A member of the Company who holds his/her shares through a Relevant Intermediary* and who wishes to exercise his/her voting rights by appointing the Chairman of the Meeting as proxy should approach his/her Relevant Intermediary as soon as possible to specify his/her voting instructions. CPF/SRS investor who wishes to vote should approach his/her CPF Agent Bank or SRS Operator at least seven (7) working days before the date of the AGM to submit his/her voting instructions.

*A Relevant Intermediary is:

a) a banking corporation licensed under the Banking Act (Chapter 19) of Singapore, 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) of Singapore, 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 the Chairman of the Meeting as the proxy 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 the Chairman of the Meeting as the proxy. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing the Chairman of the Meeting as the proxy 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 the Chairman of the Meeting as the proxy, the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 9 February 2021.

REGAL INTERNATIONAL GROUP LTD.

63 Sungei Kadut Loop,

#02-01, Singapore 729484

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info@regalinternational.com.sg

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