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## DISCLAIMER OF OPINION AND EMPHASIS OF MATTER ON THE AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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Pursuant to Rule 704(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”), the Board of Directors (the “**Board**”) of Regal International Group Ltd. (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that the independent auditors of the Company, RSM Chio Lim LLP (the “**Auditors**”) have issued a disclaimer of opinion (“**Disclaimer of Opinion**”) and included an emphasis of matter (“**EOM**”) in the Independent Auditors’ Report in respect of the audited consolidated financial statements of the Group for the financial year ended 31 December 2019 (“**FY2019**”).

Extracts of the Disclaimer of Opinion issued and the EOM included in the Independent Auditors’ Report, and the related notes of the audited consolidated financial statements of the Group for FY2019 are annexed to this announcement as “**Appendix I**” and “**Appendix II**” respectively for information purposes only. The Independent Auditors’ Report and the audited consolidated financial statements of the Group for FY2019 will form part of the annual report of the Company for FY2019 which will be released via SGXNET in due course. Shareholders of the Company are advised to read the full text of the Independent Auditors’ Report, the audited consolidated financial statements of the Group for FY2019 and the annual report of the Company for FY2019 in their entirety for further details.

The Board wishes to provide its responses in relation to certain matters raised in the Independent Auditors’ Report which formed the basis of the Disclaimer of Opinion set out in **Appendix I** to this announcement.

### a) Sale of Upright Strategy Sdn Bhd (“**USSB**”) to Twin Revenue Sdn Bhd (“**TRSB**”)

The directors’ resolution to approve the sale of USSB to TRSB was properly authorised by the Board of the Company. The share sale agreement was signed on 31 December 2019 between Bellanova Sdn Bhd (“**BSB**”), a wholly-owned indirect subsidiary of the Company, and TRSB, and duly stamped in accordance with the Stamp Act of Malaysia on the same date. An announcement relating to the sale of USSB to TRSB was released via SGXNET in compliance with the Listing Rules set out in the Listing Manual of the SGX-ST. In the Board’s opinion, the financial impact of the sale of USSB to TRSB to the Group was properly accounted for in accordance with the Singapore Financial Reporting Standards (International).

The negative net book value of USSB as at 31 December 2019 was mainly due to a provision for liquidated ascertained damages of a project (“**Project A**”) which is subject to further negotiation and finalisation with customers of USSB.

BSB encountered adverse circumstances during the development of Phase 1 of Project A which affected its reputation, and the Group decided to re-organise Project A to focus its operations in East Malaysia. TRSB agreed to purchase USSB from the Group mainly due to the Group’s offer to enter into a joint venture with TRSB and/or USSB on the subsequent development of Phase 2 and 3 of Project A. The Group believes that the joint venture collaboration between the Group, TRSB and/or USSB will be beneficial in the long-term. In view of the COVID-19 situation and the ongoing governmental measures and restrictions in Malaysia, the Group and TRSB have a mutual understanding to defer formalisation of the joint venture collaboration to an appropriate time in the future.



## b) Payments to a Director of TRSB

On 10 August 2015, the Group entered a collaboration covenant (the “**Covenant**”) with TRSB to secure the rights to develop a project (“**Project B**”). Pursuant to the terms of the Covenant:

- i) an earnest consideration of RM1.6 million, being a preliminary commitment fee for the acquisition of Project B, shall be payable within 60 months from the date of the Covenant;
- ii) in the event that the conditions precedent set out in the Covenant cannot be fulfilled and/or is only fulfilled in part by the completion date, the Covenant shall then cease and determine, and the earnest consideration of RM1.6 million paid by the Group to TRSB shall be refunded in full within 18 months from the date of such cessation or termination; and
- iii) TRSB shall appoint its director as the authorised recipient of the entire earnest consideration of RM1.6 million and the authorised person to act for and on behalf of TRSB in respect of Project B in the applications, discussions, negotiations and dealings with the relevant local authorities.

Project B comprises a medical centre and more than 300 apartment units, and supplements an ongoing project (i.e. the Tropics City Project) which the Group is jointly developing with TRSB. In view of the potential of Project B, the Group was willing to make the upfront payment of the earnest consideration to secure the rights to develop Project B in collaboration with TRSB. Several payments in relation to the earnest consideration, which in aggregate amounted to RM1.4 million, were made by the Group to TRSB’s director, who was authorised to receive such payments for and on behalf of TRSB, and such payments were recorded in the Group’s accounts as payments made to TRSB’s director for the purposes of tracking payments made pursuant to the terms of the Covenant. TRSB has also honoured its accountability on the same. TRSB subsequently acknowledged receipt of the payments made by the Group to its director and fully refunded the aggregate amount of the payments made by the Group as discussed further below.

In the course its business, the Group has adopted the following practices which are regarded as normal in the ordinary course of business:

- i) paying advances or deposits to secure the rights to develop projects; and
- ii) when a company nominates a director or any authorised person to receive a payment, an asset or the beneficial interest of an asset on behalf of that company, to accept such arrangement in good faith as long as it is legal, in the Group’s experience that company will honour and recognise the arrangement and acknowledge receipt of the payments made to the authorised person nominated, and the arrangement is recorded in the form of an executed letter of nomination and authorisation from that company.

Thus, the Group regards the entry into the Covenant as normal in the ordinary course of business and no different from practices it has adopted for other projects. In addition, the Group believes that it has adequate safeguards from a legal perspective pursuant to the terms of the Covenant.

On 15 January 2020, the Group and TRSB mutually agreed to terminate the Covenant as the Group decided to put Project B on hold and to focus its resources on its existing projects in view of the current market situation. Consequently, TRSB agreed to refund the payments made by the Group in relation to the earnest consideration in accordance with the terms of the Covenant, and the aggregate amount of the payments made by the Group as at 31 December 2019 of RM1.4 million was fully refunded as at 10 December 2020.

The Group and TRSB subsequently entered into a memorandum of understanding (the “**Project B MOU**”) on 3 July 2020 in relation to Project B. The Project B MOU was non-binding and no binding agreement was intended to be entered into between the Group and TRSB. The Project B MOU was to record the understanding between the Group and TRSB that they shall continue to collaborate and co-operate with each other to explore various possibilities on Project B for a period of 24 months.

The Group made advances to a director of TRSB in connection with Project C (the “**Project C Advances**”) which as at 3 June 2020 amounted to an aggregate sum of approximately RM147,000. Project C was subsequently awarded by TRSB to the Group and the Group was appointed as the contractor of Project C sometime in September 2020. TRSB provided the Group with an executed letter of nomination and authorisation in respect of the Project C Advances. The Project C Advances were fully repaid by TRSB as at 29 December 2020.

#### c) Other Transactions with TRSB

On 16 March 2017, the Group entered into a memorandum of understanding (the “**Collaboration MOU**”) with TRSB. The purpose of the Collaboration MOU was to record the understanding between the Group and TRSB that they shall jointly collaborate and work together:

- i) to explore, identify, contribute resources and undertake responsibilities in relation to development and/or construction projects and all related activities therein; and
- ii) to explore the potential of the Group, TRSB and/or the subsidiaries of Temasek Regal Capital Sdn Bhd (“**TRC**”) entering into a joint venture in relation to development and/or construction projects.

The Group and TRSB intended to jointly collaborate and work together (through joint ventures or otherwise) to undertake development and/or construction projects, sourcing for land investments and/or any other to-be-approved projects with each other and the subsidiaries of TRC.

In connection with the continued and ongoing collaborative relationship between the Group and TRSB in accordance with the terms of the Collaboration MOU, the Group and TRSB entered into a letter of mutual understanding on 20 August 2017 that TRC and/or the subsidiaries/affiliates of TRC are willing and able to make advances to TRSB to enable TRSB to meet and/or fulfil its necessary obligations for the ongoing works relating to the construction projects being carried out on TRSB’s lands and/or project sites (collectively, the “**TRC Advances**”). The TRC Advances made and/or paid on behalf of TRSB by TRC shall be refunded by TRSB from TRSB’s entitlements and/or profits from the construction projects. TRSB’s entitlements and/or profits from the construction projects shall be utilised in the following priority:

- i) firstly, towards the refunds of the TRC Advances due to TRC; and
- ii) thereafter, towards TRSB’s entitlements and/or profits due to TRSB.

The TRC Advances which have been released to TRSB are subject to conditions agreed upon between TRC and TRSB being met by TRSB, the primary condition being that TRSB facilitates the due progress of works relating to the construction projects.

The continued and ongoing collaborative relationship between the Group and TRSB is key to the Group’s strategy to have asset light model. TRSB is the registered proprietor and beneficial owner of a number of native reclassified lands in Sarawak, Malaysia and is in business of land investment, development and construction. In order to work closely with TRSB and be prioritised on TRSB’s existing and potential development and/or construction projects, the Group has entered into such arrangement with TRSB to minimise the Group’s cash outflow, which may be a larger amount compared to the advances made to TRSB, required for the acquisition of the land banks and holding such land banks for several years to obtain the relevant approvals before commencement of development and/or construction. The Group benefits from such arrangement with TRSB as TRSB has jointly developed, and has also awarded and appointed the Group as the main contractor on, several projects in recent years and potential projects in the foreseeable future.

#### d) Completeness of Subsequent Events

The Group is in progress of closing its accounts and preparing its consolidated accounts. The Group will release its financial statements for each of the first three quarters of the financial year ended 31 December 2020 (“**FY2020**”) and its full year financial statements for FY2020 in due course.



The Board wishes to provide its responses in relation to certain matters raised in the Independent Auditors' Report which formed the basis of the EOM set out in **Appendix II** to this announcement.

**a) Going Concern**

The Directors of the Company believe that the Group and the Company are well placed to manage their business risks and have adequate resources to meet their obligations as and when they fall due for at least 12 months from the end of FY2019 after taking into consideration the following:

- i) the Directors of the Company, who are also controlling shareholders of the Company, have agreed not to demand repayment of the balances owed to them amounting to RM5,866,000;
- ii) the Group has entered into contra arrangements with its suppliers in exchange for services, or for the eventual sale to third parties which helps in the management of its working capital;
- iii) the Group has multiple ongoing projects which are expected to generate revenue subsequent to FY2019 to meet operating cash flow requirements of the Group;
- iv) the Group has had verbal discussions with the tax authorities in relation to a repayment plan for its tax obligations;
- v) the Group has restructured certain loans with its principal lenders to better manage its cash flows; and
- vi) the Group's redeemable preference shareholder has agreed to extend the repayment period(s) in respect of its redeemable preference shares.

Based on the above, the Directors of the Company are of the opinion that the Group and the Company will be able to continue as a going concern, and that it is appropriate for the consolidated financial statements for FY2019 to be prepared using a going concern basis.

In addition, the Directors of the Company are of the opinion that sufficient information has been disclosed for trading of the Company's securities to continue in an orderly manner

Shareholders and potential investors of the Company are advised to read this announcement and any further announcements made by the Company carefully. Shareholders and potential investors of the Company are advised to refrain from taking any action with respect to their securities in the Company which may be prejudicial to their interests, and to exercise caution when dealing in the securities of the Company. Shareholders and potential investors of the Company should consult their stockbrokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions they should take.

By Order of the Board of  
**Regal International Group Ltd.**

Su Chung Jye  
Executive Chairman, Executive Director and Chief Executive Officer

8 February 2021



## Appendix I – Disclaimer of Opinion

### EXTRACT OF DISCLAIMER OF OPINION IN THE INDEPENDENT AUDITOR'S REPORT

#### Disclaimer of opinion

We were engaged to audit 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 2019, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group, and statement of changes in equity of the Company for the reporting year then ended, and notes to the financial statements, including accounting policies.

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

#### Basis for disclaimer of opinion

##### (a) Sale of Upright Strategy Sdn Bhd to Twin Revenue Sdn Bhd

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

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

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

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

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

Management also advised that in accordance with a letter of mutual termination dated 15 January 2020, between the Group's subsidiary concerned and Twin Revenue, the collaboration agreement has been terminated and the commitment fee is to be refunded to the Group within 18 months of the date of the letter of mutual termination. Notwithstanding the letter of mutual termination dated 15 January 2020, the Group





made additional payments totalling approximately RM147,000 to the Twin Revenue director concerned up to 3 June 2020. As of the date of this report, the Group has been refunded RM1,402,000.

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

(c) Other transactions with Twin Revenue Sdn Bhd

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

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

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

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

(d) Completeness of subsequent events

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

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

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



## Appendix II - EOM

### **EXTRACT OF EOM IN THE INDEPENDENT AUDITOR'S REPORT**

#### **Material Uncertainty Related to Going Concern**

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

### **EXTRACT OF NOTES TO THE AUDITED FINANCIAL STATEMENTS FY2019**

#### **Note 1 - Basis for going concern**

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

The validity of the going concern assumption on which the financial statements have been prepared depends on the ability of the Group and the Company to generate sufficient cash flows from operations to pay debts as and when they fall due and the Group and Company being profitable in the future. The Group and Company have unrestricted cash and cash equivalents of RM3,892,000 (2018: RM1,512,000) and RM564,000 (2018: RM569,000) respectively and there are completed unsold development properties and development properties in progress of RM26,329,000 (2018: RM34,765,000), which the Group is able to pledge with financial institutions to obtain additional financing.

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

The Group has multiple ongoing projects with contents and values to serve its target customers' profile to sell existing and in-progress development properties, which are expected to generate revenue subsequent to the reporting year end to meet operating cash flows requirements for the Group. The Group has also had verbal

discussions with the tax authorities on a repayment plan and has restructured certain loans with its principal lenders as disclosed in Note 29A to manage its cash flows better. The Group is also in discussions with its redeemable preference shareholder to extend the repayment period as mentioned in Notes 29E and 37.

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

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

#### **Note 11 - Income tax**

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

#### **Note 29 - Other financial liabilities**

##### Term Loans

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

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

##### Lease Liabilities

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

##### Redeemable preference shares

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

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





**Note 30 - Trade and other payables**

Outside parties and accrued liabilities include accrued defined contribution plans and other employee benefits that remains unpaid of RM2,470,000 (2018: RM2,211,000). As of the date of financial statements, the Group has paid RM767,000 to the authority.

**Note 37 – Events after the end of the reporting year**

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

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

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

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