Regal 耀傑集团 International Group

TOWARDS WIDER HORIZONS

ANNUAL REPORT 2014

MISSION

To create genuine sustainable value for our stakeholders.

VISION

To be an internationally formidable player in property development and precision business industries through continuous enhancement of our core businesses.

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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*
Chong Weng Hoe	*Independent Director*
Francis Hwang Huat Kuong	*Independent Director*

AUDIT COMMITTEE

Goon Kok Loon	*Chairman*
Chong Weng Hoe	
Francis Hwang Huat Kuong	

REMUNERATION COMMITTEE

Chong Weng Hoe	*Chairman*
Goon Kok Loon	
Francis Hwang Huat Kuong	

NOMINATING COMMITTEE

Goon Kok Loon	*Chairman*
Chong Weng Hoe	
Francis Hwang Huat Kuong	

COMPANY SECRETARY

Lee Mei San	*Chartered Accountant*

REGISTERED OFFICE

63 Sungei Kadut Loop
Singapore 729484
Tel: 6455-1311
Fax: 6455-0311
Website: www.regalinternational.com.sg

COMPANY REGISTRATION NUMBER

200508585R

REGISTRAR AND SHARE TRANSFER OFFICE

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

LEGAL ADVISER

Shook Lin & Bok LLP
1 Robinson Road, #18-00 AIA Tower
Singapore 048542

AUDITORS

RSM Chio Lim LLP
8 Wilkie Road, #03-08 Wilkie Edge
Singapore 228095
Partner-in-charge: Goh Swee Hong

PRINCIPAL BANKERS

United Overseas Bank Limited
80 Raffles Place, UOB Plaza 1
Singapore 048624

Oversea-Chinese Banking Corporation Limited
65 Chulia Street, #01-00 OCBC Centre
Singapore 049513

CORPORATE PROFILE

Subsequent to the successful completion of the reverse takeover ("RTO") on 29 October 2014, Hisaka Holdings Ltd was renamed Regal International Group Ltd (the "Company" or "RIG") on 31 October 2014. The Company now comprises of 2 core business divisions: Property and Precision Business Divisions.

Property Division

The Property Division refers to the business of property development, investment and construction by the associated group of subsidiaries under RIG's direct subsidiary, Regal International Holdings Pte Ltd. The Company's property development arm has built a remarkable track record by completing more than 20 property development projects and constructed many property units in Kuching and Kota Samarahan area of East Malaysia over the past 10 years. Its diverse property portfolio includes shop houses, terrace houses, landed properties, condominiums, commercial and industrial units.

As a wholly owned subsidiary under Regal International Holdings Pte Ltd, Temasek Regal Capital Sdn Bhd is the Malaysian investment holding company that strings together over 17 other subsidiaries and associate companies involved in various aspects of the property development and related business activities.

Precision Business Division

The Precision Business Division refers to the business of supplying mechanical motion products and providing automation solutions by the other RIG's wholly owned subsidiaries and associate companies. The Company's precision business unit has been established since 1992, with principal activities broadly classified into the Services and the Manufacturing segments. The Services segment consists of Mechanical Motion Components Management while the Manufacturing segment is made up of Metallic Precision Manufacturing and Mechatronics Integration.

Under the Precision Business Division, there are 5 subsidiary offices in Singapore and China, as well as an associate company in Chennai, India.

The Tropics City

EXECUTIVE CHAIRMAN & CEO'S STATEMENT

DEAR SHAREHOLDERS,

Financial year ended 31 December 2014 (FY2014) was a milestone year for us. We injected a new operating business with the successful acquisition of Regal International Holdings Pte Ltd, which owns one of Malaysia's premier property development business that has a strong track record in the State of Sarawak. The entire issued and paid-up share capital of the holding company was acquired for a consideration of S$127.3 million via cash payment of S$20 million and the issue and allotment of 130 million consolidated shares at $0.825 per share. Following the reverse takeover, Hisaka Holdings Ltd was renamed Regal International Group Ltd. (the "Company" or "RIG" and together with its subsidiaries, the "Group"). On 19 November 2014, we resumed trading under the new entity on the Mainboard of Singapore Exchange Securities Trading Limited, making RIG the first property developer from Sarawak, Malaysia, to be listed in Singapore.

We are excited about RIG's future because the acquisition has not only diversified the Company's operations beyond Hisaka's precision business, but also presented the Company with growth opportunities, particularly in Sarawak which our property development business has a strong presence in.

Moving forward, our business will be fuelled by two distinct growth engines. By tapping the strengths of our precision business in Asia Pacific and property development business in Malaysia, we can gain stronger insights to develop our collective base of industrial clients and widen the network of both business units.

Property development business

Our property development business has an established track record in Malaysia's fast growing property market. Over the last 10 years, led by an experienced management team with extensive property development experience in Malaysia, we have built a strong presence in Sarawak, having completed more than 20 property development projects in Kuching and the Kota Samarahan area of East Malaysia. As one of the premier property developers in East Malaysia, we enjoy a sound reputation for our ability to build, develop and market residential and commercial properties covering a broad spectrum of needs.

At the heart of our success is our ability to understand the local social demographics and most importantly, develop properties that meet the needs of different groups of buyers. Our projects range from affordable housing such as Tondong Heights, to landed and condominium properties such as The Tropics and Orchard Residences, as well as commercial projects such as Unitech. By diversifying project types and not limiting ourselves to a niche market, we can then be more nimble and resilient, especially during trying times. This strategy will also provide us with the flexibility to tailor our development project mix to best meet prevailing property market trends and conditions, hence maximizing returns. For brand differentiation, our various property types are marketed under sub-brands such as "Resort Home", "My House My Home", "My Life My Beauty", "Affordable Home" and "Growth Centre".

Riding on Sarawak's stable economic growth, which has propelled the property sector to expand steadily over the last 40 years, we completed five projects in FY2014 and have a pipeline of seven projects under development. Except for one in West Malaysia, these projects are located in Sarawak. They include a wide range of property types, such as terrace houses, semi-detached houses, condominium apartment units and commercial offices. In West Malaysia's Nilai region of Negeri Sembilan, we are developing Airtrollis – a mixed-used development consisting of residential and commercial units. Our ongoing projects, expected to be progressively completed within the next few years, will provide the Group with earnings visibility for the next few years.

We are heartened to record a positive uptake for our Orchard Residences in Kuching. As at 31 December 2014, Unipark, Orchard Residences, Orchard Contempo and Unitech were 98%, 90%, 85% and 100% sold, respectively.

Precision business

Our precision business continued to persevere despite economic challenges and uncertainties in the automation and semi-conductor industries. We remained focused on creating value in our core competencies. Against the backdrop of an extremely challenging year, the Group's precision business division continues to deliver positive results for the year.

Despite our vigorous efforts to market our medical devices, there has been no medical sales attained. As such, to conserve our resources to battle the challenging year ahead, we shall not be investing further into our medical devices.

Growth strategies and future plans

Looking ahead, the growing economy in Sarawak will bolster the potential of our property development business. The economy is supported by continued strong domestic demand, primarily driven by private and public investments in the on-going Sarawak Corridor of Renewable Energy (SCORE) project, as well as projects approved under the Tenth Malaysian Plan. In particular, with Kuching fast emerging as a gateway to East Malaysia, we see immense opportunities in the city's property market.

Riding these macro-economic opportunities, we will continue to source ideal sites and obtain land parcels for future development. So far, our asset light strategy of obtaining development rights from land owners and then developing and selling the property units, has served the Group well. This is a win-win situation for both parties. As the Group does not have to bear the holding cost of land, our capital can be freed up for other investments. Having said this, it is important to continually strengthen our war chest so that whenever a prime land with good development potential is identified, we have the financial resources to pursue the land acquisition option. We are constantly on the lookout to acquire land at choice sites that can support our medium to long-term growth.

In addition, to reduce risk and lock in development profits quickly, our focus is to keep development cycle short, from the acquisition of land development rights to project completion to handing over the completed units to buyers. In this way, we will have stronger cash flows to support new developments. We will also explore ways to lower development costs and strengthen strategic alliances with our long-term contractors and suppliers. Apart from cementing our presence in East Malaysia, we will also look for more property development opportunities in West Malaysia.

EXECUTIVE CHAIRMAN & CEO'S STATEMENT

As for our precision business, we will keep up with our tight cost management. At the same time, we will look at ways to penetrate medical, eco-infrastructure and other industries of high growth potential.

Words of appreciation

FY2014 marks a new chapter for the Group as we embark on a two-track growth. On behalf of the Board of Directors, I would like to take this opportunity to thank our staff, customers, shareholders, business partners and associates for their continued support, commitment, confidence and faith in the company.

We look forward to forging stronger camaraderie with each and every one of you as we propel the Group forward.

Mr Su Chung Jye
Executive Chairman and CEO

Orchard Contempo

The Tropics

OPERATIONS REVIEW

For the financial year ended 31 December 2014, the Group incurred one-off RTO related expenses and impairment of goodwill of the precision business. Excluding these exceptional items, the Group would have recorded a net operating profit before tax of RM21.2 million.

On 29 October 2014, the Company successfully completed the acquisition of Regal International Holdings Pte Ltd, after obtaining the approval from shareholders on resolutions relating to the proposed acquisition on 16 October 2014. With the completion of the reverse takeover (RTO), the Company was renamed Regal International Group Ltd (the "Company" or "RIG" and together, with its subsidiaries, the "Group") with enlarged operations comprising the Property Development Business unit and the Precision Business unit.

Revenue

In FY2014, revenue decreased 24.2% to RM95.3 million due to lower contribution from the Property Division, which was partially offset by contribution from the Precision Business.

During the year, the Property Division recorded revenue of RM82.8 million, accounting for 86.7% of total Group revenue. Compared to FY2013, the Group completed fewer projects in FY2014 and these projects were smaller in scale. As a result, revenue from development properties declined 30.3% to RM67.6 million, while building construction revenue decreased 60.3% to RM9.0 million. Revenue from the Precision Business amounted to RM12.5 million, representing 13.1% of total Group revenue.

On a geographical basis, Malaysia contributed 87.5% of total Group revenue, while Singapore and China contributed 2.6% and 9.2% respectively.

Gross Profit

Gross profit margin for the Group in FY2014 remained relatively stable at 33.8%, up slightly from FY2013's 31.7%.

Other Gains

Other gains increased from RM1.3 million in FY2013 to RM2.7 million in FY2014, mainly due to project management fee of RM2.2 million.

Key Expenses

Marketing and distribution costs, contributed by the Precision Business Division, amounted to RM1.1 million.

Administrative expenses rose 107.3% to RM18.5 million in FY2014 due to several factors:

i) Higher employee benefits expenses;
ii) Inclusion of Precision Business Division's administrative expenses upon completion of the reverse takeover;
iii) Higher depreciation charges due to property, plant and equipment purchased by the Property Division.

During the year, the Group incurred one-off RTO-related expenses, including legal and professional fees amounting to RM5.3 million and professional fees of RM24.8 million (non-cash item) to the arranger.

Other Losses

Other losses increased from RM0.2 million in FY2013 to RM6.3 million in FY2014 due to a one-off, non-cash goodwill impairment loss of RM4 million. The loss arose from an impairment assessment performed on the goodwill of the Precision Business Division. Other factors that accounted for the increase in Other Losses include a RM0.7 million provision for impairment of inventories, as well as higher allowance for impairment of trade and other receivables amounting to RM1.5 million, up from RM0.2 million in FY2013.

Share of Profit From Equity-Accounted Associates

In FY2014, a profit of RM8.9 million was generated mainly from our investment in Tiya Development Sdn Bhd (Tiya). This was in contrast to FY2013's loss of RM0.4 million as the project was still ongoing at that time.

Net Loss/Profit Before Tax

As a result of the above factors, the Group recorded a net loss before tax of RM12.9 million in FY2014, compared to a profit before tax of RM30.8 million in FY2013. However, excluding the one-off RTO expenses

OPERATIONS REVIEW

and impairment of goodwill of the precision business, the Group would have recorded a net operating before after tax of RM21.2 million.

Balance Sheet

As at 31 December 2014, total assets of the Group increased to RM270.6 million, from RM108.0 million a year ago due to a:

i) RM68.8 million increase in non current assets arising from the inclusion of RM15.8 million of non-current assets from the Precision Business, an increase in investment in associates mainly from the share of profits from Tiya, and a goodwill amounting to RM39.3 million. The goodwill has been recognised on a provisional basis, subject to the completion of the purchase price allocation exercise to be conducted before the end of FY2015; and

ii) RM93.8 million increase in current assets due to the inclusion of RM64.3 million of current assets from the Precision Business, a RM30.6 million increase in development properties, higher trade and other receivables, and an increase in cash and cash equivalents by RM26.4 million.

Total liabilities increased to RM126.8 million as at 31 December 2014, from RM78.5 million last year due to a:

i) RM13.0 million increase in non-current liabilities as a result of higher term loans and bank overdrafts for the property division; and

ii) RM35.3 million increase in current liabilities due to the inclusion of RM13.3 million in current liabilities from the Precision Business, higher progress billings received and receivable on the Group's projects, and a RM14.2 million increase in other financial liabilities due to higher term loans.

Cash Flows

Due to an increase in our development properties, the Group recorded a net cash flow used in operating activities of RM12.0 million in FY2014, as compared to an inflow of RM5.6 million last year.

Notwithstanding this, the Group's net cash and cash equivalents improved from an overdraft of RM0.7 million in FY 2013 to a positive cash position of RM22.9 million in FY2014. The increase was mainly due to a:

i) net cash inflow of RM22.7 million from investing activities following the reverse acquisition of the Precision Business Division (Hisaka Group), which had a net cash of RM26.3 million; and

ii) net cash inflow of RM13.0 million from financing activities mainly due to an increase in term loans.

Outlook

The operating landscape for the Property Division and Precision Business Division is expected to remain challenging.

The introduction of Goods & Services Tax in the first half of FY2015 in Malaysia is expected to drive up costs for the Property Division. Competition will also intensify with more property players entering the East Malaysia market. To tackle these challenges, the Group will strive for growth in a sustainable and competitive manner. To protect the Group's financial position, it is important that the Group explore ways to lower cost of production and explore further joint venture opportunities. For example, by tapping on the Group's joint venture company HJ Lai Concrete & Cement Sdn. Bhd., which is in the cement ready mix business, the Group can derive more cost efficiency in building and construction. In addition, to offer more integrated services, the Group recently set up a subsidiary, Regal Hospitalities Sdn Bhd, which will undertake estate and property management of the Group's completed properties. On the development front, the Group will continue to look out for choice sites to develop the Group's properties, and keep up with the Property Division's short development cycle.

The Group's Precision Business Division will be impacted by continued global economic headwinds. Against the backdrop of a volatile market, the Group will work on areas where its core strengths are and conserve its resources.

BOARD OF DIRECTORS

SU CHUNG JYE

Executive Chairman and CEO

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, following the successful reverse takeover of Hisaka Holdings Ltd.

With over 20 years of work experience in the construction and property development business, Mr Su is involved in all key aspects of the Group's operations, including setting corporate direction and strategic business developments.

Mr Su Chung Jye holds a Degree of Master of Science in Building Science from the National University of Singapore, and a Double Degree of Bachelor of Engineering (Electrical Engineering) and a Bachelor of Science from The University of Sydney, Australia. He also holds a Diploma in Investment Analysis from the Research Institute of Investment Analysts Malaysia in collaboration with the Royal Melbourne Institute of Technology (RMIT), Australia.

WONG PAK KIONG

Executive Director and Director of Sales and Marketing

Mr Wong Pak Kiong is the Executive Director and Director of Sales and Marketing of the Regal International Group. He was appointed to the Board on 29 October 2014, following the successful reverse takeover of Hisaka Holdings Ltd.

Mr Wong's main responsibilities include establishing, managing and executing all sales and marketing strategies for the Group, especially for the Property Division. With over 19 years of experience, Mr Wong is highly proficient in developing and conducting all sales, marketing and promotion campaigns, as well as managing and developing sales teams.

LOW YEW SHEN

Non- Executive Director

Mr Low Yew Shen was appointed as the Non-Executive Director of Regal International Group on 29 October 2014. Mr Low is also the non-executive director of Resources Prima Group Limited. He was previously the company secretary for Seroja Investments Limited and acted as Independent Director for China Ouhua Winery Holdings Limited.

Mr Low has over 11 years of experience in the legal industry and 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 of Laws (Honours) from the National University of Singapore.

BOARD OF DIRECTORS

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 the Regal International Group and was first appointed to the Board on 4 March 2008. The date of his last re-election as a Director was 10 January 2014.

He is Executive Chairman of Global Maritime Services Pte Ltd. With over 40 years of extensive experience in corporate management, operations and administration, both locally and internationally, Mr Goon has been conferred both the silver and gold public administration medals from the Singapore Government. He is a fellow of the Chartered Institute of Logistics and Transport.

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

CHONG WENG HOE

Independent Director

Chairman, Remuneration Committee • Member, Nominating Committee • Member, Audit Committee

Mr Chong Weng Hoe is the Independent Director of the Regal International Group and was first appointed to the Board on 4 March 2008.The date of his last re-election as a Director was 10 January 2014.

Mr Chong joined TUV SUD PSB Pte Ltd in 1991 as an engineer and was appointed as chief executive officer in 2008, responsible for the business activities in ASEAN, with operations in Singapore, Malaysia, Thailand, Vietnam, Indonesia and the Philippines. He stepped down in 2013 as the chief executive officer and remains as a director of the company to provide advisory support in the development of core business areas in ASEAN.

Mr Chong has extensive experience in financial management, marketing and customer support and project management. He currently sits on the board of Keong Hong Holdings Limited which is listed on the official list of SGX-ST. He was previously a independent director of PCA Technology Ltd.

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

FRANCIS HWANG HUAT KUONG

Independent Director

Member, Nominating Committee • Member, Remuneration Committee • Member, Audit Committee

Mr Francis Hwang Huat Kuong is the Independent Director of Regal International Group. He was appointed to the Board on 29 October 2014.

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

KEY MANAGEMENT TEAM

LEE MEI SAN
Chief Financial Officer (CFO), Group and Precision Business Division

Ms Lee Mei San is the Chief Financial Officer (CFO) of Regal International Group, as well as the Precision Business Division under the Group.

She is responsible for the Group's financial accounting, financial reporting as well as corporate finance matters of the Group. Her responsibilities also include fund flow management, management reporting and tax planning. Ms Lee also oversees the financial reporting of the Precision Business Division.

Ms Lee holds a Bachelor of Accountancy from the Nanyang Technological University and had served as the CFO of a listed company on the SGX-ST, for approximately six (6) years prior to her current appointment.

PROPERTY DIVISION

FREDERICK ENG MENG KHUAN
Director of Project Management

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

With over 14 years of experience in the property development industry, Mr Eng is responsible for overseeing the project development and project management matters of the Property Division. His main responsibilities include managing projects at a strategic level; directing project resources and making decisions regarding project directions within the limits of an established budget; establishing the project resource assignments and ensuring that the projects are properly managed and staffed.

ELIZABETH WONG SING HUI
Chief Accountant

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

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

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

SERENA SU CHUNG WEN
Director of Operations and Human Resource

Ms Serena Su is the Director of Operations and Human Resource of the Property Division under the Regal International Group.

With over 15 years of experience in the accounting and finance, Ms Su is responsible for overseeing matters relating to corporate finance, administrative, human resources and investor relations, as well as supervising areas pertaining to internal control, compliance and corporate governance.

Ms Su graduated with a Bachelor of Commerce (Double Majors in Accounting and Finance) from the University of New South Wales, Australia and is a qualified Certified Public Accountant in Australia.

LIANG NGEE PING
Director of Corporate Development.

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

With over 13 years of experience in the property development industry, Mr Liang is responsible for business development matters of the Property Division. 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.

PRECISION BUSINESS DIVISION

ANTHONY CHENG EE CHEW
Managing Director

Mr Anthony Cheng is the founder of Hisaka Group. Hisaka Group's business is now segmented under the Precision Business Division of Regal International Group. Mr. Cheng is now the Managing Director of the Precision Business Division. With over 20 years of experience in the automation and semiconductor industry, Mr Cheng continues to provide leadership and direction for the Precision Business Division.

JACKIE CHENG EE LIENG
Director

Mr Jackie Cheng is now the Director of the Precision Business Division of the Regal International Group. While he is responsible for the overall management and business operations of the Precision Business Division, he also works closely with the Managing Director of the Precision Business Division to set corporate and business direction for the division.

JESSICA ONG BOON CHIN
Director

Ms Jessica Ong is now the Director of the Precision Business Division of the Regal International Group. Besides being responsible for the planning, evaluation and implementation of business strategies, she is also responsible for overseeing the office operations, human resources, information technology and finance departments of the Precision Business Division.

REGIONAL OFFICES

Legends:

1 SINGAPORE
- Regal International Group Ltd
- Regal International Holdings Pte Ltd
- Hisaka International Holdings Pte Ltd
- Hisaka (Singapore) Pte Ltd
- Singapore Synergy Holdings Pte Ltd [1]

2 MALAYSIA
- Temasek Regal Capital Sdn Bhd
- Regal Advantage Sdn Bhd
- Beaches & Coastline Sdn Bhd
- Tiya Development Sdn Bhd [2]
- Temasek Cartel Sdn Bhd
- Regal Materials Sdn Bhd
- Bellanova Sdn Bhd
- Midas Residences Sdn Bhd
- Kota Sarjana Sdn Bhd [3]
- Beneworld Sdn Bhd
- Upright Strategy Sdn Bhd
- Regal Land Sdn Bhd
- Kenyalang Avenue Sdn Bhd
- Arena Wiramaju Sdn Bhd [4]
- Ocean Megalink Sdn Bhd
- Sang Kanchil Rising Sdn Bhd
- Hisaka Automation Sdn Bhd
- HJ Lai Concrete Cement Sdn Bhd [5]
- Regal Hospitalities Sdn Bhd [6]

3 CHINA
- Hisaka (Shanghai) Co., Ltd
- Tech Motion (Shanghai) Co., Ltd
- Hisaka Mechatronics (Suzhou) Co., Ltd

4 INDIA
- Sanwa Synergy Holdings India Pvt Ltd [7]

★ Regal Projects in Malaysia

Remarks:
1 Singapore Synergy Holdings Pte Ltd is 33% owned by Hisaka International Holdings Pte Ltd.
2 Tiya Development Sdn Bhd is 49% owned by Regal Advantage Sdn Bhd.
3 Kota Sarjana Sdn Bhd is 49% owned by Midas Residences Sdn Bhd.
4 Arena Wiramaju Sdn Bhd is 25% owned by Regal Lands Sdn Bhd and 24% owned by Kenyalang Avenue Sdn Bhd.
5 HJ Lai Concrete Cement is 51% owned by Regal Lands Sdn Bhd.
6 Regal Hospitalities Sdn Bhd is 70% owned by Temasek Regal Capital Sdn Bhd and 30% owned by Temasek Cartel Sdn Bhd.
7 Sanwa Synergy Holdings India Pvt Ltd is 100% owned by Singapore Synergy Holdings Pte Ltd.

LISTING OF DEVELOPMENT PROJECTS

Project Name/ Location	Airtrollis Phase 1 (West Malaysia)	Tondong Heights Phase 1 & 3	72 Residences	Tropics III	Bandar Baru Semariang (Phase 1)	Haziiq Ria	Tapah Heights
Description	Six blocks apartments (624 units), 16 shop houses, one mall and 400 affordable apartments at Mukim Labu, Nilai, Negri Sembilan	70 units of single storey terrace houses and 158 units of double storey terrace houses at Jalan Tondong	Two blocks of apartments with 72 units condominium at Jalan Song, Kuching	262 strata title apartment units, 184 strata title retail units, 68 strata title office units and 90 strata title SoHo units at Jalan Song, Kuching	66 detached industrial units and 318 units of semi-detached industrial units at Salak Land District, Bandar Baru Semariang	Four units of semi-detached houses, one unit of Detached-Lot and 17 units of terrace houses at Matang Land District	Two units of double storey detached houses and 23 units of double storey terrace houses at Sentah Segu land district
Tenure	999	99	60	99	99	60	60
Land Area (acres)	9.04	32.79	3.01	5.00	15.27	2.92	3.18
Gross Floor Area (sqft)	312,828	498,537	128,124	453,273	140,902	33,599	70,509
Percentage Completion as at 31 December 2014	35%	55%	10%	0%	10%	1%	10%
Interest Held by the Group	100%	100%	100%	100%	80%	100%	100%
Expected Completion Date	2015	2015	2016	2018	2017	2016	2015

CORPORATE GOVERNANCE REPORT

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

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

BOARD MATTERS

Principle 1: Board's Conduct of its Affairs

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

(a) provide entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the Company to meet its objectives;

(b) establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders' interests and the Company's assets;

(c) review management performance;

(d) identify the key stakeholder groups and recognise that their perceptions affect the Company's reputation;

(e) set the Company's values and standards and ensure that obligations to shareholders and other stakeholders are understood and met; and

(f) consider sustainability issues in the formulation of its strategies.

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

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

Article 120(2) of the Company's Articles of Association provides for telephonic conference meetings.

CORPORATE GOVERNANCE REPORT

The attendance of the Directors at meetings of the Board and Board Committees held in the financial year ended 31 December 2014 is set out as follows:

Attendance Record of the Board & Board Committees

Name of Director	Board of Directors	Audit Committee	Remuneration Committee	Nominating Committee
Total Number of Meetings Held	6	6	4	1
Su Chung Jye[(1)]	1	-	-	-
Wong Pak Kiong[(2)]	1	-	-	-
Low Yew Shen[(2)]	1	-	-	-
Goon Kok Loon	6	6	4	1
Chong Weng Hoe	6	6	4	1
Francis Hwang Huat Kuong[(3)]	1	1	1	0
Cheng Ee Chew[(4)]	5	-	-	-
Cheng Ee Lieng[(5)]	5	-	-	-
Jessica Ong Boon Chin[(5)]	5	-	-	-
Tan Lee Meng[(6)]	4	4	3	1

(1) Su Chung Jye was appointed as director and Chairman on 29 October 2014.
(2) Wong Pak Kiong and Low Yew Shen were appointed as directors on 29 October 2014.
(3) Francis Hwang Huat Kuong was appointed as a director, a member of Audit Committee, Nominating Committee and Remuneration Committee on 29 October 2014.
(4) Cheng Ee Chew resigned as director and Chairman on 29 October 2014.
(5) Cheng Ee Lieng and Jessica Ong Boon Chin resigned as directors on 29 October 2014.
(6) Tan Lee Meng resigned as director and member of Audit Committee, Nominating Committee and Remuneration Committee on 29 October 2014.

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;

CORPORATE GOVERNANCE REPORT

(f) material acquisition and disposal of assets;

(g) internal controls and risks management;

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

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

Newly appointed Directors are briefed on the Directors' duties and their disclosure obligations under the Companies Act, Cap. 50 and Singapore Stock Exchange ("**SGX-ST**") Listing Rules. Orientation programmes for new Directors are conducted to familiarise them with the business activities of the Company, its strategic plans and direction and corporate governance practices.

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.

Principle 2: Board Composition and Balance

To facilitate effective execution of its function, the Board has established the following Board Committees:

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

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

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

The Board Committees operate under clearly defined terms of reference. The Chairman of each of the Board Committees reports to the Board the outcome of the Committees' meetings.

The Board of Directors comprises six (6) Directors, three (3) of whom are independent. The Directors of the Company as at the date of this statement are:

Executive

Mr Su Chung Jye	(Executive Chairman and Chief Executive Officer)
Mr Wong Pak Kiong	(Executive Director)

Non-Executive

Mr Low Yew Shen	(Non-Executive and Non-Independent Director)
Mr Goon Kok Loon	(Lead Independent Director)
Mr Chong Weng Hoe	(Independent Director)
Mr Francis Hwang Huat Kuong	(Independent Director)

Key information regarding the Directors is set out on pages 9 and 10 of this Annual Report.

CORPORATE GOVERNANCE REPORT

The Board considers its independent Directors to be of sufficient calibre and their views to be of sufficient weightage, 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 fees.

The independence of each Director is reviewed annually by the NC based on the Code's definition of what constitutes an independent director. The NC is of the view that the current Board has an independent element ensuring objectivity in the exercise of judgment on corporate affairs independently from the management. The NC is also of the view that no individual or a small group of individuals dominates the Board's decision making process.

None of the independent directors have served on the Board beyond nine years from the date of his first appointment.

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

Principle 3: Executive Chairman and Chief Executive Officer ("CEO")

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 Board Committees and as independent directors form half of the composition of the Board, there are adequate safeguards in place to prevent an uneven concentration of power and authority in a single individual.

As the Executive Chairman, Mr Su Chung Jye formulates and oversees the corporate and strategic development of the Group. He ensures that corporate information is adequately and timely disseminated to all directors to facilitate effective contribution of all directors. The Executive Chairman is assisted by the 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, charting the corporate and strategic direction.

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

CORPORATE GOVERNANCE REPORT

Principle 4: Board Membership

The Nominating Committee ("**NC**") comprises of the following three (3) Directors, all of whom, including the Chairman, are independent.

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

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

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

(b) determining annually whether a Director is independent as defined under the Code of Corporate Governance 2012;

(c) ensuring that all members of the Board submit themselves for re-nomination and re-election at regular intervals;

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

(e) assessing the effectiveness of the Board as a whole

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

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

The NC considers and recommends to the Board the appropriate structure, size and needs of the Board, with regard to the appropriate balance and diversity of skills, personal qualities and experience required for the effective performance of the Board. The NC also recommends all appointments and retirements of Directors and considers candidates to fill new positions created by expansion, as the Board may benefit therefrom, and vacancies that occur by resignation, retirement or for any other reasons to the Board.

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

CORPORATE GOVERNANCE REPORT

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 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 Articles of Association provides that at each Annual General Meeting 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 Annual General Meeting.

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

Key information regarding the Directors is set out on pages 9 and 10 of this Annual Report.

In respect to FY2014, the NC is of the view that each Director had discharged his duties adequately.

Principle 5: Board Performance

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.

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

Based on the performance criteria, the NC is of the opinion that the Board and each Board committee and member of the Board has been effective.

Principle 6: Access to Information

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

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

CORPORATE GOVERNANCE REPORT

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

REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies
Principle 8: Level and Mix of Remuneration

The Remuneration Committee ("**RC**") comprises of the following three (3) Directors, all of whom, including the Chairman, are independent.

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

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

(a) Review and recommend to the Board a general framework of remuneration for the Executive Directors and key management personnel;

(b) Review and recommend to the Board the specific remuneration packages for each Executive Director;

(c) Determine targets for any performance-related pay schemes operated by the Company;

(d) Review and recommend to the Board the terms of renewal of the service agreements of Executive Directors;

(e) Administer the Regal International Group Employee Share Option Scheme and Regal Group Performance Share Plan and any other share option scheme established from time to time for the Directors and the key management personnel; and

(f) Consider the disclosure requirements for directors' and key management personnel's remuneration as required by the SGX-ST and according to the Code.

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

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

CORPORATE GOVERNANCE REPORT

Messrs Su Chung Jye and Wong Pak Kiong are paid based on their service agreements with the Company which are subject to review every three years. These included a profit sharing scheme that is performance related to align their interests with those of the shareholders. The Agreement are not excessively long and they do not have onerous removal clauses. They provide for termination by either party upon giving not less than three months' notice in writing. Currently, the service agreement of the Executive Director do not contain clauses to allow the Company to reclaim variable components of remuneration in exceptional circumstance.

The long term incentive schemes of the Company are the Regal International Group Employee Share Option Scheme (the "**Scheme**") and the Regal Group Performance Share Plan (the "**Plan**"). The RC is responsible for the administration of the Scheme and the Plan in accordance with the rules of both schemes.

No awards were granted during FY2014 under the Scheme and the Plan.

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

The RC has access to expert professional advice on human resource matters whenever there is a need to consult externally. In its deliberations, the RC will take into consideration industry practices and norms in compensation in addition to the Company's relative performance to the industry and the performance of the individual Director. No individual Director is involved in deciding his own remuneration. No remuneration consultants were used in FY2014.

Principal 9: Disclosure on Remuneration

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.

A breakdown showing the level and mix of each individual Director's remuneration in all forms by the Group for the financial year ended 31 December 2014 is set out below:

Remuneration Band (in SGD)	Name of Directors	Salary (%)	Bonus (%)	Fees (%)	Other Benefits (%)	Total (%)	Options granted during the year
$500,000 to $749,999	N/A						
$250,000 to $499,999	Su Chung Jye	8.8	37.8	53.4	–	100.0	–
Below $250,000	Wong Pak Kiong	11.6	31.7	56.8	–	100.0	–
	Low Yew Shen	–	–	100.0	–	100.0	–
	Goon Kok Loon	–	–	100.0	–	100.0	–
	Chong Weng Hoe	–	–	100.0	–	100.0	–
	Francis Hwang Huat Kuong	–	–	100.0	–	100.0	–

CORPORATE GOVERNANCE REPORT

A breakdown showing the level and mix of each individual key executive's remuneration in all forms by the Group for the financial year ended 31 December 2014 is set out below:

Name of Key Executive	Salary (%)	Bonus (%)	Fees (%)	Other Benefits (%)	Total (%)	Options granted during the year
Below S$250,000						
Serena Su Chung Wen	52.8	45.6	–	1.6	100.0	–
Frederick Eng Meng Khuan	21.4	38.2	8.4	32.0	100.0	–
Anthony Cheng Ee Chew	86.7	–	–	13.3	100.0	–
Jackie Cheng Ee Lieng	82.2	–	–	17.8	100.0	–
Jessica Ong Boon Chin	74.9	–	–	25.1	100.0	–
Lee Mei San	84.2	–	–	15.8	100.0	–

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

Other than Serena Su Chung Wen who is the sister of CEO, Su Chung Jye, and received between S$50,000 and S$100,000 in remuneration as disclosed above, the Company does not have any employee who is an immediate family member of a Director or CEO whose annual remuneration exceeds S$50,000 during the year.

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

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

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

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

CORPORATE GOVERNANCE REPORT

Principal 11: Risk Management and Internal Controls

Risk Management

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

i. Operational risks

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

ii. Compliance and legal risks

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

iii. Financial risks

Details of the various financial risk factors and the management of such risks are outlined in Note 32 set out on page 100 of the Annual Report.

Internal Controls

Based on the internal controls established and maintained by the Company, work performed by the internal and external auditors, and reviews performed by Management, as well as various Board Committees and the Board, the Audit Committee and the Board are 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 2014.

The Board has received assurance from the CEO and the CFO that:

(a) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and

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

CORPORATE GOVERNANCE REPORT

Principle 12: Audit Committee

The Audit Committee ("**AC**") comprises of the following three (3) Directors, all of whom, including the Chairman, are independent.

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

The Board is of the view that members of the AC are appropriately qualified to discharge their responsibilities. The main roles and responsibilities of AC includes:

(a) reviewing the audit plans of the external auditors, including the results of the external and internal auditors' examination and their evaluation of the system of internal accounting controls, their letter to management and the management's response;

(b) review the quarterly, half-yearly and annual financial statements, balance sheets and profit and loss accounts before submission to the Board for approval, focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustments resulting from audit, compliance with accounting standards and compliance with the Listing Manual and any other relevant statutory or regulatory requirements;

(c) review the risk profile of the Company, its internal control and risk management procedures and the appropriate steps to be taken to mitigate and manage risks at acceptable levels determined by the Board;

(d) ensure co-ordination between the external and internal auditors and the management, and review the assistance given by the management to the auditors, and discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of the management, where necessary)

(e) review and discuss with the external auditors any suspected fraud and irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and the management's response;

(f) consider the appointment, remuneration, terms of engagement or re-appointment of the external and internal auditors and matters relating to the resignation or dismissal of the auditors;

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

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

(i) evaluate the independence of the external auditors;

(j) review the adequacy of the internal audit function and ensuring that a clear reporting structure is in place between the Audit Committee and the internal auditors;

CORPORATE GOVERNANCE REPORT

(k) review arrangements by which staff of the Company may, in confidence, raise concerns about possible impropriety in matters of financial reporting and other matters and the adequacy of procedures for independent investigation and appropriate follow-up action in response to such complaints;

(l) conduct annual internal control audits to review the Group's internal controls and procedures;

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

(n) generally undertake such other functions and duties as may be required by statue, the Listing Manual, or by such amendments as may be made thereto from time to time.

The AC is authorised to investigate any matter within its terms of reference. The AC also has full access to the Management and full discretion to invite any Director or key executive to attend its meetings as well as utilise reasonable resources to enable it to discharge its functions properly.

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

The AC has reviewed the volume of non-audit services to the Company by the external auditors and is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. Details of the aggregate amount of audit and non-audit services paid or payable to the external auditors during the financial year ended 31 December 2014 are disclosed in Note 10 set out on page 71 of the Annual Report. The AC has recommended to the Board on the nomination of Messrs RSM Chio Lim LLP for re-appointment as external auditors of the Company at the forthcoming Annual General Meeting.

The Group has appointed different auditors for its overseas subsidiaries as disclosed in Note 16 set out on page 80 of the Annual Report. The Audit Committee and the Board have satisfied themselves that the appointment of different auditors for its overseas subsidiaries would not compromise the standard and the effectiveness of the audit of the Group.

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

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

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.

CORPORATE GOVERNANCE REPORT

Principle 13: Internal Audit

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

The Company has outsourced and appointed Messrs Nexis TS Risk Advisory Pte Ltd as its internal auditors. The internal auditor reports directly to the AC, which assists the Board in monitoring and managing internal control and risks of the Group. The AC will approve the internal audit plan and ensure adequacy of resources for the internal auditors to perform its tasks.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14: Shareholder Rights
Principle 15: Communication with Shareholders
Principle 16: Conduct of Shareholder Meetings

The Company believes in timely and accurate dissemination of information to its shareholders. The Board makes every effort to comply with continuous disclosure obligations of the Company under the SGX-ST's Listing Rules and the Singapore Companies Act.

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 information; and

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

The Company's Articles of Association allow a shareholder to appoint one or two proxies to attend and vote in place of the shareholder.

The Company is in full support of shareholder participation at Annual General Meetings. Resolutions are as far as possible, structured separately and may be voted upon independently.

CORPORATE GOVERNANCE REPORT

The Chairpersons of the Board Committees will normally be present for all General Meetings and available to address questions at these Meetings. External auditors are also present to assist the Directors in addressing any queries by shareholders.

The Company will be required to conduct its voting at general meetings by poll effective from 1 August 2015 where shareholders are accorded voting rights proportionate to their shareholding and all votes will be counted.

In view of the above, the Company will be reviewing its Articles of Association in preparation of the adoption of poll voting and to align the relevant provisions with the requirements of the SGX-ST Listing Manual.

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 Articles of Association and relevant laws, and after taking into all relevant considerations.

For the financial year ended 31 December 2014, the Company had paid out a special interim dividend of Singapore dollar 0.75 cent per ordinary share on 1 September 2014 prior to the completion of the Reverse Takeover.

INTERESTED PERSON TRANSACTIONS

The Company has established internal control policies to ensure that transactions with interested persons are properly reviewed and approved, and are conducted at an arm's length basis. The Company does not have a general mandate from shareholders for IPTs. For the financial year ended 31 December 2014, there were no interested person transactions conducted during the year, which exceeds S$100,000 in value.

DEALING IN SECURITIES

The Company has an internal policy, which is in line with the requirements of the Listing Manual, governing dealings in the Company's securities by its Directors and Officers. The Company has devised and adopted its own internal Code of Best Practices on Securities Transactions prohibiting its Directors and Officers from dealing in the Company's shares when they are in possession of unpublished price-sensitive information. The Company also prohibits Directors and Officers from dealing in Company's securities based on short-term considerations.

Directors and Officers are also required to observe the "blackout" periods which prohibits them from dealing in the Company's securities during the period commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year, or one 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 email in advance of the respective "blackout" periods.

CORPORATE GOVERNANCE REPORT

MATERIAL CONTRACTS

There were no material contracts, which involve the interests of any Director and/or controlling shareholder, that were entered into by the Company or any of its subsidiaries in FY2014.

STATUS REPORT ON USE OF IPO PROCEEDS

As at 31 December 2014, the Company has utilised approximately S$12,570,000, comprising of S$1,000,000 for expansion of manufacturing facilities, S$2,500,000 for expansion of the sales & marketing team and establishment of a research & development team, SS2,500,000 for potential strategic acquisitions & joint ventures and S$6,570,000 for working capital as indicated in the table below. The Management has confirmed that the utilisation of the proceeds is in accordance with the stated use.

Breakdown of IPO proceeds used for working capital is as follows:–

	S$
Administrative expense of the company	1,673,000
Operating expenses of subsidiaries	3,949,000
Sales & marketing expense of subsidiaries	948,000
	6,570,000

STATUS REPORT ON USE OF TDR PROCEEDS

As at 31 December 2014, the Company has utilised approximately S$10,171,000 comprising of S$149,000 for the setting up of manufacturing facilities for the Portable Blood Bag Warmer ("PBBW") system and S$10,022,000 to be used as working capital for the PBBW system. As at 31 December 2014, the Company has utilised S$10,022,000 as working capital, as indicated in the table below. The Management has confirmed that the utilisation of the proceeds is in accordance with the stated use.

Breakdown of TDR proceeds used for PBBW system's working capital as follows:–

Portable Blood Bag Warmer System	S$
Research & development expenses	2,669,000
Test & certification	320,000
Marketing & promotion	64,000
Semiconductor and automation business and all medical devices	
Administrative expense of the company	265,000
Operating expenses of subsidiaries	6,704,000
	10,022,000

All IPO and TDR proceeds have been fully utilised as at 31 December 2014 (30 Sept 2013: $70,000 and $234,000 unutilised, respectively).

DIRECTORS' REPORT

The directors of the Company are pleased to present their report together with the audited financial statements of the Company and of the Group for the reporting year ended 31 December 2014.

On 29 October 2014, the Company completed the acquisition of the entire issued and paid up capital of Regal International Holdings Pte. Ltd. ("**Regal International**"), which is accounted for as a reverse acquisition ("**RTO**") where Regal International is deemed to be the acquirer. Upon completion of the RTO, the Company changed its name to Regal International Group Ltd. and its financial year end from 30 September to 31 December to be coterminous with the year end of Regal International.

1. Directors at date of report

The directors of the Company in office at the date of this report are:

Executive Directors:	
Su Chung Jye	(Appointed on 29 October 2014)
Wong Pak Kiong	(Appointed on 29 October 2014)
Non-Independent and Non-Executive Director:	
Low Yew Shen	(Appointed on 29 October 2014)
Independent Directors:	
Goon Kok Loon	
Chong Weng Hoe	
Francis Hwang Huat Kuong	(Appointed on 29 October 2014)

2. 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 any arrangement whose object is to enable the directors of the company to acquire benefits by means of the acquisition of shares or debentures in the company or any other body corporate.

DIRECTORS' REPORT

3. Directors' interests in shares and debentures

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

	Ordinary shares			
	Shareholding in which the director has direct beneficial interest		Shareholding in which the director is deemed to have a beneficial interest	
Name of directors The Company	At beginning of the reporting year or date of appointment if later	At end of the reporting year	At beginning of the reporting year or date of appointment if later	At end of the reporting year
	Number of shares of no par value			
Su Chung Jye	20,800,000	24,035,640	94,796,000	107,026,817
Wong Pak Kiong	10,400,000	10,060,320	94,796,000	107,026,817
Low Yew Shen	4,016,333	3,885,556	–	–

In connection with the RTO, the Company underwent a share consolidation to consolidate every three ordinary shares into one ordinary share ("**Share Consolidation**").

(1) On 30 October 2014, 130,000,000 new ordinary shares in the capital of the Company were issued and allotted to Su Chung Jye, Wong Pak Kiong, Low Yew Shen and Ikram Mahawangsa Sdn Bhd as consideration shares pursuant to the Company's acquisition of the entire issued and paid-up share capital of Regal International Holdings Pte. Ltd. in the proportion of 20,800,000 shares, 10,400,000 shares, 4,016,333 shares and 94,796,000 shares to respectively.

(2) By virtue of section 7 of the Companies Act, Chapter 50, Su Chung Jye and Wong Pak Kiong with shareholdings are deemed to have interest in the Company and in all the related corporations of the Company.

The directors' interests as at 21 January 2015 were the same as those at the end of the reporting year.

4. Contractual benefits of directors

Since the beginning of the reporting year, no director of the Company has received or become entitled to receive a benefit which is required to be disclosed under section 201(8) of the Companies Act, Chapter 50, by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in the financial statements.

There were certain transactions (shown in the financial statements under related party transactions) with corporations in which certain directors have an interest.

DIRECTORS' REPORT

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

Performance share plan

The group operates a Performance Share Plan (the "**Plan**") which was approved by the shareholders at the Company's EGM on 20 January 2010.

The Plan is administered by the Remuneration Committee whose members are:–

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

An executive or non-executive director of any member of the group or a full-time employee of any member of the group who is selected by the Committee is eligible to participate in the plan.

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

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

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

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

Mr Cheng Ee Chew, Managing Director of the precision business division and Mr Cheng Ee Lieng, Director of the precision division are entitled to grant of Awards up to 2,800,000 shares each.

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

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

DIRECTORS' REPORT

5. Performance share plan and Employee share option scheme

Employee share option scheme

The Group operates the Regal International Group Employee Share Option Scheme (the "**Scheme**") which was approved by the shareholders at the Company's EGM on 16 October 2014.

The Scheme is administered by the Remuneration Committee whose members are:–

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

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 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 SGX-ST for the period of five 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.

DIRECTORS' REPORT

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

Employee share option scheme (Cont'd)

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

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

6. **Share options**

During the reporting year, no option to take up unissued shares of the Company or any subsidiary was granted.

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

At the end of the reporting year, there were no unissued shares of the Company or any subsidiary under option.

7. **Audit committee**

The members of the audit committee at the date of this report are as follows:

Goon Kok Loon	(Chairman of audit committee and independent and non-executive director)
Chong Weng Hoe	(Independent and non-executive director)
Francis Hwang Huat Kuong	(Independent and non-executive director)

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

- Reviewed with the independent external auditors their audit plan;
- Reviewed with the independent external auditors their evaluation of the Company's internal accounting control, and their report on the financial statements and the assistance given by the management to them;
- Reviewed with the internal auditors the scope and results of the internal audit procedures (including those relating to financial, operational and compliance controls and risk management) and the assistance given by the management to the internal auditor;
- Reviewed the financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption;
- Reviewed the interested person transactions (as defined in Chapter 9 of the Listing Manual of SGX); and
- Reviewed the contra arrangements with third party suppliers (as described in Section B7.9 of the RTO Circular).

DIRECTORS' REPORT

7. Audit committee (cont'd)

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

The audit committee has recommended to the board of directors that the independent auditors, RSM Chio Lim LLP, be nominated for re-appointment as independent auditors at the next annual general meeting of the Company.

8. Independent auditors

The independent auditors, RSM Chio Lim LLP, have expressed their willingness to accept re-appointment.

9. Directors' Opinion on the Adequacy of Internal Controls

Based on the internal controls established and maintained by the Company, work performed by the internal and external auditors, and reviews performed by management, other committees of the board and the board, the Audit Committee and the board are of the opinion that Company's internal controls, addressing financial, operational and compliance risks, are adequate as at the end of the reporting year 31 December 2014.

10. Subsequent developments

There are no significant developments subsequent to the release of the Group's and the Company's preliminary financial statements, as announced on 27 February 2015, which would materially affect the group's and the company's operating and financial performance as of the date of this report.

On Behalf of the Directors

Su Chung Jye
Director

Wong Pak Kiong
Director

25 March 2015

STATEMENT BY DIRECTORS

In the opinion of the directors,

(a) the accompanying consolidated statement of profit or loss and other comprehensive income, statements of financial position, statements of changes in equity, consolidated statement of cash flows, and notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014 and of the results and cash flows of the Group and changes in equity of the Company and of the Group for the reporting year then ended; 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.

On Behalf of the Directors

Su Chung Jye
Director

Wong Pak Kiong
Director

25 March 2015

INDEPENDENT AUDITORS' REPORT

to the Members of REGAL INTERNATIONAL GROUP LTD. (Registration No: 200508585R)

Report on the consolidated financial statements

We have audited the accompanying financial statements of Regal International Group Ltd. (the "Company") and its subsidiaries (the Group), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the company as at 31 December 2014, 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 a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair statement of profit or loss and other comprehensive income and statements of financial position and to maintain accountability of assets.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT

to the Members of REGAL INTERNATIONAL GROUP LTD. (Registration No: 200508585R)

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and of the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the reporting year ended on that date.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

RSM Chio Lim LLP
Public Accountants and
Chartered Accountants
Singapore

25 March 2015

Partner in charge of audit: Goh Swee Hong
Effective from financial year ended 30 September 2011

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2014

	Note	Group 2014 RM'000	Group 2013 RM'000 (Restated)
Revenue	5	95,297	125,733
Cost of sales		(63,094)	(85,927)
Gross Profit		32,203	39,806
Other items of income			
Interest income	6	29	18
Other gains	7	2,693	1,291
Other items of expense			
Marketing and distribution costs	10	(1,093)	–
Administrative expenses	10	(18,464)	(8,905)
Other losses	7	(6,302)	(198)
Finance costs	8	(785)	(796)
Reverse Takeover related expenses	11	(30,061)	–
Share of profit (loss) from equity-accounted associates		8,876	(428)
(Loss) profit before tax		(12,904)	30,788
Income tax expense	12	(4,965)	(8,450)
(Loss) profit, net of tax		(17,869)	22,338
Other comprehensive income (loss)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations, net of tax		1,865	–
Other comprehensive income for the year, net of tax		1,865	–
Total comprehensive (loss) income for the year		(16,004)	22,338
(Loss) profit attributable to equity holders of parent, net of tax		(17,865)	22,339
Loss attributable to non-controlling interest, net of tax		(4)	(1)
(Loss) profit, net of tax		(17,869)	22,338
Total comprehensive (loss) income attributable to equity holders of the parent		(16,000)	22,339
Total comprehensive loss attributable to non-controlling interests		(4)	(1)
Total comprehensive (loss) income for the year		(16,004)	22,338
(Loss) earnings per share (cents)			
(Loss) earnings per share currency unit	13		
Basic and diluted		(12.57)	17.18

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

	Note	Group 2014 RM'000	Group 2013 RM'000 (Restated)	Group 1.1.2013 RM'000 (Restated)	Company 31.12.2014 RM'000	Company 30.9.2013 RM'000
Assets						
Non-current assets						
Property, plant and equipment	14	16,567	2,789	2,480	–	–
Goodwill	15	39,330	2	55	–	–
Investment in subsidiaries	16	–	–	–	353,429	17,278
Investment in associates	17	13,290	1,036	3,327	3,381	4,209
Deferred tax assets	12	1,065	10	1,651	–	–
Other assets, non-current	18	9,387	7,019	10,427	–	–
Total non-current assets		79,639	10,856	17,940	356,810	21,487
Current assets						
Development Properties	19	50,068	19,499	58,812	–	–
Inventories	20	30,299	18,957	1,705	–	–
Trade and other receivables	21	78,915	56,562	85,369	6,971	9,696
Other assets, current	18	3,964	833	702	24	64
Cash and cash equivalents	22	27,696	1,326	1,222	7,710	52,018
Total current assets		190,942	97,177	147,810	14,705	61,778
Total assets		270,581	108,033	165,750	371,515	83,265
EQUITY AND LIABILITIES						
Equity						
Share capital	24	133,052	25	25	369,551	69,524
Retained earnings (accumulated losses)		5,522	23,387	1,048	(17,403)	12,123
Foreign currency translation reserve		1,865	–	–	9,631	–
Merger reserve	28	3,178	6,078	3,418	–	–
Equity, attributable to equity holders of parent		143,617	29,490	4,491	361,779	81,647
Non-controlling interests		134	39	40	–	–
Total equity		143,751	29,529	4,531	361,779	81,647
Non-current liabilities						
Deferred tax liabilities	12	1,392	27	27	–	54
Other financial liabilities, non-current	25	13,654	2,008	1,479	–	–
Total non-current liabilities		15,046	2,035	1,506	–	54
Current liabilities						
Income tax payable		15,707	8,477	2,253	86	–
Trade and other payables	26	55,541	46,059	69,719	9,650	1,564
Other liabilities	27	1,546	6,856	29,269	–	–
Progress billings		22,534	12,870	54,538	–	–
Other financial liabilities, current	25	16,456	2,207	3,934	–	–
Total current liabilities		111,784	76,469	159,713	9,736	1,564
Total liabilities		126,830	78,504	161,219	9,736	1,618
Total equity and liabilities		270,581	108,033	165,750	371,515	83,265

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

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2014

Group	Total equity RM'000	Attributable to parent sub-total RM'000	Share capital RM'000	Retained earnings RM'000	Foreign currency translation reserve RM'000	Merger reserve RM'000	Non-controlling interests RM'000
Current year:							
Opening balance at 1 January 2014, as restated	29,529	29,490	25	23,387	–	6,078	39
Movements in equity:							
Total comprehensive (loss) income for the year	(16,004)	(16,000)	–	(17,865)	1,865	–	(4)
Adjustment arising from merger reserve	(2,900)	(2,900)	–	–	–	(2,900)	–
Non-controlling interests adjustment due to increase in investment in subsidiaries	99	–	–	–	–	–	99
Increase in share capital arising from reverse acquisition:							
– Consideration shares	108,920	108,920	108,920	–	–	–	–
– Arranger shares	24,762	24,762	24,762	–	–	–	–
Share issuance cost	(655)	(655)	(655)	–	–	–	–
Closing balance at 31 December 2014	143,751	143,617	133,052	5,522	1,865	3,178	134
Previous year:							
Opening balance at 1 January 2013, as previously reported	4,519	4,479	25	1,164	–	3,290	40
Effect of adopting to FRS 110 (Note 37)	12	12	–	(116)	–	128	–
Opening balance at 1 January 2013, as restated	4,531	4,491	25	1,048	–	3,418	40
Movements in equity:							
Total comprehensive income (loss) for the year, as previously reported	22,374	22,375	–	22,375	–	–	(1)
Effect of adopting to FRS 110 (Note 37)	(36)	(36)	–	(36)	–	–	–
Total comprehensive income (loss) for the year, as restated	22,338	22,339	–	22,339	–	–	(1)
Increase in share capital of subsidiaries before common control transactions	2,660	2,660	–	–	–	2,660	–
Closing balance at 31 December 2013, as restated	29,529	29,490	25	23,387	–	6,078	39

Company	Total equity RM'000	Share capital RM'000	Treasury shares RM'000	Foreign currency translation reserve RM'000	(Accumulated losses) retained earnings RM'000
Current year:					
Opening balance at 1 October 2013	81,647	69,524	–	–	12,123
Total comprehensive (loss) income for the year	(11,989)	–	–	9,631	(21,620)
Increase in share capital arising from reverse acquisition:					
– Consideration shares	275,920	275,920	–	–	–
– Arranger shares	24,762	24,762	–	–	–
Share issuance cost	(655)	(655)	–	–	–
Dividend paid (Note 29)	(7,906)	–	–	–	(7,906)
Closing balance at 31 December 2014	361,779	369,551	–	9,631	(17,403)
Previous year:					
Opening balance at 1 October 2012	77,898	87,087	(17,563)	–	8,374
Total comprehensive income for the year	8,258	–	–	–	8,258
Dividend paid (Note 29)	(4,509)	–	–	–	(4,509)
Cancellation of treasury shares	–	(17,563)	17,563	–	–
Closing balance at 30 September 2013	81,647	69,524	–	–	12,123

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

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2014

	Group 2014 RM'000	Group 2013 RM'000 (Restated)
Cash flows from operating activities		
(Loss) profit before tax	(12,904)	30,788
Adjustments for:		
Depreciation of property, plant and equipment	1,592	847
Interest expense	785	796
Interest income	(29)	(18)
Gain on disposal of investment in subsidiaries	–	(1,221)
Gain on disposal of investment in associates	–	(3)
Gain on disposal of plant and equipment	–	(22)
Impairment loss on goodwill	4,000	–
Goodwill written off	2	–
Plant and equipment written off	122	–
Reverse takeover related expenses – arranger shares	24,762	–
Share of profit (loss) from equity-accounted associates	(8,876)	428
Net effect of exchange rate changes in consolidating foreign operations	1,688	–
Operating cash flows before changes in working capital	**11,142**	**31,595**
Inventories	4,670	(17,252)
Trade and other receivables	3,431	21,040
Other assets, current	(2,391)	(131)
Development properties	(30,569)	25,559
Progress billings received and receivables	9,664	(31,907)
Trade and other payables	(3,328)	(345)
Other liabilities	(4,953)	(22,413)
Net cash flows (used in) from operations before tax	**(12,334)**	**6,146**
Income tax refund (paid)	292	(585)
Net cash flows (used in) from operating activities	**(12,042)**	**5,561**
Cash flows from investing activities		
Purchase of property, plant and equipment (Note 22)	(1,362)	(1,083)
Disposal of property, plant and equipment	–	913
Other assets, non-current	(2,368)	3,408
Contribution from non-controlling interests from increase in investment in subsidiaries	99	–
Acquisition of subsidiary, net of cash acquired (Note 30)	26,275	–
Disposal of subsidiary, net of cash disposed (Note 31)	–	(105)
Interest received	29	18
Net cash flows from investing activities	**22,673**	**3,151**
Cash flows from financing activities		
Other payables/receivable – amount owing to/from directors	2,034	(5,630)
Decrease in other financial liabilities	(7,280)	(278)
New borrowings	18,999	–
Cash restricted in use	(9)	268
Interest Paid	(785)	(796)
Net cash flows from (used in) financing activities	**12,959**	**(6,436)**
Net increase in cash and cash equivalents	**23,590**	**2,276**
Cash and cash equivalents, statement of cash flows, beginning balance	(669)	(2,945)
Cash and cash equivalents, statement of cash flows, ending balance (Note 22)	**22,921**	**(669)**

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

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.

Before 31 October 2014 the Company was known as HISAKA Holdings Ltd.

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. A total of 60,000,000 units of Taiwan Depositary Receipts ("**TDRs**") comprising 60,000,000 shares of the Company are listed on the Taiwan Stock Exchange Corporation.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting convention

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

Basis of presentation

The consolidated financial statements include the financial statements made up to the end of the reporting year of the Company and all of its subsidiaries. The consolidated financial statements are the financial statements of the Group in which the assets, liabilities, equity, income, expenses and cash flows of the parent and its subsidiaries are presented as those of a single economic entity and are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intragroup balances and transactions, including income, expenses and cash flows are eliminated on consolidation. Subsidiaries are consolidated from the date the reporting entity obtains control of the investee and cease when the reporting entity loses control of the investee. Control exists when the Group has the power to govern the financial and operating policies so as to gain benefits from its activities.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basis of presentation (cont'd)

Changes in the Group's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity as transactions with owners in their capacity as owners. The carrying amounts of the Group's and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. When the Group loses control of a subsidiary it derecognises the assets and liabilities and related equity components of the former subsidiary. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at fair value at the date when control is lost and is subsequently accounted as available-for-sale financial assets in accordance with FRS 39.

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

The equity accounting method is used for associate in the group financial statements.

Basis of preparation of the financial information

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

Accounting for the reserve takeover acquisition

On 29 October 2014, the Company completed its acquisition of the entire share capital of Regal International Holdings Pte. Ltd. ("**Regal International**") and its subsidiaries ("**Regal International Group**") (the "**Acquisition**") via a reverse take-over exercise ("**RTO**"). The purchase consideration was satisfied by cash amount of $20.0 million and the issuance of 130,000,000 new shares to the shareholders of Regal International.

Upon completion of the RTO, the Group comprises of:–

(1) HISAKA Holdings Ltd. (now known as Regal International Group Ltd.) and its subsidiaries ("HISAKA Group"); and
(2) Regal International Group.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basis of preparation of the financial information (cont'd)

Accounting for the reserve takeover acquisition (cont'd)

In connection with the RTO, the Company underwent a share consolidation to consolidate every three Shares into one Consolidated Share ("**Share Consolidation**").

The issued shares capital of the Company was increased from 58,447,392 (after 3-into-1 share consolidation) ordinary shares as at 30 September 2013 to 200,114,059 ordinary shares on 29 October 2014 upon completion of the RTO and the issuance of the ordinary shares consisting of 130,000,000 consideration shares and 11,666,667 professional fee shares to the arranger.

In connection with the RTO, the Company had changed its reporting year end from 30 September to 31 December to be coterminous with reporting year end of Regal International Group. Therefore, the financial statements of the Company for the current reporting year covered the fifteen months period from 1 October 2013 to 31 December 2014.

The Acquisition has been accounted as a RTO in accordance with FRS 103 Business Combinations and the legal subsidiary, Regal International Holdings Pte. Ltd., is regarded as the acquirer and the Company as the acquiree, for accounting purposes. Accordingly, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity and consolidated statement of cash flows for the twelve months period ended 31 December 2014 have been presented as a continuation of the Regal International Group.

Since such consolidated financial statements represent a continuation of the Regal International Group:

(a) the assets and liabilities of the Regal International Group are recognised and measured in the consolidated statement of financial position at their pre-combination carrying amounts;

(b) the assets and liabilities of HISAKA Group, the acquiree, are recognised and measured in accordance with FRS103 using the acquisition accounting method;

(c) the retained earnings and other equity balances recognised in the consolidated financial statements are the retained earnings and other equity balances of the Regal International Group immediately before the business combination;

(d) the amount recognised as issued equity interest in the consolidated financial statements is determined by adding to the issued equity of Regal International Group immediately before the business combination the fair value of HISAKA Group. However, the equity structure appearing in the consolidated financial statements (i.e. the number and type of equity instruments issued) shall reflect the equity structure of the legal parent (i.e. the Company), including the equity instruments issued by the legal parent (i.e. the Company) to effect the combination; and

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basis of preparation of the financial information (cont'd)

Accounting for the reserve takeover acquisition (cont'd)

(e) the comparative figures presented in these consolidated financial statements are that of consolidated financial statements of the Regal International Group.

Consolidated financial statements prepared following a reverse acquisition shall reflect the fair values of the assets, liabilities and contingent liabilities of the legal parent (i.e. the acquiree for accounting purposes). Therefore, the cost of the business combination for the acquisition is allocated to the identifiable assets, liabilities and contingent liabilities of the legal parent that satisfy the recognition criteria at their fair values at 29 October 2014.

Reverse acquisition accounting applies only to the consolidated financial statements at the Group level. Therefore, in the Company's separate financial statements, the investment in the legal subsidiaries ("**Regal International Group**") is accounted for at cost less accumulated impairment losses, if any.

Restructuring exercise prior to reverse takeover acquisition

Pursuant to the Sale and Purchase Agreement ("**S & P**"), for the purpose of the Reverse Takeover, the Regal International Group was formed through a restructuring which involved the incorporation of the Company and the acquisition of the entire issued and paid-up share capital of Temasek Regal Capital Sdn Bhd ("**Temasek Regal**"), an investment holding company incorporated in Malaysia.

After completion of the acquisition of Temasek Regal by the Company, Temasek Regal acquired the entire issued and paid-up share capital of the subsidiaries listed in Note 16, being registered and recognised under the laws of Malaysia, pursuant to a restructuring agreement entered into with their respective owners.

Following completion of the above acquisition, all of the above companies are direct subsidiaries of Temasek Regal. Regal International is the parent company of Temasek Regal (the "**Restructuring Exercising**").

The Restructuring Exercise involved entities under the common control of Mr Su Chung Jye and Mr Wong Pak Kiong. Accordingly, the transaction has been accounted for as business combination under common control based on the pooling-of-interest method. Under the pooling-of-interest method, management has elected to account for this transaction retrospectively, as if it had occurred from the beginning of the earliest period presented in the financial statements.

Foreign Currency Transactions

The functional currency of the Company is the Singapore Dollar as it reflects the primary economic environment which the entity operations. 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 financial 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 financial year and fair value dates respectively. All realised and unrealised exchange adjustment gains and losses are dealt with in profit or loss except when recognised in other comprehensive income and if applicable deferred in equity such as for qualifying cash flow hedges.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Presentation currency

Prior to 29 October 2014, the presentation currency of the Group and the Company was Singapore Dollar ("S$") as the Company and its subsidiaries' main principal operations were conducted in Singapore.

Following the completion of the RTO, the Group and the Company has changed the presentation currency of the Group and the Company to Malaysian Ringgit ("RM") as the Group's main subsidiaries conduct their operations in Malaysia and the users of the financial statements are primarily in Malaysia.

For the Malaysian Ringgit financial statements, assets and liabilities are translated at year end rates of exchange and the income and expense items for each statement presenting profit or loss and other comprehensive income are translated at average rates of exchange for the reporting year. The resulting translation adjustments (if any) are recognised in other comprehensive income and accumulated in a separate component of equity. The translations of S$ amounts into RM amounts are included solely for the convenience of readers. The reporting year end rates used are S$1 to RM2.643 (2013: RM2.577) which approximate the rate of exchange at the end of the reporting year. The average rates of exchange for the reporting year were SS$1 to RM2.577 (2013: RM2.577). Such translation should not be construed as a representation that the Malaysia Ringgit amounts could be converted into Singapore dollars at the above rate or other rate.

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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Revenue recognition

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

Revenue from sales of goods

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

Revenue from development properties

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

For (a) development properties held for sale, revenue is normally recognised when risks and rewards of ownership have been transferred which is usually taken to be when legal title passes to the buyer or when the equitable interest in a property vest in the buyer before legal title passes and provided that the reporting entity has no further substantial acts to complete under the contract. These are measured at the lower of cost (specific identification method) and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

For (b) development properties held for sale in the process of development, revenue is recognised and is regarded as earned from the sale of goods within the scope of FRS 18 and is accounted in the same manner as development properties held for sale. These are with or without an agreement for the construction of real estate in which buyers have only limited ability to influence the design of the real estate. Project costs consist of costs that relate directly to the specific project, costs that are attributable to project activity in general and can be allocated to the project and such other costs as are specifically chargeable to the project. These are measured at the lower of cost (specific identification method) and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

For (c) development properties in the process of development accounted under the stage of completion method, the reporting entity transfers continuously as construction progresses to the buyer the control and the significant risks and rewards of ownership of the work in progress in its current state. In this case revenue is recognised by reference to the stage of completion using the stage of completion method for the construction contract. See the accounting policy on stage of completion method for construction contracts – revenues and results.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Revenue recognition (cont'd)

(i) Revenue from West Malaysia development properties

The revenue and cost of sales of the projects in West Malaysia are recognised using the stage of completion method.

(ii) Revenue from East Malaysia development properties

The revenue and cost of sales of projects in East Malaysia are recognised using the complete contract method.

Revenue from construction contracts

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

Revenue from rendering services

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

Rental revenue

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

Interest Income

Interest income is recognised using effective interest rate method.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Employee benefits

Contributions to defined contribution retirement benefit plans are recorded as an expense as they fall due. The entity's legal or constructive obligation is limited to the amount that it agrees to contribute to an independently administered fund which is the Central Provident Fund in Singapore and Employees Provident Fund in Malaysia (government managed retirement benefit plans). For employee leave entitlement the expected cost of short-term employee benefits in the form of compensated absences is recognised in the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences; and in the case of non-accumulating compensated absences, when the absences occur. A liability for bonuses is recognised where the entity is contractually obliged or where there is constructive obligation based on past practice.

Borrowing costs

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

Income tax

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Property, plant and equipment

Depreciation is provided on a straight-line basis to allocate the gross carrying amounts of the assets less their residual values over their estimated useful lives of each part of an item of these assets. The annual rates of depreciation are as follows:

Leasehold properties and improvements	Over the term of lease that is 5% to 20%
Plant and equipment	9% to $33^1/_3$%

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

Property, plant and equipment are carried at cost on initial recognition and after initial recognition at cost less any accumulated depreciation and any accumulated impairment losses. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item and is recognised in profit or loss. The residual value and the useful life of an asset is reviewed at least at each reporting year-end and, if expectations differ significantly from previous estimates, the changes are accounted for as a change in an accounting estimate, and the depreciation charge for the current and future periods are adjusted.

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

Cost includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

Subsidiaries

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

Associates

An associate is an entity including an unincorporated entity in which the reporting entity has a significant influence and that is neither a subsidiary nor a joint arrangement of the reporting entity. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. An investment in an associate includes goodwill on acquisition, which is accounted for in accordance with FRS 103 Business Combinations. However the entire carrying amount of the investment is tested under FRS 36 for impairment, by comparing its recoverable amount (higher of value in use and fair value) with its carrying amount, whenever application of the requirements in FRS 39 indicates that the investment may be impaired.

In the consolidated financial statements, the accounting for investments in an associate is on the equity method. Under the equity method the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets. The carrying value and the net book value of the investment in the associate are not necessarily indicative of the amounts that would be realised in a current market exchange. The investor's profit or loss includes its share of the investee's profit or loss and the investor's other comprehensive income includes its share of the investee's other comprehensive income. Losses of an associate in excess of the reporting entity's interest in the relevant associate are not recognised except to the extent that the reporting entity has an obligation. Profits and losses resulting from transactions between the reporting entity and an associate are recognised in the financial statements only to the extent of unrelated reporting entity's interests in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates are changed where necessary to ensure consistency with the policies adopted by the reporting entity. The reporting entity discontinues the use of the equity method from the date that when its investment ceases to be an associate and accounts for the investment in accordance with FRS 39 from that date. Any gain or loss is recognised in profit or loss. Any investment retained in the former associate is measured at fair value at the date that it ceases to be an associate.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

2. SUMMARY OF 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.

Business combinations

Business combinations are accounted for by applying the acquisition method except for Regal International Group which has used the pooling-of-interest method.

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The business combination in such a situation is accounted for under the "pooling-of-interests" method. The Regal International Group undertook a restructuring exercise and the pooling-of-interests method of combination accounting was adopted. Under the pooling-of-interests method, the combined assets, liabilities and reserves of the pooled enterprises are recorded at their existing carrying amounts at the date of amalgamation. The excess or deficiency of the amount recorded as share capital issued (plus any additional consideration in the form of cash or other assets) over the amount recorded for the share capital acquired is adjusted to the other reserves.

The acquisition method of business combination is a transaction or other event which requires that the assets acquired and liabilities assumed constitute a business. It is accounted for by applying the acquisition method of accounting. The cost of a business combination includes the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquiree. The acquisition-related costs are expensed in the periods in which the costs are incurred and the services are received except for any costs to issue debt or equity securities are recognised in accordance with FRS 32 and FRS 39. As of the acquisition date, the acquirer recognises, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree measured at acquisition-date fair values as defined in and that meet the conditions for recognition under FRS 103. If there is gain on bargain purchase, for the gain on bargain purchase a reassessment is made of the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the business combination and any excess remaining after this reassessment is recognised immediately in profit or loss. For business combinations achieved in stages, any equity interest held in the acquiree is remeasured immediately before achieving control at its acquisition-date fair value and any resulting gain or loss is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Business combinations (cont'd)

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

Goodwill

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

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

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

Inventories

Goods for resale

Inventories are measured at the lower of cost (first in first out method) and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. A write down on cost is made where the cost is not recoverable or if the selling prices have declined. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Inventories (cont'd)

Unsold completed development properties

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

Leases

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Government grants

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

Impairment of non-financial assets

Irrespective of whether there is any indication of impairment, an annual impairment test is performed at the same time every year on an intangible asset with an indefinite useful life or an intangible asset not yet available for use. The carrying amount of other non-financial assets is reviewed at each end of the reporting year for indications of impairment and where an asset is impaired, it is written down through profit or loss to its estimated recoverable amount. The impairment loss is the excess of the carrying amount over the recoverable amount and is recognised in profit or loss. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. When the fair value less costs to sell 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 determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Financial assets

Initial recognition, measurement and derecognition:

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial assets (cont'd)

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

Subsequent measurement:

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

(i) Financial assets at fair value through profit or loss: Assets are classified in this category when they are incurred principally for the purpose of selling or repurchasing in the near term (trading assets) or are derivatives (except for a derivative that is a designated and effective hedging instrument) or have been classified in this category because the conditions are met to use the "fair value option" and it is used. These assets are carried at fair value by reference to the transaction price or current bid prices in an active market. All changes in fair value relating to assets at fair value through profit or loss are recognised directly in profit or loss. They are classified as non-current assets unless management intends to dispose of the asset within 12 months of the end of the reporting year.

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

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

(iv) Available-for-sale financial assets: As at end of the reporting year date, there were no financial assets classified in this category.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial assets (cont'd)

Cash and Cash Equivalents

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

Derivatives

Derivatives: All derivatives are initially recognised and subsequently carried at fair value. Certain derivatives are entered into in order to hedge some transactions and all the strict hedging criteria prescribed by FRS 39 are not met. In those cases, even though the transaction has its economic and business rationale, hedge accounting cannot be applied. As a result, changes in the fair value of those derivatives are recognised directly in profit or loss and the hedged item follows normal accounting policies.

Financial liabilities

Initial recognition, measurement and derecognition:

A financial liability is recognised on the statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument and it is derecognised when the obligation specified in the contract is discharged or cancelled or expires. The initial recognition of financial liability is at fair value normally represented by the transaction price. The transaction price for financial liability not classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition or issue of the financial liability. Transaction costs incurred on the acquisition or issue of financial liability classified at fair value through profit or loss are expensed immediately. The transactions are recorded at the trade date. Financial liabilities including bank and other borrowings are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting year.

Subsequent measurement:

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

(i) Financial liabilities at fair value through profit or loss: Liabilities are classified in this category when they are incurred principally for the purpose of selling or repurchasing in the near term (trading liabilities) or are derivatives (except for a derivative that is a designated and effective hedging instrument) or have been classified in this category because the conditions are met to use the "fair value option" and it is used. Financial guarantee contracts if significant are initially recognised at fair value and are subsequently measured at the greater of (a) the amount determined in accordance with FRS 37 and (b) the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with FRS 18. All changes in fair value relating to liabilities at fair value through profit or loss are charged to profit or loss as incurred.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial liabilities (cont'd)

(ii) Other financial liabilities: All liabilities, which have not been classified as in the previous category fall into this residual category. These liabilities are carried at amortised cost using the effective interest method. Trade and other payables and borrowings are usually classified in this category. Items classified within current trade and other payables are not usually re-measured, as the obligation is usually known with a high degree of certainty and settlement is short-term.

Classification of equity and liabilities

A financial instrument is classified as a liability or as equity in accordance with the substance of the contractual arrangement on initial recognition. Equity instruments are contracts that give a residual interest in the net assets of the company. Ordinary shares are classified as equity. Equity instruments are recognised at the amount of proceeds received net of incremental costs directly attributable to the transaction. Dividends on equity are recognised as liabilities when they are declared. Interim dividends are recognised when declared by the directors.

Fair value financial instruments

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Fair value financial instruments (cont'd)

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.

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. Provisions are 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.

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 information 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 information are prepared. However, this does not prevent actual figures differing from estimates.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

Net realisable value of development properties held for sale:
A review is made on inventory of development properties held for sale for declines in net realisable value below cost and an allowance is recorded against the inventory balance for any such declines. The review requires management to consider the future demand for the development properties. In any case the net realisable value represents the best estimate of the recoverable amount and is based on the acceptable evidence available at the end of the reporting year and inherently involves estimates regarding the future expected realisable value. Estimating the net realisable value require management to make an estimate of the expected selling price of the unsold development properties based on recent transactions or open market-based measurements of the unsold units. The related amounts are disclosed in the Note on development properties.

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

Determination of functional currency:
The Group measures foreign currency translations in the respective functional currencies of the company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgement is required to determine the currency that mainly influences sales prices of goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the reporting entity operate and the reporting entity's process of determining sales price.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

Allowance for doubtful trade accounts:
An allowance is made for doubtful trade accounts for estimated losses resulting from the subsequent inability of the customers to make required payments. If the financial conditions of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required in future periods. Management generally analyses trade accounts receivables and analyses historical bad debts, customer concentrations, customer creditworthiness, and changes in customer payment terms when evaluating the adequacy of the allowance for doubtful trade accounts. To the extent that it is feasible impairment and uncollectibility is determined individually for each item. In cases where that process is not feasible, a collective evaluation of impairment is performed. At the end of the reporting year, the trade receivables carrying amount approximates the fair value and the carrying amounts might change materially within the next reporting year but these changes would not arise from assumptions or other sources of estimation uncertainty at the end of the reporting year. The carrying amount is disclosed in the Note on trade and other receivables.

Net realisable value of inventories:
A review is made periodically 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. These reviews require 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 is disclosed in the Note on Inventories.

Assessment of impairment of goodwill:
The amount of goodwill is tested annually for impairment. This annual impairment test is significant and the process is complex and highly judgmental and is based on assumptions that are affected by expected future market or economic conditions. As a result, judgement is required in evaluating the assumptions and methodologies used by management, in particular those relating to the forecasted revenue growth and profit margins. The disclosures about goodwill are included in Note 15, which explains that small changes in the key assumptions used could give rise to an impairment of the goodwill balance in the future. Actual outcomes could vary from these estimates.

Acquisition of HISAKA Holdings Limited:
As described in Note 30, during the reporting year the acquisition of subsidiary, HISAKA Holdings Limited was completed. As at the end of the reporting year management, completed the initial acquisition accounting on a preliminary basis. The acquisition accounting will be finalised within twelve months and the amounts recorded as in this reporting year could change. This requires judgement because the values had not previously been assigned to the subsidiary as a standalone operation. In addition, determining the assumptions that underlie the initial acquisition accounting and the useful lives associated with the acquired intangible assets involves significant management judgment given the nature of the subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

FRS 24 defines a related party as a person or entity that is related to the reporting entity and it includes (a) A person or a close member of that person's family if that person: (i) has control or joint control over the reporting entity; (ii) has significant influence over the reporting entity; or (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity. (b) An entity is related to the reporting entity if any of the following conditions apply: (i) The entity and the reporting entity are members of the same group. (ii) One entity is an associate or joint venture of the other entity. (iii) Both entities are joint ventures of the same third party. (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity. (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. (vi) The entity is controlled or jointly controlled by a person identified in (a). (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity). (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

3A. Related companies:

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

There are transactions and arrangements between the Company and members of the Group and the effects of these on the basis determined between the parties are reflected in these financial information. The intercompany balances are unsecured without fixed repayment terms and interest unless stated otherwise. For any non-current balances and financial guarantees no interest or charge is imposed unless stated otherwise.

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

3B. Other related parties:

There are transactions and arrangements between the Group and related parties and the effects of these on the basis determined between the parties are reflected in these financial information. The intercompany balances are unsecured without fixed repayment terms and interest unless stated otherwise. For any non-current balances and financial guarantees no interest or charge is imposed unless stated otherwise.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

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

3B. Other related parties (cont'd):

Significant related party transactions:

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

	Group Key managements	
	2014	2013
	RM'000	RM'000
Sale of development properties	–	4,226
Sales of property, plant and equipment	–	919
Rental expenses	(324)	(40)

	Group Related Parties	
	2014	2013
	RM'000	RM'000
Rendering of services revenue	–	159
Revenue from construction contracts	–	4,117
Rental income	–	28
Sales of goods	–	360
Sale of development properties	–	2,966
Marketing services income	–	169
Contract expenses	–	(1,342)
Receiving of services expense	–	(1,727)
Rental expenses	–	(104)

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

	Group Associates	
	2014	2013
	RM'000	RM'000
Rendering of services revenue	717	1,112
Project management fee income	2,200	–
Sales of construction materials	1,931	2,674
Rental income	427	419

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

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

3C. Key management compensation:

	Group	
	2014	**2013**
	RM'000	**RM'000**
Salaries and other short-term employee benefits	3,852	1,422
Contributions to defined contribution plan	78	8
	3,930	1,430

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

	Group	
	2014	**2013**
	RM'000	**RM'000**
Remuneration of directors of the Group	796	–
Fees to directors of the Group	1,273	1,040
Remuneration of directors of the subsidiary companies	769	367
Fees to directors of the subsidiary companies	132	249

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

Key management personnel are directors and those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. The above amounts for key management compensation are for the directors of the Company and nine (2013: four) key management personnel of the Group.

3D. Other receivables from and other payables to subsidiaries:

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:

	Associates	
	2014	**2013**
Group	**RM'000**	**RM'000**
Other receivables (other payables):		
Balance at beginning of the year	2,604	(2,179)
Amounts paid out and settlement of liabilities on behalf of associates	2,076	17,017
Amounts paid in and settlement of liabilities on behalf of company	(5,030)	(12,234)
Balance at end of the year	(350)	2,604

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2014

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

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

	Directors	
Group	2014 RM'000	2013 RM'000
(Other payable) Other receivables:		
Balance at beginning of the year	1,715	(3,847)
Amounts paid out and settlement of liabilities on behalf of directors	2,323	36,801
Amounts paid in and settlement of liabilities on behalf of Company	(4,400)	(31,176)
Interest receivable	–	(63)
Balance at end of the year	(362)	1,715

	Related parties	
Group	2014 RM'000	2013 RM'000
Other payables:		
Balance at beginning of the year	–	(1,192)
Amounts paid out and settlement of liabilities on behalf of related parties	–	7,597
Amounts paid in and settlement of liabilities on behalf of company	–	(6,405)
Balance at end of the year	–	–

	Shareholders	
	2014 RM'000	2013 RM'000
Group		
Other payables:		
Balance at beginning of the year	–	(210)
Amounts paid out and settlement of liabilities on behalf of shareholders	–	210
Amounts paid in and settlement of liabilities on behalf of company	–	–
Balance at end of the year	–	–

	Subsidiaries	
Company	31.12.2014 RM'000	30.09.2013 RM'000
Other receivables:		
Balance at beginning of the year	9,172	9,004
Interest receivable	–	203
Amounts paid in and settlement of liabilities on behalf of company	(2,201)	(35)
Balance at end of the year	6,971	9,172

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

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

For management purposes the reporting entity is organised into the following major strategic operating segments that offer different products and services. 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:

(i) The precision business segment is the mechanical motion components management and the metallic precision manufacturing and mechatronics integration with capabilities in designing, integration and commissioning of systems; and

(ii) The property development segment is in the business of developing and sale of residential and commercial properties

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

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

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

The information on each product and services, or each group of similar products and services is as follows:

	Group	
	2014	**2013**
	RM'000	**RM'000**
Revenue from major products and services:		
Precision business	12,539	–
Property development	82,758	125,733
	95,297	125,733

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2014

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

4B. Profit or loss from continuing operations and reconciliations

31 December 2014	Precision business RM'000	Property development RM'000	Unallocated RM'000	Total RM'000
Revenue				
External revenue	12,539	82,758	–	95,297
Recurring EBITDA	(330)	15,994	–	15,664
Depreciation	(132)	(1,460)	–	(1,592)
Finance costs	(19)	(766)	–	(785)
Impairment loss on goodwill	(4,000)	–	–	(4,000)
RTO related expenses	–	–	(30,061)	(30,061)
Unallocated expenses	–	–	(1,006)	(1,006)
Share of loss (profit) from equity-accounted associates	(17)	8,893	–	8,876
Loss before tax from continuing operations				(12,904)
Income tax expense				(4,965)
Loss for the year				(17,869)

4C. Assets and reconciliations

31 December 2014	Precision business RM'000	Property development RM'000	Unallocated RM'000	Total RM'000
Total assets for reportable segments	106,254	156,593	–	262,847
Unallocated:				
Other Assets	–	–	24	24
Cash and cash equivalents	–	–	7,710	7,710
Total group assets	106,254	156,593	7,734	270,581

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

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

4D. Liabilities and reconciliations

31 December 2014	Precision business RM'000	Property development RM'000	Unallocated RM'000	Total RM'000
Total liabilities for reportable segments	(13,571)	(112,190)	–	(125,761)
Unallocated:				
Trade and other payables	–	–	(983)	(983)
Current and deferred tax liabilities	–	–	(86)	(86)
Total group liabilities	(13,571)	(112,190)	(1,069)	(126,830)

For the financial year ended 31 December 2013, there is only one major strategic operating segment – development and sale of properties. All revenue and substantially all the expenses incurred as well as the assets and liabilities are directly or indirectly attributable to this segment.

4E. Information about sales to major customers

	2014 RM'000	2013 RM'000
Top 1 customer in precision business segment	4,753	–
Top 2 customers in precision business segment	6,674	–
Top 3 customers in precision business segment	7,444	–

For the financial year ended 31 December 2013, the Group does not have any major customers as there are a large number of customers in the property development segment.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

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:

31 December 2014	Singapore RM'000	Malaysia RM'000	The People's Republic of China RM'000	Others RM'000	Total RM'000
Total revenue	2,488	83,388	8,769	652	95,297
Other geographical information:					
Addition of capital expenditure	5	3,795	–	–	3,800
Depreciation	128	1,460	4	–	1,592
Impairment losses (reversal)	4,729	1,461	(16)	–	6,174
Segment assets as at 31 December 2014					
Non-current	50,842	24,522	1,018	3,257	79,639

The Group operates in four geographical regions such as Singapore, Malaysia, the People's Republic of China and other countries. Other countries comprise mainly Australia, Switzerland and USA.

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

For the financial year ended 31 December 2013, the Group's consolidated results are generated in Malaysia. The Group's assets and liabilities for the financial year ended 31 December 2013 are located in Malaysia. There are no non-current assets located outside Malaysia for the financial year ended 31 December 2013.

5. REVENUE

	Group 2014 RM'000	Group 2013 RM'000
Sale of goods	17,543	3,574
Sale of development properties (recognised on completion of construction method)	44,854	97,023
Sales of development properties (recognised on stage of completion method)	22,786	–
Revenue from construction contracts	8,952	22,531
Rendering of services revenue	490	1,432
Rental income	625	1,157
Others	47	16
	95,297	125,733

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

6. INTEREST INCOME

	Group	
	2014	**2013**
	RM'000	**RM'000**
Interest income	29	18

7. OTHER GAINS AND (OTHER LOSSES)

	Group	
	2014	**2013**
	RM'000	**RM'000**
Allowance for impairment of inventories	(713)	–
Impairment loss on goodwill	(4,000)	–
Allowance for impairment:		
– Trade receivables	(1,000)	(36)
– Other receivables	(461)	(147)
Compensation received	176	–
Foreign exchange adjustment net gains	119	–
Gain on disposal on investment in subsidiaries	–	1,221
Gain on disposal of plant and equipment	–	22
Goodwill written off	(2)	–
Loss on disposal of investment in associates	–	3
Project management fee income	2,200	–
Preliminary expenses written off	(4)	(15)
Plant and equipment written off	(122)	–
Sundry gains	198	45
Net	(3,609)	1,093
Presented in profit or loss as:		
Other gains	2,693	1,291
Other losses	(6,302)	(198)
Net	(3,609)	1,093

8. FINANCE COSTS

	Group	
	2014	**2013**
	RM'000	**RM'000**
Interest expenses	785	796

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

9. EMPLOYEE BENEFITS EXPENSE

	Group	
	2014	2013
	RM'000	RM'000
		(Restated)
Employee benefits expense	9,839	4,960
Contributions to defined contribution plan	612	362
Other benefits	301	–
Total employee benefits expense	10,752	5,322

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

	2014	2013
Cost of sales	277	–
Marketing and distribution costs	709	–
Administrative expenses	9,766	5,322
Total employee benefits expense	10,752	5,322

10. MARKETING AND DISTRIBUTION COSTS AND ADMINISTRATIVE EXPENSES

The major components include the following:

	Group	
	2014	2013
	RM'000	RM'000
		(Restated)
Marketing and distribution costs:		
Employee benefits expense (Note 9)	709	–
Depreciation of property, plant and equipment	77	–
Administrative expenses:		
Auditors' remuneration:		
Auditor of the Company	363	–
Other auditors:		
– current year	241	62
– underprovision in previous financial year	138	4
Non-audit fees paid and payable to:		
Auditor of the Company	26	–
Other auditors	152	92
Employee benefits expense (Note 9)	9,766	5,322
Depreciation of property, plant and equipment	1,490	711
Rental expenses	497	130

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

11. REVERSE TAKEOVER RELATED EXPENSES

	Group	
	2014	2013
	RM'000	RM'000
Professional fees incurred on RTO (*)	5,299	–
Professional fees to independent arranger	24,762	–
	30,061	–

(*) Include fees of RM1,004,000 and RM257,000 paid to the company's auditors and independent auditors of Regal International Group respectively for the RTO exercise.

12. INCOME TAX

12A. Components of tax expense recognised in profit or loss include:

	Group	
	2014	2013
	RM'000	RM'000
		(Restated)
Current tax expense:		
Current tax expense	5,399	7,021
Over adjustments to current tax in respect of prior periods	(124)	(212)
	–	–
Subtotal	5,275	6,809
Deferred tax (income) expense:		
Deferred tax (income) expense	(155)	1,641
Over adjustments to deferred tax in respect of prior periods	(155)	–
Subtotal	(310)	1,641
Total income tax expense	4,965	8,450

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

12. INCOME TAX (CONT'D)

12A. Components of tax expense recognised in profit or loss include (cont'd):

The income tax in profit or loss varied from the amount of income tax amount determined by applying the Singapore income tax rate of 17% (2013: 17%) to profit or loss before income tax as a result of the following differences:

	Group	
	2014	2013
	RM'000	RM'000
		(Restated)
(Loss) profit before tax	(12,904)	30,788
Share of (profit) loss from equity-accounted associates	(8,876)	428
	(21,780)	31,216
Income tax (benefit) expense at the above rate	(3,703)	5,307
Not deductible items	7,778	1,213
Tax exemptions and rebate	(128)	(85)
Unrecognised deferred tax assets	816	(188)
Utilisation of previously unrecognised deferred tax assets	(656)	(82)
Effect of different tax rates in different countries	1,137	2,497
Over adjustment to current tax in respect of previous periods	(124)	(212)
Over adjustment to deferred tax in respect of previous periods	(155)	–
Total income tax expense	4,965	8,450

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

The major not deductible items include the following:

	Group	
	2014	2013
	RM'000	RM'000
Reverse takeover related expenses	5,110	–

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12. INCOME TAX (CONT'D)

12B. Deferred tax expense recognised in profit or loss includes:

	Group 2014 RM'000	Group 2013 RM'000 (Restated)
Excess of net book value of property, plant and equipment over tax values	–	(1)
Excess of tax values over net book value of plant and equipment	181	–
Tax losses carryforwards	401	(186)
Provisions	544	–
Difference in tax and accounting profit recognition for development properties	–	(1,642)
Unrecognised deferred tax assets	(816)	188
Total deferred expense recognised in profit or loss	310	(1,641)

12C. Deferred tax balance in the statement of financial position:

	Group 2014 RM'000	Group 2013 RM'000
Deferred tax liabilities:		
Acquisition of subsidiaries	(1,450)	–
Total deferred tax liabilities	(1,450)	–
Deferred tax assets:		
Acquisition of subsidiaries	779	–
Excess of tax values over net book value of plant and equipment	207	26
Tax losses carryforwards	546	145
Provisions	595	–
Total deferred tax assets	2,127	171
Net total of deferred tax liabilities/(assets)	677	171
Unrecognised deferred tax assets	(1,004)	(188)
Net balance	(327)	(17)
Presented in the statement of financial position as follows:		
Deferred tax assets	1,065	10
Deferred tax liabilities	(1,392)	(27)
	(327)	(17)

NOTES TO THE FINANCIAL STATEMENTS
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12. INCOME TAX (CONT'D)

12C. Deferred tax balance in the statement of financial position (cont'd):

Company	Statement of financial positions 31.12.2014 $'000	30.9.2013 $'000
Deferred tax liabilities:		
Other	–	(54)
Total deferred tax liabilities	–	(54)

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

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

Other than the tax losses of PRC subsidiaries, the realisation of the future income tax benefits from tax loss carryforwards and temporary differences from capital allowances is available for an unlimited future period subject to the conditions imposed by law including the retention of majority shareholders as defined.

The Group's subsidiaries have accumulated tax losses of RM3,435,000 as at 31 December 2014 (2013: RM331,000). Included in these tax losses are PRC subsidiary tax losses of RM2,167,000 as at 31 December 2014. In accordance with the relevant tax regulations in the PRC, tax losses incurred in a reporting year can only be carried forward for a maximum period of five years to offset against future taxable profit. It is not certain whether future taxable profit will be available against which the subsidiary's unused tax losses can be utilised. Consequently, a deferred tax asset has not been recognised for these tax losses.

The expiry dates of tax effect of tax losses carryforwards are as follows:

Group	2014 RM'000	2013 RM'000
2016	951	–
2017	780	–
2018	334	–
2019	102	–
	2,167	–

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

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13. EARNINGS (LOSS) PER SHARE

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

The Group does not have any discontinued operations.

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

Due to the reverse acquisition during the current financial year, the number of ordinary shares outstanding from the beginning of the year to the reverse acquisition date for purpose of calculating the weighted average number of ordinary shares is deemed to be the number of ordinary shares issued by the Company to the owners of Regal International Group. The number of ordinary shares outstanding from the reverse acquisition date to the end of the year is the actual number of ordinary shares of the Company outstanding during that period.

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

	Group	
	2014	**2013**
		(Restated)
Numerator: (loss) earnings attributable to equity – RM'000	(17,869)	22,338
Denominator: Weighted average number of ordinary shares on issue (a)	142,135,126	130,000,000

(a) The Company consolidated 3 existing ordinary shares into 1 ordinary share on 29 October 2014. Therefore, the weighted average number of shares outstanding for basic and diluted earnings (loss) per share including comparative figures have been adjusted accordingly.

NOTES TO THE FINANCIAL STATEMENTS

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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 2013	933	3,379	4,312
Additions	–	2,217	2,217
Disposals	(873)	(151)	(1,024)
Disposal of subsidiaries	–	(213)	(213)
At 31 December 2013	60	5,232	5,292
Acquisition of subsidiaries	10,751	6,738	17,489
Additions	50	3,750	3,800
Disposals	(56)	(285)	(341)
Translation exchange adjustments	82	207	289
At 31 December 2014	10,887	15,642	26,529
Accumulated depreciation:			
At 1 January 2013	112	1,720	1,832
Depreciation for the year	6	841	847
Disposals	(87)	(45)	(132)
Disposal of subsidiaries	–	(44)	(44)
At 31 December 2013	31	2,472	2,503
Acquisition of subsidiaries	–	5,889	5,889
Depreciation for the year	71	1,521	1,592
Disposals	(35)	(184)	(219)
Translation exchange adjustments	13	184	197
At 31 December 2014	80	9,882	9,962
Net book value:			
At 1 January 2013	821	1,659	2,480
At 31 December 2013	29	2,760	2,789
At 31 December 2014	10,807	5,760	16,567

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

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

Allocation of the depreciation expense as follows:

	Cost of sales RM'000	Marketing and distribution costs RM'000	Administrative expenses RM'000	Total RM'000
31 December 2013	136	–	711	847
31 December 2014	25	77	1,490	1,592

Certain items are under finance lease agreements (Note 25).

Certain leasehold buildings are pledged as security for the banking facilities (Note 25).

15. GOODWILL

	Group 2014 RM'000	Group 2013 RM'000
Balance at beginning of the year	2	55
Disposal of subsidiaries	–	(53)
Written off	(2)	–
Acquisition of subsidiaries (Note 30)	43,330	–
Less: allowance for impairment	(4,000)	–
Balance at end of the year	39,330	2
Movement in above allowance:		
Balance at beginning of the year	–	–
Charged to profit or loss included in other losses	4,000	–
Balance at end of the year	4,000	–

The provisional goodwill amount is from the reserve acquisition of HISAKA Group, which operates in the precision business segment.

The goodwill on consolidation has been allocated to the Group's cash-generating units ("CGU"), represents the Group's investment by the operating segment – precision business, for impairment testing.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

15. GOODWILL (CONT'D)

The recoverable amounts of a CGU is determined using the value in use approach (Level 3), and this is derived from the present value of the future cash flows from this segment computed based on the projections of financial budgets approved by management covering a three-year period.

The key assumptions for the value in use calculations are as follows:

	Range (weighted average) 2014
CGU – precision business	
Valuation technical and unobservable inputs Discounted cash flow method	
Estimated discount rates using pre-tax rates that reflect current market assessments at the risks specific to the CGU	10%
Growth rates based on industry growth forecasts and not exceeding the average long-term growth rate for the relevant market	3.5%
Forecast growth rate used to extrapolate cash flow beyond five-year period	2%

Key assumptions used in the value in use calculations

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

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

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

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

Sensitivity to changes in assumptions:

Actual outcomes could vary from these estimates. If the revised growth rate to the discounted cash flows had been reduced by 1 percentage point than management's estimates, there would be a need to reduce the carrying value of goodwill by approximately RM4.1 million. If the revised estimated pre-tax discount rate applied to the discounted cash flows had been increased by 1 percentage point, there would be a need to reduce the carrying value of goodwill by approximately RM6.7 million. If the actual gross margin and the pre-tax discounted rate had been more favourable than management's estimates, management would not be able to reverse any impairment losses that arose on goodwill because FRS 36 does not permit reversing an impairment loss for goodwill.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

15. GOODWILL (CONT'D)

Impairment loss:
During the reporting period, an impairment loss of RM4,000,000 (Note 7) was recognised in profit or loss to write down this subsidiary to its recoverable amount. The impairment loss on goodwill is due to the increasingly challenging and volatile operating environment of the segment.

The loss is not deductible for tax purposes.

16. INVESTMENT IN SUBSIDIARIES

	Company	
	31.12.2014 RM'000	30.9.2013 RM'000
Carrying value:		
Unquoted equity shares, at cost	345,005	18,920
Less: allowance for impairment	(941)	(1,642)
Translation exchange adjustments	9,365	–
Total at cost	353,429	17,278
Movements during the year:		
At beginning of the year, at cost	17,278	17,278
Addition arising from RTO (Note 2)	327,374	–
Disposal/liquidation of subsidiaries	(992)	–
Impairment loss reverse to profit or loss	404	–
Translation exchange adjustments	9,365	–
At end of the year, at cost	353,429	17,278
Movements in allowance for impairment:		
Balance at beginning of the year	(1,642)	(1,642)
Impairment loss reverse to profit or loss	404	–
Written off	297	–
Balance at end of the year	(941)	(1,642)
Net book value of subsidiaries in the books of the Company	89,473	53,305
Analysis of above amount denominated in non-functional currency:		
United States Dollars	7,911	7,911

Hisaka Shanghai Co., Ltd is under liquidation and the Company is expected to recover US$1.10 million (equivalent to RM3.85 million) from the liquidation of the subsidiary's assets. Hence there is sufficient basis to reverse the impairment loss of RM404,000. The process for the liquidation is expected to complete by first half of 2015.

NOTES TO THE FINANCIAL STATEMENTS

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16. INVESTMENT IN SUBSIDIARIES (CONT'D)

The subsidiaries held by the Company are listed below:

Name of subsidiaries, country of incorporation, place of operations, principal activities	Cost of the investments 2014 RM'000	Cost of the investments 2013 RM'000	Percentage of equity held by company 2014 %	Percentage of equity held by company 2013 %
Regal International Holdings Pte. Ltd. (a) Singapore Investment holding company	327,374	–	90	90
Hisaka Automation Sdn. Bhd. (d) (in process of liquidation) Malaysia Importers, exporter of all types of industrial and automation products including modifying and fabricating precision engineering products	252	252	90	90
Hisaka Shanghai Co., Ltd (d) (in process of deregistration) The People's Republic of China ("PRC") Distributor of mechanical motion products and fabrication of precision components	3,970	3,970	100	100
Hisaka Mechatronic (Suzhou) Co., Ltd (b) The People's Republic of China ("PRC") Distributor of mechanical motion products and fabrication of precision components	3,409	3,409	100	100
Hisaka (Singapore) Pte. Ltd. (a) Singapore Importers, exporter of all types of industrial and automation products including modifying and fabricating precision	9,004	9,004	100	100
Tech Motion (Shanghai) Co., Ltd (d) The People's Republic of China ("PRC") Importers, exporters and wholesalers of mechatronic products, electronic products, metallic products, rubber and plastic product	533	533	100	100
Hisaka International Holdings Pte. Ltd. (formerly known as iEcopolis (Singapore) Pte. Ltd.) (a) Singapore Supplier of intelligent eco-facility and infrastructure development and management solutions	463	463	100	100
Hisaka (Hong Kong) Co., Limited (d) (Deregistered) Hong Kong Dormant	–	5	100	100
Hisaka Energy Pte. Ltd. (d) (Struck off) Singapore Importers, exporter, trader and wholesalers of all kinds of coal, minerals, crude and other natural product	–	1,284	–	100
	345,005	18,920		

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

16. INVESTMENT IN SUBSIDIARIES (CONT'D)

The subsidiaries held by the Company are listed below:

Name of subsidiaries, country of incorporation, place of operations, principal activities	Percentage of equity held by company	
	2014	2013
	%	%
Held by subsidiaries **Regal International Holdings Pte. Ltd.**		
Arena Wiramaju Sdn. Bhd. (c) (e) Malaysia Property development	100	–
Kota Sarjana Sdn. Bhd.(c) (e) Malaysia Property development	80	–
Beaches & Coastlines Sdn Bhd (c) Malaysia Property development	100	–
Bellanova Sdn. Bhd. (c) Malaysia Property development	100	–
Beneworld Sdn. Bhd. (c) Malaysia Mortgage consultancy	100	–
HJ Lai Cement Concrete Sdn. Bhd. (c) Malaysia Manufacturing of cement (incorporated on 11 December 2014)	51	–
Kenyalang Avenue Sdn. Bhd. (c) Malaysia Construction and property development	100	–
Midas Residences Sdn Bhd (c) Malaysia Property development	100	–
Ocean Megalink Sdn Bhd (c) Malaysia Property development	100	–
Regal Advantage Sdn Bhd (c) Malaysia Construction and property development	100	–

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

16. INVESTMENT IN SUBSIDIARIES (CONT'D)

The subsidiaries held by the Company are listed below:

Name of subsidiaries, country of incorporation, place of operations, principal activities	**Percentage of equity held by company**	
	2014	**2013**
	%	**%**
Regal Lands Sdn Bhd (c) Malaysia Investment in properties and property development	100	–
Regal Materials Sdn Bhd (c) Malaysia Trading in construction materials	100	–
Sang Kanchil Rising Sdn Bhd (c) Malaysia Rental of machinery	100	–
Temasek Cartel Sdn Bhd (c) Malaysia Marketing of real estate and property development	100	–
Upright Strategy Sdn Bhd (c) Malaysia Property development	100	–

(a) Audited by RSM Chio Lim LLP.

(b) Audited by SBA Stone Forest Shanghai Certified Public Accountants (Partnership), the People Republic of China, an affiliated firm of RSM Chio Lim LLP.

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

(d) Not audited, as it is immaterial.

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

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

As is required by Rule 716 of the Listing manual of the Singapore Exchange Securities Training Limited, the Audit Committee and the Board of Directors of the Company have satisfied themselves that the appointment of different auditors for certain of its overseas subsidiaries would not compromise the standard and effectiveness of the audit of the Group.

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17. INVESTMENT IN ASSOCIATES

	Group			Company	
	2014 RM'000	2013 RM'000 (Restated)	1.1.2013 RM'000 (Restated)	31.12.2014 RM'000	30.9.2013 RM'000
Carrying value:					
Unquoted equity shares, at cost	2,222	578	629	1,544	1,544
Quasi – equity loans(N1)	3,192	–	–	3,295	2,665
Share of post acquisition profit/(loss)	9,334	458	2,698	–	–
Less: allowance for impairment	(1,544)	–	–	(1,544)	–
Translation exchange adjustments	86	–	–	86	–
	13,290	1,036	3,327	3,381	4,209
Movement in carrying value:					
Balance at beginning of year	1,036	3,327	19	4,209	3,522
Additions quasi – equity loans(N1)	–	–	–	630	687
Transfer to subsidiaries	–		(45)	–	–
Acquisition of subsidiaries (Note 30)	3,192	–	–	–	–
Additions – consideration of transfer of the economic benefits(N2)	100	–		-	-
Additions			50		
Disposals	–	(1,863)	–	–	–
Share of post acquisition profit/(loss)	8,876	(428)	3,303	–	–
Less: allowance for impairment	–	–	–	(1,544)	–
Translation exchange adjustments	86	–	–	86	–
	13,290	1,036	3,327	3,381	4,209
Movements in allowance for impairment:					
Balance at beginning of the year	–	–	–	–	–
Acquisition of subsidiaries	(1,544)	–	–	(1,544)	–
Balance at end of the year	(1,544)	–	–	(1,544)	–
Share of net book value of associates	9,831	1,059	3,377		

(N1) These are interest free quasi-equity loans from the Group to the associates. The Group does not expect repayment of the above interest free loan in the foreseeable future.

(N2) The Group has entered into Deeds of Assignment with Mr. Su Chung Jye and Mr. Wong Pak Kiong to assign to the Group all of Mr. Su Chung Jye's and Mr. Wong Pak Kiong's entitlements and benefits as shareholders in the above associates. Pursuant thereto, the Group is entitled to 50% of the economic benefits in Tiya Development Sdn. Bhd..

The continuous losses of the associate was considered sufficient evidence to trigger the impairment test. The impairment test has resulted in the recognition of a loss. Accordingly, an allowance of impairment has been fully provided on the cost of investment.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

17. INVESTMENT IN ASSOCIATES (CONT'D)

The associated held by the Group are listed below:

Name of associate, country of incorporation place of operations and principal activities	Cost of investment		Percentage of effective equity held by Group	
	2014 RM'000	2013 RM'000	2014 %	2013 %
Singapore Synergy Holdings Pte Ltd[(a)] Singapore Precision engineering of metal and plastic parts, industrial & marine offshore product	1,544	–	33	–
Tiya Development Sdn Bhd[(b)] Malaysia Property development	678	578	50	50
	2,222	578		

(a) Audited by RSM Chio Lim LLP.

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

The summarised financial information of the associates, not adjusted for the percentage ownership held by the Group, is as follows:

	2014 RM'000	2013 RM'000
Profit or loss after tax from continuing operations	17,804	(865)
Other comprehensive income	14	–
Total comprehensive income	17,818	(865)

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

Summarised statement of financial position:

	Singapore Synergy Pte Ltd		Tiya Development Sdn Bhd	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Current assets	6,750	–	47,043	46,109
Non-current assets	8,026	–	2,054	31
Total assets	14,776	–	49,097	46,140
Current liabilities	2,045	–	29,195	40,043
Non-current liabilities	13,094	–	–	3,980
Total liabilities	15,139	–	29,195	44,023
Net assets	(363)	–	19,902	2,117
Proportion of the Group's ownership	33.3%	–	50.0%	50.0%
Group's share of net assets/Carrying amount of the investment	(120)	–	9,951	1,059

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17. INVESTMENT IN ASSOCIATES (CONT'D)

Summarised statement of comprehensive income

	Singapore Synergy Pte Ltd		Tiya Development Sdn Bhd	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Revenue	11,947	–	78,801	1,110
Profit or (loss) after tax form continuing operations	20	–	17,785	(865)
Other comprehensive income	14	–	–	–
Total comprehensive income	34	–	17,785	(865)

18. OTHER ASSETS

	Group			Company	
	2014 RM'000	2013 RM'000 (Restated)	2012 RM'000 (Restated)	31.12.2014 RM'000	30.9.2013 RM'000
Deposits to secure services	301	657	573	–	–
Deposits to secure land	3,227	–	–	–	
Prepayments	436	176	129	24	41
Tax recoverable	–	–		–	23
Payments in advance to landowners(*)	9,387	7,019	10,427	–	–
	13,351	7,852	11,129	24	64
Presented in statement of financial position:					
Non-current	9,387	7,019	10,427	–	–
Current	3,964	833	702	24	64
	13,351	7,852	11,129	24	64

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

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19. DEVELOPMENT PROPERTIES

	Group		
	2014 RM'000	2013 RM'000	1.1.2013 RM'000
		(Restated)	(Restated)
Development properties held for sale in the process of development	44,225	19,499	58,812
Development properties in the process of development accounted under the stage of completion method (Note 19A)	5,843	–	–
	50,068	19,499	58,812

19A. Development Properties in the Process of Development Accounted Under the Stage of Completion Method

	Group		
	2014 RM'000	2013 RM'000	1.1.2013 RM'000
		(Restated)	(Restated)
Aggregate amount of costs incurred and recognised profits (less recognised losses) to date on uncompleted contracts	33,409	–	–
Less progress payments received and receivable and advances to date	(28,629)	–	–
Net amount arising from customer at end of the year	4,780	–	–
Included in the accompanying statement of financial position as follows:			
Under trade receivables, current	4,780	–	–
Contract costs that relate to future activity recognised as an asset:			
Balance at beginning of the year	–	–	–
Aggregate amount of costs incurred	21,263	–	–
Less amounts recognised in profit or loss	(15,420)	–	–
Balance at end of the year – contract costs that relate to future activity recognised as an asset	5,843	–	–

The amount of development properties expected to be recovered after 12 months amounted to RM 25,994,000 (FY2013:RM14,615,000)

The development properties are mortgaged for credit facilities granted to the Group (Note 25).

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2014

20. INVENTORIES

	Group 2014 RM'000	Group 2013 RM'000
Construction materials	520	467
Goods for resale	14,551	–
Completed properties	15,228	18,490
	30,299	18,957
Inventories are stated after allowance. Movements in allowance:		
Balance at beginning of year	–	–
Arising from acquisition of subsidiary	(10,595)	–
Reversal to profit or loss included in other gains	713	–
Translation exchange adjustments	(181)	–
Balance at end of the year	(10,063)	–
Cost of inventories charged to profit or loss included in cost of goods sold	16,248	72,282

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

There are no inventories pledged as security for liabilities except for certain completed properties (Note 25).

21. TRADE AND OTHER RECEIVABLES

	Group 2014 RM'000	Group 2013 RM'000 (Restated)	Group 1.1.2013 RM'000 (Restated)	Company 31.12.2014 RM'000	Company 30.9.2013 RM'000
Trade receivables:					
Outside parties	49,425	12,377	19,887	–	–
Related parties (Note 3)	–	7,913	–	–	–
Bill receivables	1,262	–	–	–	–
Accrued receivables	9,100	6,228	1,389	–	–
Less: allowance for impairment	(1,036)	(36)	–	–	–
Due from customers on construction contracts	8,436	13,175	30,049	–	–
Retention sums on construction contracts (Note 23)	2,373	3,090	1,293	–	–
Subtotal	69,560	42,747	52,618	–	–
Other receivables:					
Outside parties[1]	9,963	6,696	12,888	217	524
Directors (Note 3)	–	1,715	5,030	–	–
Associates (Note 3)	–	5,551	3,207	–	–
Related parties (Note 3)	–	–	11,626	–	–
Subsidiaries (Note 3)	–	–	–	6,971	9,172
Less: allowance for impairment	(608)	(147)	–	(217)	–
Subtotal	9,355	13,815	32,751	6,971	9,696
Total trade and other receivables	78,915	56,562	85,369	6,971	9,696

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21. TRADE AND OTHER RECEIVABLES (CONT'D)

	2014 RM'000	2013 RM'000 (Restated)	1.1.2013 RM'000 (Restated)	31.12.2014 RM'000	30.9.2013 RM'000
Movement in allowance:					
Balance at beginning of the year	(183)	–	–	–	–
Charged for trade receivables to profit or loss included in other losses	(1,461)	(183)	–	(217)	–
Balance at end of the year	(1,644)	(183)	–	(217)	–

(1) Included in other receivables from outside parties are amounts of RM3,324,000 (2013: Nil) that will be used to contra off future purchases of land. The fair value of land will be determined at that point of transfer of land title.

(2) The other receivables balances from outside parties are unsecured, interest free and have no fixed repayment terms.

22. CASH AND CASH EQUIVALENTS

	Group			Company	
	2014 RM'000	2013 RM'000 (Restated)	1.1.2013 RM'000 (Restated)	31.12.2014 RM'000	30.9.2013 RM'000
Not restricted in use	23,744	788	669	7,710	52,018
Cash under project accounts[(a)]	3,658	253	–	–	–
Restricted in use[(b)]	294	285	553	–	–
	27,696	1,326	1,222	7,710	52,018
Interest earning balances	7,574	285	553	7,280	51,454

The rate of interest for the cash on interest earning balances is 0.01% – 1.3% per annum.

(a) *This is for monies to be deposited into and withdrawn from the project account as set out in the Housing Developers (Project Account) Rules. These rules are designed to ensure that monies paid by purchasers in each development are segregated, and utilised only for designated types of payments that relate to the development.*

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

22A. CASH AND CASH EQUIVALENTS IN THE GROUP STATEMENT OF CASH FLOWS

	Group			Company	
	2014 RM'000	2013 RM'000 (Restated)	1.1.2013 RM'000 (Restated)	31.12.2014 RM'000	30.9.2013 RM'000
As shown above	27,696	1,326	1,222	7,710	52,018
Restricted in use	(294)	(285)	(553)	–	–
Bank overdraft (Note 25)	(4,481)	(1,710)	(3,614)	–	–
Cash and cash equivalents at end of year	22,921	(669)	(2,945)	7,710	52,018

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YEAR ENDED 31 DECEMBER 2014

22B. NON-CASH TRANSACTIONS

There were certain assets under property, plant and equipment with a total cost of RM2,438,000 as at 31 December 2014 (2013: RM1,134,000) acquired by means of finance leases.

23. CONSTRUCTION CONTRACTS IN PROGRESS

	Group	
	2014 RM'000	2013 RM'000
Aggregate amount of costs incurred and recognised profits to date on uncompleted contracts	118,930	72,583
Less: progress payments received and receivables	(110,494)	(65,908)
Net amount due from contract customers at end of the year	8,436	6,675
Included in the accompanying statement of financial position as follows:		
Under trade receivables – outsiders, current (Note 21)	8,436	13,175
Under other liabilities, current (Note 27)	–	(6,500)
	8,436	6,675
Construction contract retention receivables as an asset under trade receivables (Note 21)	2,373	3,090

24. SHARE CAPITAL

The number of issued ordinary shares is analysed as follows:

	Number of shares issued	Issued and paid up share capital RM'000
Company		
Ordinary shares of no par value:		
Share capital as at 1 January 2014	175,343,026	69,524
Share capital after the share consolidation[(a)]	58,447,392	69,524
Consideration shares issued pursuant to the professional fees for an arranger	11,666,667	24,762
Consideration shares issued pursuant to the Acquisition of Regal Group	130,000,000	275,920
Number of shares after the Acquisition	200,114,059	370,206
Share issuance cost		(655)
Share capital as at 31 December 2014		369,551

(a) In connection with the RTO, the Company underwent a share consolidation of three shares into one consolidated share.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

24. SHARE CAPITAL (CONT'D)

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.

In the consolidated financial statements, the cost of reverse acquisition was determined using the fair value of the issued equity of the Company before the acquisition, being 58,447,392 shares at RM1.852 (S$0.720) per share amounting to approximately RM108,264,000 which represents the market value of the Company being the quoted and trade price of the shares as at 29 October, 2014 (date of completion of acquisition) (Note 30). It was deemed to be incurred by the legal subsidiary (i.e. the acquirer for accounting purpose) in the form of equity issued to the owners of the legal parent (i.e. the acquiree for accounting purpose).

In the separate financial statements of the Company, the cost of reverse acquisition was determined by reference to the issue of 130,000,000 consideration shares at RM2.122 (equivalent to S$0.825) amounting to approximately RM275,600,000.

Capital Management

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

24. SHARE CAPITAL (CONT'D)

Capital Management (cont'd)

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

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

	Group	
	2014	**2013**
	RM'000	**RM'000**
Net debt:		
All current and non-current borrowings including finance leases	30,110	4,215
Less cash and cash equivalents	(27,696)	(1,326)
Net debt	2,414	2,889
Adjusted capital:		
Total equity	143,751	29,529
Adjusted capital	143,751	29,529
Debt-to-adjusted capital ratio	1.68%	9.78%

The improvement as shown by the decrease in the debt-to-adjusted capital ratio for the reporting year resulted primarily from the increase in the issue of shares. There was a favourable change with improved retained earnings.

Performance share plan and employee share option scheme

During the reporting year, no option to take up unissued shares of the Company or any corporation in the Group was granted. There were no performance share plan and employee share options granted since the commencement of the performance share plan and employee share option scheme which is more fully disclosed in the report of the directors.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

25. OTHER FINANCIAL LIABILITIES

	Group	
	2014	2013
	RM'000	RM'000
Non-current:		
Financial instruments with floating interest rates:		
Term loans (secured) (Note 25A)	11,270	654
Financial instruments with fixed interest rates:		
Finance leases (Note 25B)	2,384	1,354
Non-current total	13,654	2,008
Current:		
Financial instruments with floating interest rates:		
Term loans (secured) (Note 25A)	11,164	31
Bank overdrafts (secured) (Note 25C)	4,481	1,710
Financial instruments with fixed interest rates:		
Finance leases (Note 25B)	811	466
Current total	16,456	2,207
Total	30,110	4,215
Non-current portion is repayable as follows:		
Due within 2 to 5 years	12,404	1,596
After 5 years	1,250	412
Total non-current portion	13,654	2,008

The ranges of floating interest rates paid were as follows:

	2014	2013
Term loans	2.10% – 7.60%	5.10% – 7.60%
Bank overdrafts	7.60% – 8.60%	7.60% – 8.60%

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

25. OTHER FINANCIAL LIABILITIES (CONT'D)

25A. Term Loans (Secured)

	Group 2014 RM'000	Group 2013 RM'000
Non-current:		
Due within 2 to 5 years	10,188	242
After 5 years	1,082	412
Total non-current portion	11,270	654
Current:		
Term loans (secured)	11,164	31
Total	22,434	685

Term Loan S/N	Commencement Date of repayment	Number of Monthly instalments	Monthly instalments RM	2014 RM'000	2013 RM'000
1	February 2009	240	5,040	–	685
2	May 2014	Redemption		2,830	–
3	August 2014	Redemption		13,519	–
4	January 2015	240	8,584	1,000	–
5	January 2015	120	10,100	950	–
6	January 2015	120	7,442	700	–
7	April 2015	3	145,000	3,435	–
				22,434	685

The term loans are covered by the following:

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

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

(iii) Joint and several guarantee by ex-director of one of the subsidiaries of the Group;

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

(v) First party charge and first/second legal charges on some of the subsidiaries' projects land and building; and

(vi) Corporate guarantees provided by the Company.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

25. OTHER FINANCIAL LIABILITIES (CONT'D)

25B. Finance Leases

Group	Minimum payments RM'000	Finance charges RM'000	Present value RM'000
31 December 2014			
Minimum lease payments payable:			
Due within one year	968	(157)	811
Due within 2 to 5 years	2,648	(431)	2,217
Due after 5 years	197	(30)	167
Total	3,813	(618)	3,195
Net book value of equipment under finance leases			3,233
31 December 2013			
Minimum lease payments payable:			
Due within one year	559	(93)	466
Due within 2 to 5 years	1,505	(229)	1,276
Due after 5 years	90	(12)	78
Total	2,154	(334)	1,820
Net book value of equipment under finance leases			1,740

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

	2014	2013
Average lease term, in years	3 to 9	3 to 9
Average effective borrowing rate per year	2% to 5%	2% to 5%

The total for finance leases and the average effective borrowing rate per year is disclosed above. The fair value (Level 2) is a reasonable approximation of the carrying amount. The fair value of the finance leases was estimated by discounting the future cash flows payable under the terms of the finance leases using the interest rates ranging between 2% and 5% applicable to similar finance leases (Level 3).

25C. Bank Overdrafts (Secured)

The bank overdrafts are covered by:

(i) Pledge of the fixed deposits with licensed banks of certain subsidiaries (Note 22);

(ii) Joint and several guarantees of certain directors of the Company; and

(iii) First party charge and first/second legal charges on some of the subsidiaries' projects land and building.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

26. TRADE AND OTHER PAYABLES

	Group			Company	
	2014 RM'000	2013 RM'000 (Restated)	1.1.2013 RM'000 (Restated)	31.12.2014 RM'000	30.9.2013 RM'000
Trade payables:					
Outside parties and accrued liabilities	45,965	35,576	38,266	854	458
Subtotal	45,965	35,576	38,266	854	458
Other payables:					
Outside parties	8,864	7,536	6,546	129	203
Associates (Note 3)	350	2,947	5,386	–	–
Directors (Note 3)	362	–	8,878	–	–
Related parties (Note 3)	–	–	10,433	–	–
Subsidiaries (Note 3)	–	–	–	8,667	903
Shareholders (Note 3)	–	–	210	–	–
Subtotal	9,576	10,483	31,453	8,796	1,106
Total trade and other payables	55,541	46,059	69,719	9,650	1,564

27. OTHER LIABILITIES

	Group	
	2014 RM'000	2013 RM'000
Refundable deposits	1,546	356
Due to customers on construction contracts (Note 23)	–	6,500
At end of the year	1,546	6,856

28. MERGER RESERVE

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

29. DIVIDENDS ON EQUITY SHARES

	Company	
	2014 RM'000	2013 RM'000
Final exempt (one-tier) dividend of RM0.0257 (S$0.01) [2013:RM0.0257 (S$0.01)]	4,518	4,509
Interim exempt (one-tier) dividend of RM0.0193 (S$0.0075) [2013:Nil]	3,388	–
	7,906	4,509

These were paid before RTO exercise (see Note 2).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

30. ACQUISITION OF SUBSIDIARIES

On 29 October 2014, the Group completed the reverse takeover of HISAKA Group. The Group entered into the reverse takeover to pursue growth plans for the Group, and extend the leadership position in the property development industry in Malaysia, through access to the capital markets as a result listing arising from the transaction.

The fair value of identifiable assets and liabilities shown below for HISAKA Group is provisional value as the hindsight period allowed by Financial Reporting Standards has not yet expired.

	Pre-acquisition book value RM'000	Provisional fair value RM'000
Property, plant and equipment	3,421	11,600
Deferred tax assets	779	779
Investment in associates	3,192	3,192
Trade and other receivables	29,355	29,355
Other assets	740	740
Inventories	16,012	16,012
Cash and bank balances	78,156	78,156
Deferred tax liabilities	(60)	(1,450)
Trade payables and other payables	(12,135)	(12,135)
Short term borrowings	(8,968)	(8,968)
Income tax payables	(466)	(466)
Net assets acquired	110,026	116,815
Goodwill arising from reverse acquisition		43,330
Consideration settled in cash		(51,881)
Consideration transferred – equity instruments issued as settlement of purchase consideration[(a)]		108,264
Net cash inflow arising from reverse acquisition:		
Cash and bank balances of subsidiaries acquired		78,156
Consideration settled in cash		(51,881)
Net cash inflow on acquisition		26,275

The goodwill recognised above is attributed to the expected synergies and other benefits from combining the assets and activities of Regal International Group with those of the Group.

(a) *The consideration was based on the Company's entire share capital of 58,447,392 shares (after 3-to-1 share consolidation) before the reverse acquisition using the fair value of RM1.85 (S$0.72) per share, representing the fair value of the issued equity of the Company before the reverse acquisition. The fair value of these shares is the quoted and traded price of the shares at 29 October 2014 (date of completion of acquisition).*

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

30. ACQUISITION OF SUBSIDIARIES (CONT'D)

The contributions from the acquired subsidiaries for the period between the date of acquisition and the end of the reporting year were as follows:

	Group	
	From date of acquisition in 2014 RM'000	For the reporting year 2014 RM'000
Revenue	12,500	99,441
Loss (profit) before income tax (excluding Reverse takeover related expenses)	(1,347)	3,597

31. DISPOSAL OF SUBSIDIARY

The following table is a summary of the carrying value assets and liabilities of the subsidiary Pimpinan Majujuta Sdn. Bhd. that was sold on 2 January 2013.

	2013 RM'000
Plant and equipment	170
Deferred tax assets	30
Development properties	13,754
Trade receivables	7,293
Other receivables and deposits	1,874
Cash and bank balances	105
Goodwill	53
Trade and other payables	(14,458)
Progress billings	(9,761)
Other financial liabilities	(152)
Income tax payables	(29)
Net liabilities disposed of	(1,121)
Less: amount owing by directors for cost of shares disposed	(100)
Gain on disposal of subsidiary company	1,221
Net cash outflow arising from disposal of subsidiary:	
Cash and bank balances disposed of	(105)
Net cash outflow	(105)

The contribution from Pimpinan Majujuta Sdn. Bhd. for the period from the beginning of the reporting to date of disposal was not significant.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

32. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS

32A. Classification of financial assets and liabilities

The following table summarises the carrying amount of financial assets and liabilities recorded at the end of the reporting year by FRS 39 categories:

		Group		Company	
	2014	**2013**	**1.1.2013**	**31.12.2014**	**30.9.2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
		(Restated)	**(Restated)**		
Financial assets:					
Cash and bank balances	27,696	1,326	1,222	7,710	52,018
Loan and receivables	67,155	43,387	59,449	6,971	9,696
At end of the year	94,851	44,713	60,671	14,681	61,714
Financial liabilities:					
Other financial liabilities at amortised cost	30,110	4,215	5,413	–	–
Trade and other payables at amortised cost	55,541	46,059	69,593	9,650	1,564
At end of the year	85,651	50,274	75,006	9,650	1,564

Further quantitative disclosures are included throughout the financial statements.

32B. 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

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

32B. Financial risk management (cont'd)

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.

32C. Fair value of financial instruments

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

32D. Credit risk on financial assets

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

Note 22 disclose the maturity of the cash and cash equivalents balances.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

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

32D. Credit risk on financial assets (cont'd)

As part of the process of setting customer credit limits, different credit terms are used. The average credit period generally granted to non-related trade receivable customers is about 30 – 150 days (2013: 30 days). But some customers take a longer period to settle the amounts.

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

	Group	
	2014	**2013**
	RM'000	**RM'000**
Net trade receivables:		
Past due 61-90 days	9,345	254
Past due 91-120 days	893	243
Past due 121-150 days	230	76
Past due 151-180 days	3,099	1,892
Total	13,567	2,465

As at the end of reporting year there were no amounts that were impaired.

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

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

	Group	
	2014	**2013**
	RM'000	**RM'000**
Top 1 customer	4,753	–(*)

(*) *For financial year ended 2013, the group does not have any major concentration of credit risk related to any individual customer or counterparty as Regal International Group's trade receivables is spread over a large number of customers.*

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

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

32E. Liquidity risk

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

Group	Less than 1 year RM'000	2–5 years RM'000	After 5 years RM'000	Total RM'000
Non-derivative financial liabilities:				
31 December 2014:				
Gross borrowings commitments	16,621	14,073	1,301	31,995
Gross finance lease obligations	968	2,648	197	3,813
Trade and other payables	55,541	–	–	55,541
At end of the year	73,130	16,721	1,498	91,349
31 December 2013 (Restated):				
Gross borrowings commitments	1,880	1,851	414	4,145
Gross finance lease obligations	559	1,505	90	2,154
Trade and other payables	46,059	–	–	46,059
At end of the year	48,498	3,356	504	52,358

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

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

	Group		Company	
	2014 RM'000	2013 RM'000	31.12.2014 RM'000	30.9.2013 RM'000
Corporate guarantees in favour of financial institutions for facilities extended to:				
– Subsidiaries	–	–	74,338	–
– Associate	2,093	–	2,093	–
Banker guarantees	318	–	318	–
	2,411	–	76,749	–

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

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

32E. Liquidity risk (cont'd)

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

Bank facilities:

	Group	
	2014	**2013**
	RM'000	**RM'000**
Undrawn borrowing facilities	24,270	9,387

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.

32F. Interest rate risk

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

	Group	
	2014	**2013**
	RM'000	**RM'000**
Financial liabilities:		
Fixed rate	3,195	1,820
Floating rate	26,915	2,395
Total at end of the year	30,110	4,215
Financial assets:		
Floating rate	7,574	285
Total at end of the year	7,574	285

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

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

32F. Interest rate risk (cont'd)

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

Sensitivity analysis:

	Group 2014 RM'000	Group 2013 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 loss for the year by	193	21

32G. Foreign currency risks

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

Analysis of significant amounts denominated in non-functional currencies:

Group	Cash RM'000	Loans and receivables RM'000	Total RM'000
Financial assets:			
31 December 2014:			
United States dollars ("USD")	1,718	10,614	12,332
Japanese Yen ("JPY")	626	8,472	9,098
	2,344	19,086	21,430

Group	Dec 2014 RM'000	Dec 2013 RM'000
Trade and other payables		
Financial liabilities:		
Japanese Yen ("JPY")	2,863	–
United States dollars ("USD")	2,123	–
	4,986	–

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

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

32G. Foreign currency risks (cont'd)

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

Sensitivity analysis:

	Group	
	2014 RM'000	2013 RM'000
A hypothetical 10% strengthening in the exchange rate of the functional currency RM against the JPY with all other variables held constant would have an adverse effect on post-tax loss of	(623)	–
A hypothetical 10% strengthening in the exchange rate of the functional currency RM against the USD with all other variables held constant would have an adverse effect on post-tax loss of	(1,021)	–

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

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

33. OPERATING LEASE PAYMENT COMMITMENTS

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

	Group	
	2014 RM'000	2013 RM'000
Not later than one year	1,790	485
Later than one year and not later than five years	1,290	482
Later than five years	1,411	–
Rental expense for the year	497	130

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

33. OPERATING LEASE PAYMENT COMMITMENTS (CONT'D)

Operating lease represent mainly rentals payable by the Group for certain of its factory premises and staff accommodation. It is mainly from the Jurong Town Corporation and related parties. The lease period is 20 years commencing from January 2004 and January 2014 respectively. The lease rental terms are negotiated for an average term of three years and rentals are subject to an escalation clause but the amount of the rent increase is not to exceed a certain percentage. Operating lease for the Regal International Group represents mainly rentals payable to related parties for office premises. The lease period is 2 years commencing from January 2014.

34. OPERATING LEASE INCOME COMMITMENTS

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

	Group	
	2014 RM'000	2013 RM'000
Not later than one year	22	–
Rental income for the year	497	–

Operating lease income is for rentals receivable for certain office premises. The lease to the tenant (a related party) is for 12 months commencing from 1 August 2014.

35. EVENTS AFTER THE END OF THE REPORTING YEAR

Subsequent to the end of the reporting year:

(i) the Group has incorporated a wholly-owned subsidiary, Regal Hospitalities Sdn. Bhd. on 6 January 2015 with a paid up capital of RM100,000. The principal activity of the subsidiary is that of estate management of completed projects; and

(ii) the Company has pursuant to an internal restructuring exercise within the Group (the "Internal Restructuring") entered into sale and purchase agreements with its wholly owned subsidiary, Hisaka International Holdings Pte. Ltd..("Hisaka International") [formerly known as iEcopolis (Singapore) Pte. Ltd.] to transfer of its direct shareholding interests in Singapore Synergy Holdings Pte. Ltd., Hisaka (Singapore) Pte. Ltd., Hisaka Mechatronic (Suzhou) Co Ltd. and Tech Motion (Shanghai) Co. Ltd. Subsequent to the completion of the Internal Restructuring, the Company would no longer hold direct interests in these subsidiaries.

36. CAPITAL COMMITMENTS

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

	Group	
	2014 RM'000	2013 RM'000
Commitments to purchase of property, plant and equipment	565	–

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

37. RESTATEMENT, RECLASSIFICATIONS AND COMPARATIVE FIGURES

The comparative statement of financial position of the Company for the financial year ended 30 September 2013, as restated in RM, is presented for comparison. See Note 2 on Change of Presentation Currency.

Adoption of FRS 110 Consolidated Financial Statements

Effective from the beginning of the current reporting year, the Group adopted the new FRS 110. As a result, the management of the reporting entity re-assessed whether or not the reporting entity controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. For the reporting year Arena Wiramaju Sdn Bhd and Kota Sarjana Sdn Bhd were regarded as subsidiaries. Subsidiaries are consolidated from the date the reporting entity obtains control of the investee and cease when the reporting entity loses control of the investee. Control exists when the group has the power to govern the financial and operating policies so as to gain benefits from its activities. The reporting entity measures the assets, liabilities and non-controlling interests in that previously unconsolidated investee on the date of initial application as if that investee had been consolidated (and thus applied acquisition accounting in accordance with FRS 103) from the date when the investor obtained control of that investee on the basis of the requirements of this FRS. The details are as follows:

2013	**After restatement RM'000**	**Before restatement RM'000**	**Difference RM'000**
Group			
Consolidated statement of profit or loss and other comprehensive income			
Administrative expenses	(8,905)	(8,838)	(67)
Share of loss from equity-accounted associates	(428)	(459)	31
Statements of financial position			
Investment in associates	1,036	1,122	(86)
Other assets, non-current	7,019	5,374	1,645
Development properties	19,499	12,239	7,260
Trade and other receivables	56,562	56,396	166
Other assets, current	833	–	833
Accrued progress billing	–	6,227	(6,227)
Cash and bank balances	1,326	1,077	249
Trade and other payables	(46,059)	(44,641)	(1,418)
Other liabilities	(6,856)	(6,500)	(356)
Progress billings	(12,870)	(10,780)	(2,090)
Retained earnings	(23,387)	(23,539)	152
Other reserves	(6,078)	(5,950)	(128)
1.1.2013			
Group			
Statements of financial position			
Investment in associates	3,327	3,370	(43)
Development properties	58,812	55,203	3,609
Trade and other receivables	85,369	88,109	(2,740)
Other assets, current	702	–	702
Accrued progress billing	–	1,390	(1,390)
Trade and other payables	(69,719)	(69,593)	(126)
Retained earnings	(1,048)	(1,164)	116
Other reserves	(3,418)	(3,290)	(128)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

38. CHANGES AND ADOPTION OF FINANCIAL REPORTING STANDARDS

For the current reporting year the following new or revised Singapore Financial Reporting Standards were adopted. The new or revised standards did not require any modification of the measurement methods or the presentation in the financial statements, except for adoption of FRS110 as disclosed in Note 37.

FRS No.	Title
FRS 27	Consolidated and Separate Financial Statements (Amendments to)
FRS 27	Separate Financial Statements (Revised)
FRS 28	Investments in Associates and Joint Ventures (Revised)
FRS 36	Amendments to FRS 36: Recoverable Amount Disclosures for Non-Financial Assets (relating to goodwill)
FRS 39	Amendments to FRS 39: Novation of Derivatives and Continuation of Hedge Accounting
FRS 110	Consolidated Financial Statements
FRS 110	Amendments to FRS 110, FRS 111 and FRS 112
FRS 111	Joint Arrangements (*)
FRS 112	Disclosure of Interests in Other Entities
INT FRS 121	Levies (*)

(*) Not relevant to the entity.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

39. FUTURE CHANGES IN FINANCIAL REPORTING STANDARDS

The following new or revised Singapore Financial Reporting Standards that have been issued will be effective in future. The transfer to the new or revised standards from the effective dates is not expected to result in material adjustments to the financial position, results of operations, or cash flows for the following year.

FRS No.	Title	Effective date for periods beginning on or after
FRS 19	Amendments To FRS 19: Defined Benefit Plans: Employee Contributions	1 Jul 2014
Improvements to FRSs (Issued in January 2014). Relating to:		1 Jul 2014
FRS 102	Share-Based Payment	
FRS 103	Business Combinations	
FRS 108	Operating Segments	
FRS 113	Fair Value Measurement	
FRS 16	Property, Plant and Equipment	
FRS 24	Related Party Disclosures	
FRS 38	Intangible Assets	
Improvements to FRSs (Issued in February 2014). Relating to:		1 Jul 2014
FRS 103	Business Combinations	
FRS 113	Fair Value Measurement	
FRS 40	Investment Property (*)	
FRS 114	Regulatory Deferral Accounts (*)	1 Jan 2016
FRS 27	Amendments to FRS 27: Equity Method in Separate Financial Statements	1 Jan 2016
FRS 16, FRS 38	Amendments to FRS 16 and FRS 38: Clarification of Acceptable Methods of Depreciation and Amortisation	1 Jan 2016
FRS 16, FRS 41	Amendments to FRS 16 and FRS 41: Agriculture: Bearer Plants (*)	1 Jan 2016
FRS 111	Amendments to FRS 111: Accounting for Acquisitions of Interests in Joint Operations (*)	1 Jan 2016
FRS 115	Revenue from Contracts with Customers	1 Jan 2017
FRS 110, FRS 28	Amendments to FRS 110 and FRS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint venture (*)	1 Jan 2016
Various	Improvements to FRSs (November 2014)	1 Jan 2016

(*) Not relevant to the entity.

SHAREHOLDINGS STATISTICS

AS AT 10 MARCH 2015

Share Capital

Number of shares	:	200,114,059		
Class of shares	:	Ordinary share		
Voting rights	:	On show of hands	–	1 vote for each member
		On a poll	–	1 vote for each share

Distribution of shareholdings

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	2	0.28	99	0.00
100 – 1,000	131	18.07	94,892	0.05
1,001 – 10,000	310	42.70	1,535,887	0.77
10,001 – 1,000,000	274	37.79	19,752,155	9.87
1,000,001 AND ABOVE	8	1.10	178,731,026	89.31
	726	100.00	200,114,059	100.00

Shareholding held by the public

Based on the information available to the Company as at 10 March 2015, approximately 21.71% of the issued ordinary shares of the Company is held by the public and, therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

Top twenty shareholders

No.	Name	No. of shares	%
1	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	141,896,442	70.91
2	CITIBANK NOMINEES SINGAPORE PTE LTD	14,016,598	7.00
3	CRESCO INVESTMENTS PTE LTD	11,666,667	5.83
4	LOW YEW SHEN (LIU YAOSHENG)	3,885,556	1.94
5	MAYBANK KIM ENG SECURITIES PTE. LTD.	2,713,433	1.36
6	PANG SIEW LEE	2,174,000	1.09
7	OCBC SECURITIES PRIVATE LIMITED	1,211,664	0.61
8	JIAN YU CONSTRUCTION PTE LTD	1,166,666	0.58
9	CHIN BENG DEVELOPMENT PTE LTD	862,666	0.43
10	LIM CHOON KEE	638,000	0.32
11	YEO BEE CHOO	553,333	0.28
12	PHILLIP SECURITIES PTE LTD	524,331	0.26
13	SBS NOMINEES PRIVATE LIMITED	511,333	0.26
14	CIMB SECURITIES (SINGAPORE) PTE. LTD.	483,097	0.24
15	JESSICA ONG BOON CHIN	477,166	0.24
16	MAYBANK NOMINEES (SINGAPORE) PRIVATE LIMITED	447,333	0.22
17	DBS NOMINEES (PRIVATE) LIMITED	422,666	0.21
18	CHNG KWEI HOONG	422,333	0.21
19	TING YEW SUE	369,366	0.18
20	UOB KAY HIAN PRIVATE LIMITED	316,665	0.16
		184,759,315	92.33

SHAREHOLDINGS STATISTICS

AS AT 10 MARCH 2015

Substantial shareholders as at 10 March 2015

No.	Name of Shareholders	Direct Interest No. of Shares	% of Shares	Deemed Interest No. of Shares	% of Shares
1.	Ikram Mahawangsa Sdn Bhd	107,026,817	53.48	–	–
2.	Su Chung Jye (1)	24,035,640	12.01	107,026,817	53.48
3.	Wong Pak Kiong (2)	10,060,320	5.03	107,026,817	53.48
4.	Cresco Investments Pte. Ltd.	11,666,667	5.83	–	–
5.	Quah Tzy Ming Andrew (3)	–	–	11,666,667	5.83

Note:

(1) Mr Su Chung Jye is deemed to be interested in the 107,026,817 shares in which Ikram Mahawangsa Sdn Bhd has an interest.

(2) Mr Wong Pak Kiong is deemed to be interested in the 107,026,817 shares in which Ikram Mahawangsa Sdn Bhd has an interest.

(3) Mr Quah Tzy Ming Andrew is deemed to be interested in the 11,666,667 shares in which Cresco Investment Pte. Ltd. has an interest.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting ("**Annual General Meeting**") of the Company will be held at 8 Wilkie Road #03-01 Wilkie Edge Singapore 228095 on Thursday, 23 April 2015 at 3.00 p.m. to transact the following businesses:

ORDINARY BUSINESS:

1. To receive and consider the Directors' Report and Audited Accounts for the financial year ended 31 December 2014 and the Auditors' Report thereon. Resolution 1

2. To re-elect Mr Su Chung Jye, a Director of the Company ("**Director**") retiring by rotation pursuant to Article 117 of the Articles of Association of the Company. Resolution 2

3. To re-elect Mr Wong Pak Kiong, a Director retiring by rotation pursuant to Article 117 of the Articles of Association of the Company. Resolution 3

4. To re-elect Mr Low Yew Shen, a Director retiring by rotation pursuant to Article 117 of the Articles of Association of the Company. Resolution 4

5. To re-elect Mr Francis Hwang Huat Kuong, a Director retiring by rotation pursuant to Article 117 of the Articles of Association of the Company. Resolution 5

   Mr Francis Hwang Huat Kuong shall, upon re-election as a Director, remain as a member of the Remuneration Committee, Audit Committee and Nominating Committee and shall be considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

6. To re-elect Mr Goon Kok Loon, a Director retiring in accordance with Section 153 of the Companies Act, Cap. 50. Resolution 6

   Mr Goon Kok Loon shall, upon re-election as a Director, remain as a Chairman of the Audit Committee, Nominating Committee and member of the Remuneration Committee and shall be considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

7. To approve the payment of Directors' fees of S$173,367 for the financial year ended 31 December 2014. Resolution 7

8. To re-appoint Messrs RSM Chio Lim LLP as Auditors and to authorise the Directors to fix their remuneration. Resolution 8

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

NOTICE OF ANNUAL GENERAL MEETING

SPECIAL BUSINESS:

9. **Authority to allot and issue shares up to fifty per centum (50%) of the issued shares in the capital of the Company** Resolution 9

"That pursuant to Section 161 of the Companies Act, Cap. 50. and subject to Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), authority be and is hereby given to the Directors to allot and issue shares and convertible securities in the capital of the Company (whether by way of rights, bonus or otherwise) at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit provided that:

(i) the aggregate number of shares and convertible securities to be issued pursuant to this Resolution does not exceed 50 per cent (50%) of the total number of issued shares excluding treasury shares of the Company (as calculated in accordance with sub-paragraph (ii) below), of which the aggregate number of shares and convertible securities to be issued other than on a pro rata basis to existing shareholders of the Company ("**Shareholders**") does not exceed twenty per cent (20%) of the total number of issued shares excluding treasury shares of the Company (as calculated in accordance with sub-paragraph (ii) below);

(ii) (subject to such manner of calculations as may be prescribed by the SGX-ST), for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (i) above, the total number of issued shares excluding treasury shares shall be based on the total number of issued shares excluding treasury shares of the Company at the time this Resolution is passed 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 outstanding or subsisting at the time of the passing of the resolution approving the mandate, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of SGX-ST; and

(c) any subsequent bonus issue, consolidation or sub-division of shares

(iii) unless revoked or varied by the Company in general meeting, the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier."

[See Explanatory Note (i)]

NOTICE OF ANNUAL GENERAL MEETING

10. **Authority to grant options in accordance with Regal International Group Employee Share Option Scheme** Resolution 10

"That approval be and is hereby given to the Directors to grant options (the "**Options**") in accordance with the rules of the Regal International Group Employee Share Option Scheme adopted on 16 October 2014 (the "**Scheme**") and to allot and issue or deliver from time to time such number of fully paid-up ordinary shares in the capital of the Company as may be required to be issued pursuant to the exercise of the Options under the Scheme, provided that the aggregate number of Shares to be allotted and issued pursuant to the Scheme and the Regal Group Performance Share Plan (as defined in Resolution 11) shall not exceed fifteen per cent (15%) of the total number of issued Shares from time to time."

[See Explanatory Note (ii)]

11. **Authority to grant Awards in accordance with the Regal Group Performance Share Plan** Resolution 11

"That approval be and is hereby given to the Directors to grant awards in accordance with the provisions of the performance share plan of the Company adopted on 20 January 2010, Regal Group Performance Share Plan (the "**Plan**") and to allot and issue or deliver from time to time such number of fully paid-up ordinary shares in the capital of the Company ("**Shares**") as may be required to be issued pursuant to the vesting of Awards under the Regal Group Performance Share Plan, provided that the aggregate number of Shares to be allotted and issued pursuant to the Plan and the Regal Group Share Option Scheme (as defined in Resolution 10) shall not exceed fifteen per cent (15%) of the total number of issued Shares from time to time."

[See Explanatory Note (iii)]

12. **The Proposed Renewal of Share Buy-back Mandate** Resolution 12

"That:

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

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

NOTICE OF ANNUAL GENERAL MEETING

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

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

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

(i) the date on which the next Annual General Meeting ("**AGM**") is held or is required by law to be held;

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

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

whichever is the earliest.

(c) in this Resolution:

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

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

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

(ii) in the case of an Off-market Purchase, up to 120% of the Highest Last Dealt Price (as defined hereinafter),

in each case, excluding expenses of the purchase or acquisition, where:

NOTICE OF ANNUAL GENERAL MEETING

For the above purposes:

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

"**Highest Last Dealt Price**" means the highest price transacted for a Share as recorded on the Market Day on which there were trades in the Shares immediately preceding the day of the making of the offer pursuant to the Off-market Purchase; and

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

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

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

[See Explanatory Note (iv)]

13. To transact any other business which may be properly transacted at an Annual General Meeting.

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(i) The proposed Resolution 9, if passed, will empower the Directors from the date of the above Meeting until the date of the next Annual General Meeting, to allot and issue shares and convertible securities in the Company. The number of shares and convertible securities, which the Directors may allot and issue under this Resolution, shall not exceed 50% of the total number of issued shares excluding treasury shares of the Company at the time of passing this Resolution. For allotment and issue of shares and convertible securities other than on a pro-rata basis to all Shareholders, the aggregate number of shares and convertible securities to be allotted and issued shall not exceed 20% of the total number of issued shares excluding treasury shares of the Company. This authority will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting.

(ii) The proposed Resolution 10, if passed, will empower the Directors to offer and grant options under the Scheme and to allot and issue new ordinary shares in the capital of the Company upon the exercise of such options in accordance with the Scheme as may be modified by the Committee from time to time, provided that the aggregate number of Shares to be allotted and issued pursuant to the Scheme shall not exceed fifteen per cent (15%) of the total number of issued shares excluding treasury shares of the Company from time to time.

(iii) The proposed Resolution 11, if passed, will empower the Directors to offer and grant awards, and to allot and issue new ordinary shares in the capital of the Company, pursuant to the Share Plan as may be modified by the Committee from time to time, provided that the aggregate number of Shares to be allotted and issued pursuant to the Share Plan shall not exceed fifteen per cent (15%) of the total number of issued ordinary shares of the Company from time to time.

(iv) The proposed Resolution 12, if passed, will empower the Directors to exercise all powers of the Company in purchasing or acquiring Shares pursuant to the terms of the Share Buy-back Mandate. This authority will continue in force until the date on which the next Annual General Meeting is held or is required by law to be held, the date on which the purchases or acquisitions of Shares pursuant to the Share Buy-back Mandate are carried out to the full extent mandated or the date on which the authority conferred by the Share Buy-back Mandate is revoked or varied by Shareholders in general meeting. The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition including the amount of financing and the financial effects of the purchase or acquisition of Shares by the Company pursuant to the Share Buy-back Mandate are set out in greater detail in the Letter to Shareholders accompanying this Notice.

BY ORDER OF THE BOARD

Lee Mei San
Company Secretary

02 April 2015

NOTICE OF ANNUAL GENERAL MEETING

Proxies:

1. A member of the Company is entitled to attend and vote at the above Meeting and may appoint not more than two proxies to attend and vote instead of him.

2. Where a member appoints two proxies, he shall specify the proportion of this shareholding to be represented by each proxy in the instrument appointing the proxies. A proxy need not be a member of the Company.

3. If the member is a corporation, the instrument appointing the proxy must be under seal of the hand of an officer or attorney duly authorised.

4. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 63 Sungei Kadut Loop, Singapore 729484 not less than 48 hours before the time appointed for holding the above Meeting.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representatives to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

LETTER TO SHAREHOLDERS

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

Directors:		**Registered office:**
Su Chung Jye	(Executive Chairman and CEO)	63 Sungei Kadut Loop
Wong Pak Kiong	(Executive Director)	Singapore 729484
Low Yew Shen	(Non-Executive and Non-Independent Director)	
Goon Kok Loon	(Lead Independent Director)	
Chong Weng Hoe	(Independent Director)	
Francis Hwang Huat Kuong	(Independent Director)	

02 April 2015

To: The shareholders of Regal International Group Ltd.

Dear Sir/Madam

1. INTRODUCTION

1.1 Notice of 2015 annual general meeting of the Company

We refer to:

(a) the notice of annual general meeting ("**Notice**") of Regal International Group Ltd. ("**Company**") dated 02 April 2015, accompanying the Annual Report 2014, convening the ninth annual general meeting of the Company to be held on 23 April 2015 ("**2015 AGM**"); and

(b) ordinary resolution [11] relating to the proposed renewal of the Share Buy-back Mandate (as defined hereinafter) as proposed in the Notice.

1.2 Letter to shareholders of the Company

The purpose of this letter to shareholders of the Company ("**Letter**") is to provide shareholders of the Company ("**Shareholders**") with information relating to the proposed renewal of the Share Buy-back Mandate.

1.3 Singapore Exchange Securities Trading Limited

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

LETTER TO SHAREHOLDERS

1.4 Advice to Shareholders

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

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

2.1 Background

Shareholders approved the renewal of the share buy-back mandate ("**Share Buy-back Mandate**") to enable the Company to purchase or otherwise acquire issued ordinary shares in the capital of the Company ("**Shares**") at the annual general meeting of the Company held on 10 January 2014 ("**2014 AGM**"). The authority and limitations on the Share Buy-back Mandate were set out in the appendix dated 24 December 2013 ("**Appendix**") and ordinary resolution 11 as set out in the Notice of the 2014 AGM.

The Share Buy-back Mandate took effect on and from the date of the 2014 AGM and will expire on the date of the forthcoming 2015 AGM. Accordingly, Shareholders' approval is being sought for the renewal of the Share Buy- back Mandate at the 2015 AGM.

2.2 Rationale

The approval of the renewal of the Share Buy-back Mandate authorising the Company to purchase or acquire its Shares would give the Company flexibility to undertake share purchases or acquisitions up to the 10% limit described in paragraph 2.3 below at any time, subject to market conditions, during the period when the Share Buy-back Mandate is in force.

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

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

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

Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Buy-back Mandate would only be made when the Directors believe that such purchases or acquisitions are in the best interests of the Company and in circumstances they believe would not have a material adverse effect on the liquidity,

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capital adequacy position and financial condition of the Company and its subsidiaries (collectively, "Group"), and that purchases or acquisitions of Shares pursuant to the Share Buy-back Mandate may not be carried out to the full limit as authorised.

2.3 Terms of the Share Buy-back Mandate

The authority and limitations placed on the Share Buy-back Mandate, if renewed at the 2015 AGM, are substantially the same as previously approved by Shareholders at the 2014 AGM. The authority and limits on the Share Buy-back Mandate are as follows:

(a) Maximum number of Shares

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

The total number of Shares that may be purchased or acquired pursuant to the Share Buy-back Mandate proposed to be renewed is limited to that number of Shares representing not more than 10% of the issued shares as at the 2015 AGM at which the renewal of the Share Buy-back Mandate is approved. Shares which are held as treasury shares will be disregarded for purposes of computing the 10% limit. On the basis of 200,114,059 Shares in issue as at 19 March 2015, being the latest practicable date prior to the printing of this Letter ("**Latest Practicable Date**"), not more than 20,011,405 Shares (representing 10.0% of the Shares in issue as at that date) may be purchased or acquired by the Company pursuant to the Share Buy-back Mandate.

(b) Duration of authority

Unless varied or revoked by Shareholders in a general meeting, purchases or acquisitions of Shares pursuant to the Share Buy-back Mandate proposed to be renewed may be made, at any time and from time to time, on and from the date of the 2015 AGM, at which the renewal of the Share Buy-back Mandate is approved up the following period ("**Relevant Period**"):

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

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

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

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(c) Manner of purchases or acquisitions of Shares

Purchases or acquisitions of Shares may be made by way of:

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

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

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

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

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

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

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

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

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

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

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

(i) the terms and conditions of the offer;

(ii) the period and procedures for acceptances;

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

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

(v) whether the Share buy-back, if made, could affect the listing of the Shares on the SGX-ST; and

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

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

(d) Maximum purchase price

The purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses) to be paid for the Shares will be determined by the Directors.

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

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

(ii) in the case of an Off-market Purchase, up to 120% of the Highest Last Dealt Price (as defined hereinafter), in each case, excluding related expenses of the purchase or acquisition,

("**Maximum Price**").

For the above purposes:

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

"**Highest Last Dealt Price**" means the highest price transacted for a Share as recorded on the Market Day on which there were trades in the Shares immediately preceding the day of the making of the offer pursuant to the Off-market Purchase; and

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

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

(a) Cancellation

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

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

(b) Treasury shares

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

(i) *Maximum holdings*

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

(ii) *Voting and other rights*

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

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

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(iii) *Disposal and Cancellation*

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

(aa) sell the treasury shares for cash;

(bb) transfer the treasury shares for the purposes of or pursuant to a employees' share scheme or share plan;

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

(dd) cancel the treasury shares; or

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

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

2.5 Sources of funds

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

The Companies Act permits the Company to purchase or acquire its own Shares out of capital and its profits, so long as the Company is solvent. A company is solvent if the company is able to pay its debts in full at the time of the payment in consideration of the purchase or acquisition of its own shares and will be able to pay its debts as they fall due in the normal course of business during the period of 12 months immediately following the date of the payment, and the value of the company's assets is not less than the value of its liabilities (including contingent liabilities) and will not after the proposed purchase or acquisition, become less than the value of its liabilities (including contingent liabilities).

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

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

2.6 Take-over implications under the Take-over Code

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

(a) Obligation to make a take-over offer

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

(b) Persons acting in concert

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

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

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

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

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

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

(v) a financial or other professional adviser, with its client in respect of the shareholdings of the adviser and the persons controlling, controlled by or under the same control as the adviser and all the funds which the adviser manages on a discretionary basis, where the shareholdings of the adviser and any of those funds in the client total 10% or more of the client's equity share capital;

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

(vii) partners; and

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

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

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

(c) Effect of Rule 14 and Appendix 2

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

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(d) Application of the Take-over Code

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

	Direct Interest		Deemed Interest		Total Interest	
	No. of Shares	% [1]	No. of Shares	% [1]	No. of Shares	% [1]
Substantial Shareholders						
Su Chung Jye[2]	24,035,640	12.01	107,026,817	53.48	131,062,457	65.49
Wong Pak Kiong[3]	10,060,320	5.03	107,026,817	53.48	117,087,137	58.51
Ikram Mahawangsa Sdn Bhd	107,026,817	53.48	–	–	107,026,817	53.48
Cresco Investments Pte. Ltd.	11,666,667	5.83	–	–	11,666,667	5.83
Andrew Quah Tzy Ming[4]	–	–	11,666,667	5.83	11,666,667	5.83

Notes:

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

(2) Su Chung Jye is deemed interested in 107,026,817 Shares in which Ikram Mahawangsa Sdn Bhd has an interest.

(3) Wong Pak Kiong is deemed interested in 107,026,817 Shares in which Ikram Mahawangsa Sdn Bhd has an interest.

(4) Andrew Quah Tzy Ming is deemed interested in 11,666,667 Shares in which Cresco Investments Pte. Ltd. has an interest.

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

	Total Direct and Deemed Interest			
	Before Maximum Share Buy-back		After Maximum Share Buy-back	
	No. of Shares	%[1]	No. of Shares	%[1]
Substantial Shareholders				
Su Chung Jye[2]	131,062,457	65.49	131,062,457	72.8
Wong Pak Kiong[3]	117,087,137	58.51	117,087,137	65.0
Ikram Mahawangsa Sdn Bhd[2] [3]	107,026,817	53.48	107,026,817	59.4
Cresco Investments Pte. Ltd.[4]	11,666,667	5.83	11,666,667	6.5
Andrew Quah Tzy Ming[4]	11,666,667	5.83	11,666,667	6.5

Notes:

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

(2) Su Chung Jye is deemed interested in 107,026,817 Shares in which Ikram Mahawangsa Sdn Bhd has an interest.

(3) Wong Pak Kiong is deemed interested in 107,026,817 Shares in which Ikram Mahawangsa Sdn Bhd has an interest.

(4) Andrew Quah Tzy Ming is deemed interested in 11,666,667 Shares in which Cresco Investments Pte. Ltd. has an interest.

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

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

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

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

2.7 Financial Effects

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

(a) Purchase or acquisition out of profits and/or capital

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

Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of capital, such consideration (excluding brokerage, commission, applicable goods and services tax and other related expenses) will not affect the amount available for distribution in the form of cash dividends by the Company. Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of retained profits, such consideration (excluding brokerage, commission, applicable goods and services tax and other related expenses) will correspondingly reduce the amount available for distribution in the form of cash dividends by the Company.

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(b) Number of Shares acquired or purchased

Purely for illustrative purposes, on the basis of 200,114,059 issued and fully paid up Shares as the Latest Practicable Date, and assuming no further Shares are issued or repurchased, and no Shares are held by the Company as treasury shares, on or prior to the 2015 AGM, the purchase or acquisition by the Company of up to the maximum limit of 10% of its issued Shares will entail a purchase or acquisition of 20,011,405 Shares.

(c) Maximum Price paid for Shares acquired or purchased

In the case of Market Purchases by the Company and assuming that the Company purchases or acquires 20,011,405 Shares at the Maximum Price of S$0.547 (or the equivalent of RM1.4457 based on the exchange rate of SG$1.00: RM2.64271) per Share (being the price equivalent to 105% of the Average Closing Price of the Shares traded on the SGX-ST for the five (5) consecutive Market Days immediately preceding the Latest Practicable Date), the maximum amount of funds required is approximately S$10.9 million (or the equivalent of approximately RM28.9 million based on the exchange rate of SG$1.00: RM2.64271), excluding brokerage, commission, applicable goods and services tax and other related expenses.

In the case of Off-market Purchases by the Company and assuming that the Company purchases or acquires 20,011,405 Shares at the Maximum Price of S$0.625 (or the equivalent of RM1.6522 based on the exchange rate of SG$1.00: RM2.64271) per Share (being the price equivalent to 120% of the Highest Dealt Price (and purely for illustration, the Highest Dealt Price shall be assumed to be equivalent to the Average Closing Price of the Shares traded on the SGX-ST for the five (5) consecutive Market Days immediately preceding the Latest Practicable Date in the preceding paragraph), the maximum amount of funds required is approximately S$12.5 million (or the equivalent of approximately RM33.1 million based on the exchange rate of SG$1.00: RM2.64271), excluding brokerage, commission, applicable goods and services tax and other related expenses.

(d) Illustrative financial effects

For illustration purposes, the tables set out in paragraph 2.7(e) below list eight possible scenarios of purchases or acquisitions of Shares by the Company pursuant to the Share Buy-back Mandate proposed to be renewed, based on the following assumptions:

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(i) The Maximum Price paid for Shares acquired or purchased is as stated in paragraph 2.7(c) above;

(ii) The Company has 200,114,059 Shares as at the Latest Practicable Date, and assuming no further Shares are issued or repurchased, and no Shares are held by the Company as treasury shares, on or prior to the 2015 AGM; and

(iii) The Company has as at 31 December 2014:

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

(bb) retained losses of approximately RM17.40 million; and

(cc) cash and cash equivalents of approximately RM7.71 million.

(e) Scenarios of purchases or acquisitions of Shares

Set out below are eight (8) possible scenarios of purchases or acquisitions of Shares by the Company pursuant to the Share Purchase Mandate proposed to be renewed, with the pro-forma financial effects detailed therein.

Table 1(i)

Scenario	**1(A)**	**1(B)**	**1(C)**	**1(D)**
Out of	**Capital**	**Capital**	**Capital**	**Capital**
Type	**Market Purchases**	**Market Purchases**	**Off-market Purchases**	**Off-market Purchases**
Held as treasury shares/cancelled	**Held as treasury shares**	**Cancelled**	**Held as treasury shares**	**Cancelled**
Maximum Price per Share (S$/RM)	S$0.547/ RM1.4457	S$0.547/ RM1.4457	S$0.625/ RM1.6522	S$0.625/ RM1.6522
Maximum number of Shares to be purchased or acquired	20,011,405	20,011,405	20,011,405	20,011,405
Number of Shares	200,114,059	200,114,059	200,114,059	200,114,059
Equivalent % of issued Shares (%)	10	10	10	10
Maximum funds required (S$'000/RM'000)	S$10,947/ RM28,930	S$10,947/ RM28,930	S$12,510/ RM33,062	S$12,510/ RM33,062

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Table 1(ii)

	Per unaudited Group financial statements as at 31 Dec 2014	Pro forma financial effects as at 31 Dec 2014 for scenario per Table 1(i)			
		1(A)	1(B)	1(C)	1(D)
Share capital (RM'000)	133,052	133,052	104,178	133,052	100,054
Retained losses (RM'000)	5,522	5,522	5,522	5,522	5,522
Other reserves (RM'000)	5,043	5,043	5,043	5,043	5,043
Treasury shares (RM'000)	–	(28,930)	–	(33,062)	–
Non-controlling interest	134	134	134	134	134
Total equity (RM'000)	143,751	114,821	114,821	110,689	110,689
Net tangible assets ("**NTA**") (RM'000)	104,421	110,821	110,821	106,689	106,689
Current assets (RM'000)	190,942	162,012	162,012	157,880	157,880
Current liabilities (RM'000)	111,784	111,784	111,784	111,784	111,784
Cash and cash equivalents (RM'000)	27,696	(1,234)	(1,234)	(5,366)	(5,366)
Total borrowings (RM'000)	16,456	16,456	16,456	16,456	16,456
Number of Shares ('000)	200,114	180,103	180,103	180,103	180,103
Weighted average number of Shares ('000)	142,135	142,135	142,135	142,135	142,135
Financial Ratios					
NTA per Share (RM cents)	52.18	61.53	61.53	59.24	59.24
EPS (RM cents)	12.57	12.57	12.57	12.57	12.57
Return on equity (%)	(12.4)	(15.6)	(15.6)	(16.1)	(16.1)
Gearing ratio	0.11	0.14	0.14	0.15	0.15
Current ratio	1.71	1.45	1.45	1.41	1.41

Table 2(i)

Scenario	**2(A)**	**2(B)**	**2(C)**	**2(D)**
Out of	**Retained profits**	**Retained profits**	**Retained profits**	**Retained profits**
Type	**Market Purchases**	**Market Purchases**	**Off-market Purchases**	**Off-market Purchases**
Held as treasury shares/cancelled	**Held as treasury shares**	**Cancelled**	**Held as treasury shares**	**Cancelled**
Maximum Price per Share (S$/RM)	S$0.547/ RM1.4457	S$0.547/ RM1.4457	S$0.625/ RM1.6522	S$0.625/ RM1.6522
Maximum number of Shares to be purchased or acquired	20,011,405	20,011,405	20,011,405	20,011,405
Number of Shares	200,114,059	200,114,059	200,114,059	200,114,059
Equivalent % of issued Shares (%)	10	10	10	10
Maximum funds required (S$'000/RM'000)	S$10,947/ RM28,930	S$10,947/ RM28,930	S$12,510/ RM33,062	S$12,510/ RM33,062

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Table 2(ii)

	Per unaudited Group financial statements as at 31 Dec 2014	**Pro forma financial effects as at 31 Dec 2014 for scenario per Table 2(i)**			
		2(A)	**2(B)**	**2(C)**	**2(D)**
Share capital (RM'000)	133,052	133,052	133,052	133,052	133,052
Retained losses (RM'000)	5,522	5,522	(23,408)	5,522	(27,540)
Other reserves (RM'000)	5,043	5,043	5,043	5,043	5,043
Treasury shares (RM'000)	–	(28,930)	–	(33,062)	–
Non-controlling interest	134	134	134	134	134
Total equity (RM'000)	143,751	114,821	114,821	110,689	110,689
NTA (RM'000)	104,421	110,821	110,821	106,689	106,689
Current assets (RM'000)	190,942	162,012	162,012	157,880	157,880
Current liabilities (RM'000)	111,784	111,784	111,784	111,784	111,784
Cash and cash equivalents (RM'000)	27,696	(1,234)	(1,234)	(5,366)	(5,366)
Total borrowings (RM'000)	16,456	16,456	16,456	16,456	16,456
Number of Shares ('000)	200,114	180,103	180,103	180,103	180,103
Weighted average number of Shares ('000)	142,135	142,135	142,135	142,135	142,135
Financial Ratios					
NTA per Share (RM cents)	52.18	61.53	61.53	59.24	59.24
EPS (RM cents)	12.57	12.57	12.57	12.57	12.57
Return on equity (%)	(12.4)	(15.6)	(15.6)	(16.1)	(16.1)
Gearing ratio	0.11	0.14	0.14	0.15	0.15
Current ratio	1.71	1.45	1.45	1.41	1.41

Shareholders should note that the financial effects set out above are for illustration purposes only (based on the aforementioned assumptions). In particular, it is important to note that the financial analysis set out above is based on the unaudited financial results of the Group and the Company for the financial year ended 31 December 2014 and is not necessarily representative of future financial performance of the Group.

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

LETTER TO SHAREHOLDERS

2.8 Reporting requirements under the Companies Act

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

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

2.9 Listing Manual

(a) The Listing Manual requires a listed company to ensure that at least 10% of any class of its listed securities (excluding treasury shares, preference shares and convertible equity securities) must be held by public shareholders. As at the Latest Practicable Date, approximately 21.71% of the issued Shares are held by public Shareholders. Accordingly, the Company is of the view that there is a sufficient number of the Shares in issue held by public Shareholders which would permit the Company to undertake purchases or acquisitions of its Shares through Market Purchases up to the full 10% limit pursuant to the Share Buy- back Mandate without affecting the listing status of the Shares on the SGX-ST, and that the number of the Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or to affect orderly trading.

(b) Under the Listing Manual, a listed company may only purchase shares by way of a market acquisition at a price which is not more than 5% above the average closing market price. The term average closing market price is defined as the average of the closing market prices of shares over the last five (5) Market Days, on which transactions in the shares were recorded, before the day on which purchases are made. The Maximum Price for a Share in relation to Market Purchases by the Company, referred to in paragraph 2.3(d) of this Letter, conforms to this restriction.

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

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

LETTER TO SHAREHOLDERS

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

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

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

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

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

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

2.10 Details of Shares bought by the Company in the last twelve months

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

3. RECOMMENDATION

Given the rationale for the Share Buy-back Mandate (see paragraph 2.2 of this Letter), the Directors are of the opinion that the passing of ordinary resolution 12 is in the best interests of the Company. Accordingly, they recommend that Shareholders vote in favour of ordinary resolution 12 relating to the proposed renewal of the Share Buy-back Mandate to be proposed at the 2015 AGM.

LETTER TO SHAREHOLDERS

4. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at the Latest Practicable Date, the interests of the Directors and substantial Shareholders in the share capital of the Company are as follows:

	Direct Interest		Deemed Interest		Total Interest	
	No. of Shares	%(1)	No. of Shares	%(1)	No. of Shares	%(1)
Directors						
Su Chung Jye(2)	24,035,640	12.01	107,026,817	53.48	131,062,457	65.49
Wong Pak Kiong(3)	10,060,320	5.03	107,026,817	53.48	117,087,137	58.51
Low Yew Shen	3,885,556	1.94	–	–	3,885,556	1.94
Goon Kok Loon	–	–	–	–	–	–
Chong Weng Hoe	–	–	–	–	–	–
Francis Hwang Huat Kuong	–	–	–	–	–	–
Substantial Shareholders (who are not Directors)						
Ikram Mahawangsa Sdn Bhd	107,026,817	53.48	–	–	107,026,817	53.48
Cresco Investments Pte. Ltd.	11,666,667	5.83	–	–	11,666,667	5.83
Andrew Quah Tzy Ming(4)	–	–	11,666,667	5.83	11,666,667	5.83

Notes:

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

(2) Su Chung Jye is deemed interested in 107,026,817 Shares in which Ikram Mahawangsa Sdn Bhd has an interest.

(3) Wong Pak Kiong is deemed interested in 107,026,817 Shares in which Ikram Mahawangsa Sdn Bhd has an interest.

(4) Andrew Quah Tzy Ming is deemed interested in 11,666,667 Shares in which Cresco Investments Pte. Ltd. has an interest.

5. RESPONSIBILITY STATEMENT

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

LETTER TO SHAREHOLDERS

6. INSPECTION OF DOCUMENTS

Copies of the following documents may be inspected at the registered office of the Company during normal business hours on any weekdays (public holidays excepted) from the date of this Letter up to and including the date of the 2015 AGM:

(a) the Annual Report of the Company for the financial year ended 31 December 2014; and

(b) the memorandum and articles of association of the Company.

Yours faithfully
For and on behalf of the Board of Directors of
REGAL INTERNATIONAL GROUP LTD.

Su Chung Jye
Executive Chairman and Chief Executive Officer

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REGAL INTERNATIONAL GROUP LTD.
Registration No.: 200508585R
(Incorporated in Singapore)

IMPORTANT
1. For investors who have used their CPF monies to buy shares of REGAL International Group Ltd, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

PROXY FORM

I/We, ______________________________ (name) ________________ (NRIC/Passport No.)

of ____ (address)

being a member/members* of Regal International Group Ltd (the "Company") hereby appoint:

Name	Address	NRIC/ Passport Number	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/ Passport Number	Proportion of Shareholdings (%)

or failing him/her/them, the Chairman of the Annual General Meeting or such other person the Chairman may designate, as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and, if necessary, to demand a poll at the Annual General Meeting of the Company to be held at 8 Wilkie Road #03-01 Wilkie Edge Singapore 228095 on Thursday, 23 April 2015 at 3.00 p.m. and at any adjournment thereof.

(Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the Resolutions as set out in the Notice of Annual General Meeting. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the Annual General Meeting.)

NO.	RESOLUTIONS	FOR	AGAINST
	ORDINARY BUSINESS		
1	To receive and consider Directors' and Auditors' Reports and Audited Accounts		
2	To re-elect Mr Su Chung Jye (Retiring under Article 117)		
3	To re-elect Mr Wong Pak Kiong (Retiring under Article 117)		
4	To re-elect Mr Low Yew Shen (Retiring under Article 117)		
5	To re-elect Mr Francis Hwang Huat Kuong (Retiring under Article 117)		
6	To re-elect Mr Goon Kok Loon (Retiring under Section 153)		
7	To approve payment of Directors' fees		
8	To re-appoint RSM Chio Lim LLP as auditors and authorize the Directors to fix their remuneration		
	SPECIAL BUSINESS		
9	To authorize the Directors to allot and issue shares		
10	To approve the Regal International Group Employee Share Option Scheme		
11	To approve the Regal Group Performance Share Plan		
12	To approve the Proposed Renewal of Share Buy Back Mandate		

Dated this ____________ day of ________________ 2015

Total number of Shares held

____
Signature(s) of Member(s) or Common Seal

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 130A of the Companies Act, Chapter 50), 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. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote on his behalf. A proxy need not be a member of the Company.

3. Where a member appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy.

4. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or duly authorised officer.

5. A corporation which is a member of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with its Articles of Association and Section 179 of the Companies Act, Chapter 50.

6. The instrument appointing a proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must be deposited at the registered office of the Company at 63 Sungei Kadut Loop, Hisaka Industrial Building, Singapore 729484 not less than 48 hours before the time appointed for the Annual General Meeting.

7. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register at least 48 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the members accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 02 April 2015.

Designed and produced by
TOPPAN
TOPPAN VITE PTE. LTD.
(65) 6578 6522

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