MATERIAL VARIANCES BETWEEN UNAUDITED RESULTS ANNOUNCEMENT AND AUDITED FINANCIAL STATEMENTS

The Board of Directors (the "**Board**") of Regal International Group Ltd. ("**Company**", and together with its subsidiaries, "**Group**") refers to the announcement of unaudited full year results for the financial year ended 31 December 2019 ("**FY2019**") released on 3 August 2020 ("**Unaudited Results**"), and wishes to announce that there are material variances between the Unaudited Results and audited financial statements ("**Audited Results**") for FY2019.

Pursuant to Rule 704(6) of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Company would like to clarify the material variances between Unaudited Results and Audited Results FY2019.

The details and explanations of the material variances are set out as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income FY2019 (Extract)

	Audited Results RM'000	Unaudited Results RM'000	Variance RM'000	Note
Revenue	82,161	88,521	(6,360)	A
Cost of sales	(69,330)	(73,910)	(4,580)	A
Gross profit (loss)	12,831	14,611		
Interest income	33	33	-	
Other gains	824	22,890	(22,066)	B
Marketing and distribution costs	(2,115)	(2,115)	-	
Administrative expenses	(19,637)	(18,984)	653	C
Other losses	(4,744)	(2,568)	2,176	D
Finance costs	(6,326)	(5,793)	533	E
Gain on disposal of subsidiary	22,706	-	(22,706)	B(i)
Share of loss from equity-accounted associates	366	366	-	
Profit before tax	3,938	8,440		
Income tax benefits	(1,369)	(1,391)	22	F
Profit for the year, net of tax	**2,569**	**7,049**		
Profit attributable to owners of the parent, net of tax	3,270	7,777	(4,507)	G(i)
Loss attributable to non-controlling interests, net of tax	(701)	(728)	27	G(ii)
Profit for the year, net of tax	**2,569**	**7,049**		

Statement of Financial Position for FY2019 (Extract) - Group

	Audited Results RM'000	Unaudited Results RM'000	Variance RM'000	Note
Non-current assets				
Investment in associate	3,808	3,913	(105)	E(ii)
Investment properties	13,680	13,931	(251)	H
Deferred tax assets	617	354	263	F
Current assets				
Inventories	136,563	141,385	(4,822)	I
Trade and other receivables	102,458	122,401	(19,943)	I, J
Other assets	14,913	14,698	215	K
Non-current liabilities				
Other financial liabilities	33,321	11,062	22,259	L(i)
Current liabilities				
Trade and other payables	183,306	200,837	(17,531)	I, J(i), L(ii)
Other financial liabilities	33,559	58,929	(25,370)	L
Equity				
Accumulated losses	(131,942)	(127,435)	(4,507)	G(i)
Other reserves	1,495	1,030	465	E
Non-controlling interests	(2,197)	(2,224)	27	G(ii)

Statement of Financial Position FY2019 (Extract) - Company

	Audited Results RM'000	Unaudited Results RM'000	Variance RM'000	Note
Assets				
Investment in subsidiaries	26,732	54,859	(28,127)	M
Current liabilities				
Trade and other payables	5,003	4,825	178	N
Equity				
Accumulated losses	(432,022)	(403,717)	(28,305)	M, N

Notes:

(A) The variances were mainly due to the changes in project recognition computation arising from the finalisation of the costs of projects. Meanwhile, there were adjustments of unrealised profits on development projects following the finalisation of project recognition computation.

(B) The variance in other gains were mainly due:
- (i) reclassification of gain on disposal of subsidiary from other gains to be presented separately in consolidated statement of profit or loss and other comprehensive income. The gain on disposal of subsidiary also reduced mainly due to decrease in net profit of the disposed subsidiary following the finalisation of project recognition computation; and
- (ii) such decrease was slightly offset by the increase in reversal of impairment on trade and other receivables.

(C) The increase in administrative expenses was mainly due to the reclassification of administrative expenses from other losses and additional audit fees taken up.

(D) The variance in other losses was mainly due to:
- (i) increase in allowance of impairment on trade and other receivables arising from further assessment on the recoverability of amount due by substantial shareholder and related parties; and
- (ii) such increase was partially offset by reclassification of administrative expenses wrongly included in other losses and reversal of impairment on inventories.

(E) The increase in finance costs was mainly due to adjustments of notional interest expenses:
- (i) from other reserve for amount due to shareholders; and
- (ii) from investment in associate for amount due to associate.

(F) Further to the finalisation of audited accounts, income tax and deferred tax impact were reassessed and this resulted in adjustments to various tax related accounts.

(G) The adjustments as explained in Notes (A) to (F) resulted:
- (i) a decrease in profit attributable to owners of the parent by RM4.5 million; and
- (ii) a decrease in loss attributable to non-controlling interests by RM27,000.

(H) The decrease of investment properties was due to the adjustment of unrealised profit following the finalisation of project recognition computation.

(I) Following the finalisation of the costs of projects, project recognition computations were reassessed and thus adjustments were made to various project related accounts.

(J) The decrease in trade and other receivables was mainly due to:
- (i) reclassification of amount payable due to a related party from trade payables to net against the receivable balance in trade receivables; and
- (ii) increase in allowance of impairment on trade and other receivables arising from further assessment on the recoverability of amount due by substantial shareholder and related parties.

(K) The increase was due to reclassification of deposits payables, which collected from sub-sale buyer and payable to previous buyer, from current other assets to other payables.

(L) The variances in other financial liabilities were mainly due to:
- (i) reclassification of a term loan from current to non-current other financial liabilities. The Group initiated the extension discussion with the lender before the financial year end. However, due to the outbreak of COVID-19 and related measures implemented in Malaysia, the physical extension letter dated 31 December 2019 was received subsequent to the release of unaudited result announcement; and
- (ii) reclassification of accrued interest payables from current other financial liabilities to other payables.

(M) The Company assessed the recoverable amount of investment in subsidiaries by reviewing the present value of the significant existing projects in subsidiaries and the carrying value of subsidiaries. Following the finalisation of the present value of the significant existing projects and the carrying value of subsidiaries, additional allowance for impairment on investment in subsidiaries was provided.

(N) The variance was due to additional audit fees being taken up for the year.

By Order of the Board

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

8 February 2021