
ANNOUNCEMENT IN RELATION TO NOTICE OF COMPLIANCE ISSUED BY SINGAPORE EXCHANGE REGULATION ON 29 MARCH 2021

Introduction

The Board of Directors (the “**Board**”) of Regal International Group Ltd. (the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to the notice of compliance (the “**Notice**”) issued by Singapore Exchange Regulation (“**SGX RegCo**”) on 29 March 2021.

Pursuant to paragraph 6.8 of the Notice, SGX RegCo has directed the Company to obtain and disclose via SGXNet by Friday, 2 April 2021:

- (a) detailed explanations from each of the Resigned Directors¹ as to why they consider it proper and appropriate to resign when the Audit Matters² have yet to be resolved;
- (b) the steps the Company is taking to resolve the bases of the disclaimer of opinion by RSM Chio Lim LLP (“**RSM**”); and
- (c) the expected timeline for these issues to be resolved.

Explanations from the Resigned Directors

The Company has obtained the explanation below from Mr Goon Kok Loon.

“Dear Dominic,

I refer to the SGX Notice of Compliance requesting that Regal obtain the explanation of why I had resigned my Directorship.

As you and Board Members will recall, I had as early as in the first quarter 2019 Board Meeting announced my intention to resign my Directorship. I had stated that I had been on the Board for more than 9 years technically, and with my advancing age, I wished to lighten my workload. You had acknowledged my request.

¹ “Resigned Directors” refers to Mr Goon Kok Loon who was the Lead Independent Director and the Chairman of the Audit Committee and Mr Francis Huang who was an Independent Director, the Chairman of the Remuneration Committee and a member of the Audit Committee.

² The statutory auditors of the Company, RSM, expressed a material uncertainty related to going concern and issued a disclaimer of opinion on the Company’s FY2019 financial statements. “Audit Matters” refers to, *inter alia*, the following basis for the disclaimer of opinion:

- (a) Insufficient appropriate audit evidence on the business rationale and commercial substance for the acquisition of Upright Strategy Sdn Bhd (“**Upright Strategy**”) by Twin Revenue Sdn Bhd (“**Twin Revenue**”);
- (b) Payments made to a director of Twin Revenue where RSM was unable to obtain sufficient appropriate audit evidence on the business rationale and commercial substance of such payments; and
- (c) Similarly for other transactions with Twin Revenue.



Subsequently, you had asked me to stay on the Board until the convening of the 2019FY AGM. I agreed with your plea with the condition you would definitely find a replacement Director by then. Business sales during 2019 was slow. The Board noted the various efforts of Management to diversify and increase the volume of the Company's business. The Audit Plan for 2019 was approved late towards end 2019.

However, the audit process was disrupted by the various Control Movement Orders in Sarawak and little progress was made as the Singapore Auditors were unable to travel there over the course of 2020. However, there were numerous exchanges between the Singapore and Malaysian Auditors via email and e-conference. The Board and I was aware of the slow progress of the audit and the difficulties encountered with verification and sighting of original supporting documents. Eventually, the Auditors signed off the FY2019 audit with disclaimers. Throughout 2020, I had full cooperation from Management and I did not have any issues with their business conduct in Malaysia.

Subsequently, upon the conclusion of the e AGM in 2021, and with the appointment of new Directors, the Company announced my resignation from the Board as promised.

Goon Kok Loon"

The Company has obtained the explanation below from Mr Francis Huang.

"Dear Dominic,

I refer to the SGX Notice of Compliance dated 29/3/2021, requesting for reasons of my resignation from Directorship.

As mentioned to you in December 2019, I intended to resign when the term ended, which you acknowledged and agreed. My observation then was that the Company required advice and/or opinion on financial and accounting matters, which were not my areas of expertise.

As a practising architect, my area of expertise and interest are in architecture and development matters. Due to the worsening economic situation in Malaysia then, I felt that there would be less need of advice or opinion on development matters. It would serve the Company better if I made way for others who could offer advice on financial and accounting matters to be appointed.

However, due to Covid-19 and the various restrictions put in place by governments during 2020, situation in Malaysia had worsened further. Auditors were unable to travel to Sarawak and numerous clarifications were carried out by email and online conferences.

Throughout this time, I did not have any issue with the Company's business conduct in Malaysia. The Audit matters arose months after I made the intention to resign known to you. My resignation was postponed until 2021 due to the delay in the Audit verification process. As I would not be able to offer much advice on these matters, I would like to focus my time on my own interest and my architectural business.



I would like to thank you and the Board for the opportunity to serve as Director.

Yours,

Francis Hwang"

Steps to be taken by the Company to resolve the Audit Matters

Appointment of New Statutory Auditors of the Company

RSM retired as statutory auditors of the Company after the conclusion of the Annual General Meeting of the Company held on 24 February 2021 and had expressed their intention not to seek re-appointment as statutory auditors of the Company for FY2020.

The Board, in consultation with the Audit Committee, is taking the necessary steps to appoint new statutory auditors of the Company as soon as possible.

A circular containing relevant information relating to the proposed appointment of new statutory auditors of the Company will be sent to shareholders of the Company in due course.

The Company will make further announcements to update shareholders of the Company on any material developments in connection with the proposed appointment of new statutory auditors of the Company as and when necessary or appropriate.

Appointment of Special Auditors

Pursuant to paragraph 6.2 of the Notice, SGX RegCo has directed the Company to appoint a special auditor to investigate into the disposal of Upright Strategy (the "**Disposal**"), as well as all transactions involving the Company and Twin Revenue as highlighted in RSM's audit report for FY2019. The special auditor to be appointed and the scope of the special audit are subject to SGX RegCo's approval, and the special auditor should report its findings directly to SGX RegCo and the Audit Committee.

The Board, in consultation with the Audit Committee, is taking the necessary steps to appoint the special auditor as soon as possible.

The Company will make further announcements to update shareholders of the Company on any material developments in connection with the proposed appointment of special auditor as and when necessary or appropriate.

Expected Timeline for Audit Matters to be Resolved

The Board, in consultation with the Audit Committee, is currently in the process of coming up with the expected timeline and work done by special auditors for the Audit Matters to be resolved. The Company will make a further announcement to update shareholders of the Company on the expected timeline for these issues to be resolved in due course.

Cautionary Statement

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

2 April 2021