



Our Ref: REG/LC/SL/TL/NOC2021030001

29 March 2021

The Board of Directors

63 Sungei Kadut Loop #02-01
Singapore 729484

Dear Sirs

**REGAL INTERNATIONAL GROUP LTD. (THE "COMPANY")
NOTICE OF COMPLIANCE (THE "NOTICE")**

1. Singapore Exchange Regulation ("SGX RegCo") refers to the Company's following SGXNet announcements:-
 - (a) dated 31 December 2019, entitled "Asset Acquisitions and Disposals::Disposal of Subsidiary of the Group - Upright Strategy Sdn Bhd";
 - (b) dated 20 July 2020, entitled "Waiver::Extension of Time to comply with Rules 705(1), 707(1), 705(2) and 711A of the Listing Manual";
 - (c) dated 4 August 2020, entitled "Financial Statements and Related Announcement::Full Yearly Results";
 - (d) dated 24 August 2020, entitled "Response to SGX Queries::";
 - (e) dated 19 November 2020, entitled "Waiver::Result of Application for Extension of Time";
 - (f) dated 8 February 2021, entitled "Financial Statements and Related Announcement::Auditor's Comments of Accounts";
 - (g) dated 8 February 2021, entitled "Annual Reports and Related Documents::";
 - (h) dated 18 February 2021, entitled "Response to SGX Queries::";
 - (i) dated 5 March 2021, entitled "Annual Reports and Related Documents::"; and
 - (j) dated 11 March 2021, entitled "Change - Announcement of Cessation::Resignation of Independent Director".

Singapore Exchange Regulation Pte. Ltd.

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(A wholly-owned subsidiary of Singapore Exchange Limited)

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2. Disposal of Upright Strategy Sdn Bhd (the “Disposal”)

- 2.1. On 31 December 2019, the Company announced, inter alia, the entry by its indirect wholly-owned subsidiary, Bellanova Sdn Bhd (“**Bellanova**”), into a sale and purchase agreement with Twin Revenue Sdn Bhd¹ (“**Twin Revenue**”) for the disposal of Bellanova’s entire issued and paid-up share capital of Upright Strategy Sdn Bhd (“**Upright Strategy**”) to Twin Revenue. In the same announcement, the Company disclosed that, as the ratios calculated under Rule 1006(a) and Rule 1006(b) are negative, the Company “will consult and seek the advice of the SGX-ST”.
- 2.2. On 20 July 2020, the Company was granted an extension of time by 3 August 2020 to announce its unaudited financial results for the financial year ended 31 December 2019 (“**FY2019**”) (“**FY2019 Unaudited Financial Results**”), and was granted an extension of time by 17 September 2020 to hold its annual general meeting for FY2019 pursuant to Listing Rules 705(1) and 707(1) respectively.
- 2.3. On 4 August 2020, the Company announced in its FY2019 Unaudited Financial Results that the Company had completed the Disposal for a cash consideration of RM2,500,000 i.e. the Disposal was completed on the same day as the entry into the sale and purchase agreement.
- 2.4. On 24 August 2020, the Company confirmed that the Disposal was in compliance with the requirements of Chapter 10 of the Listing Manual. The Company did not submit any consultation or waiver application to SGX RegCo with regard to the Disposal prior to the completion of the Disposal on 31 December 2019, despite the negative figures computed in the calculation of the ratios under Listing Rules 1006(a) and 1006(b). The Company only submitted a consultation application after the completion of the Disposal.
- 2.5. On 18 February 2021, the Company disclosed that it would be making arrangements to convene an extraordinary general meeting to seek shareholders’ approval for the ratification of the Disposal.

3. Disclaimer of audit opinion by RSM Chio Lim LLP (“RSM”)

- 3.1. On 8 February 2021, the Company announced its annual report for FY2019. A separate announcement was released on the disclaimer of opinion on the FY2019 financial statements by the statutory auditors of the Company, RSM. RSM also expressed a material uncertainty related to going concern and stated, inter alia, the following as its basis for the disclaimer of opinion:-
 - (a) Insufficient appropriate audit evidence on the business rationale and commercial substance for Twin Revenue’s acquisition of Upright Strategy;
 - (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.

¹ Based on the Company’s FY2018 and FY2019 annual reports dated 8 July 2019 and 8 February 2021 respectively, Twin Revenue is a substantial shareholder of the Company with 11.03% shareholding interest in the Company as at 19 June 2019 and as at 19 January 2021. Twin Revenue also contributed to approximately 26% and 28% of the Company’s total revenue for FY2018 and FY2019 respectively.

(collectively, the “**Audit Matters**”)

3.2. RSM is unable to determine if any further adjustments are needed. For details, please refer to the SGXNet announcement released by the Company on 8 February 2021².

4. Late disclosure of its sustainability report for FY2019 and non-disclosure of its interim and full year financial statements for the financial year ended 31 December 2020 (“FY2020”)

4.1. The Company was granted an extension until 2 October 2020 for the announcement of the sustainability report (“SR”) for FY2019. The Company’s application for further extension of time to release its FY2019 SR by 4 November 2020 was rejected by SGX RegCo. The Company announced its FY2019 SR after the deadline on 5 March 2021.

4.2. The Company is subject to quarterly reporting as RSM had stated a material uncertainty relating to going concern in the audited financial statements for the financial year ended 31 December 2018 and the Company received a disclaimer of opinion for FY2019. On 19 November 2020, SGX RegCo rejected the Company’s application for further extensions of time for, inter alia, the release of its financial statements for the first quarter ended 31 March 2020 (“Q1FY2020”) and second quarter ended 30 June 2020. To date, the Company has failed to announce the financial statements for all three quarters of FY2020. No waiver application was made to SGX RegCo with regards to an extension of time for the release of the third quarter unaudited financial statements, which was due on 14 November 2020.

4.3. The Company’s FY2020 unaudited financial statements was due on 1 March 2021. No waiver application was made to SGX RegCo with regards to an extension of time for the release of the FY2020 unaudited financial statements.

5. Resignations of two independent directors

5.1. On 11 March 2021, the Company, inter alia, announced the cessation (“**Cessation Announcements**”) of two of its independent directors: Goon Kok Loon who was Lead Independent Director and Chairman of the Audit Committee, and Francis Huang who was Independent Director, Chairman of the Remuneration Committee and member of the Audit Committee (collectively, “**Resigned Directors**”). The Cessation Announcements indicate that the Resigned Directors had no concerns to raise on the Company.

6. SGX RegCo’s Directives

6.1. Listing Rule 1405 provides that the Exchange may exercise administrative powers for the purposes of ensuring that the market is fair, orderly and transparent. In this regard, the Exchange may, inter alia: (a) require an issuer to appoint compliance advisers or other independent professionals for specified purposes under Listing Rule 1405(1)(f); and/or (b) halt or suspend trading of listed securities of an issuer under Listing Rules 1302 and 1303.

6.2. In light of the above and in particular Sections 2 and 3 of this Notice, SGX RegCo hereby requires the Company to appoint a special auditor to investigate into the Disposal, as well as

² Please refer to the announcement dated 8 February 2021: <https://links.sgx.com/1.0.0/corporate-announcements/OK3JP6F0ZWNNC5ZW/2b3aeba7249adb4b87d933ce6b743e2c4ce34de1631c7ae397f922ec50953917>.

all transactions involving the Company and Twin Revenue as highlighted in RSM's audit report for FY2019.

- 6.3. In this regard, please note that:-
 - (a) the special auditor to be appointed and the scope of the special audit are subject to SGX RegCo's approval; and
 - (b) the special auditor should report its findings directly to SGX RegCo and the Company's Audit Committee.
- 6.4. To date, the Company has not provided the Exchange and its shareholders, any indication of whether and when it would be able to announce its financial statements for Q1FY2020 and subsequent financial statements.
- 6.5. In light of the above, the financial position of Company is unknown subsequent to the audited financial statements, of which RSM, the statutory auditors, had issued a disclaimer of opinion.
- 6.6. Pursuant to Listing Rule 1303(5), in the interest of maintaining a fair, orderly and transparent market, SGX RegCo will suspend trading in the shares of the Company with immediate effect.
- 6.7. The suspension will remain until the Exchange is satisfied that:-
 - (a) The special audit is complete and comments arising from the special audit have been adequately addressed;
 - (b) The announcements of the Company's Q1FY2020 and all subsequent outstanding financial statements have been released;
 - (c) The audited financial statements for FY2020 has been released; and
 - (d) The shares of the Company can be traded on a fair, orderly and transparent basis.
- 6.8. SGX RegCo directs the Company to obtain and disclose via SGXNet by **Friday, 2 April 2021**, detailed explanations from each of the Resigned Directors as to why they consider it proper and appropriate to resign when the Audit Matters have yet to be resolved, as well as the steps that the Company is taking to resolve the bases of RSM's disclaimer of opinion, and the expected timeline for these issues to be resolved. Based on the responses to be provided by each of the Resigned Directors, SGX RegCo will make an assessment of each of the Resigned Directors' suitability for appointment as a director and/or executive officer in any listed issuer on the SGX-ST. Pending the completion and review of the special audit findings by SGX RegCo, the Resigned Directors must consult SGX RegCo prior to being appointed as directors and/or executive officers in any listed issuer on the SGX-ST.
- 6.9. Pursuant to Listing Rule 1405(4), failure to comply with the requirements imposed by SGX RegCo shall be deemed to be a contravention of the Listing Rules.

- 6.10. Please note that compliance with this Notice does not constitute a waiver of any kind, and SGX RegCo reserves the right to take disciplinary action against the Company and/or any Relevant Person(s) for breaches of the Listing Rules, including any failure to comply with the requirements imposed by SGX RegCo.

Yours faithfully

June Sim
Senior Vice President
Head, Listing Compliance
SGX RegCo