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 2018 ("**FY2018**") released on 1 March 2019 ("**Unaudited Results**"), and wishes to announce that there are material variances between the Unaudited Results and audited financial statements ("**Audited Results**") for FY2018.

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 FY2018.

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income FY2018 (Extract)

	Audited Results RM'000	Unaudited Results RM'000	Variance RM'000	Note
Revenue	62,609	47,066	15,543	A
Cost of sales	(61,062)	(54,673)	6,389	A
Gross profit (loss)	1,547	(7,607)		
Interest income	536	20	516	B
Other gains	146	1,550	(1,404)	C(i)
Marketing and distribution costs	(4,186)	(793)	3,393	A
Administrative expenses	(25,157)	(24,436)	721	A
Other losses	(3,857)	(2,790)	1,067	C
Finance costs	(6,205)	(3,886)	2,319	A
Share of loss from equity-accounted associates	(487)	(702)	(215)	D
Loss before tax from continuing operation	(37,663)	(38,644)		
Income tax benefits	762	1,247	(485)	E
Loss from continuing operation, net of tax	**(36,901)**	**(37,397)**	496	
Loss attributable to owners of the parent, net of tax	(35,759)	(36,189)		
Loss attributable to non-controlling interests, net of tax	(1,142)	(1,208)		
Loss, net of tax	**(36,901)**	**(37,397)**		

Statement of Financial Position for FY2018 (Extract) - Group

	Audited Results RM'000	Unaudited Results RM'000	Variance RM'000	Note
Non-current assets				
Other financial assets	-	1,551	(1,551)	H(i)
Investment in associate	4,342	4,470	(128)	F
Investment properties	11,286	18,799	(7,513)	G
Deferred tax assets	417	699	(282)	E
Other assets	2,045	879	1,166	H
Current assets				
Contract assets	-	108,531	(108,531)	I
Inventories	128,919	54,905	74,014	G, I
Trade and other receivables	89,968	53,996	35,972	I
Other assets	14,689	4,036	10,653	I
Non-current liabilities				
Other payables	8,979	-	8,979	B
Other financial liabilities	21,284	40,330	(19,046)	J
Current liabilities				
Contract liabilities	-	45,671	(45,671)	K
Income tax payable	19,948	20,067	(119)	E
Trade and other payables	159,132	107,728	51,404	B, K
Other liabilities	2,680	17,883	(15,203)	K
Other financial liabilities	54,956	35,459	19,497	J
Equity				
Accumulated losses	(135,677)	(136,708)	1,031	L
Foreign currency translation reserve	2,826	(31)	2,857	L(i)
Other reserves	1,495	-	1,495	B
Non-controlling interests	(1,496)	(127)	(1,369)	L(ii)

Statement of Financial Position FY2018 (Extract) - Company

	Audited Results RM'000	Unaudited Results RM'000	Variance RM'000	Note
Assets				
Other financial assets	-	1,551	(1,551)	M
Other assets, non-current	1,551	-	1,551	M
Investment in subsidiaries	54,859	133,597	(78,738)	N
Trade and other receivables	4,364	30,644	(26,280)	O
Equity				
Accumulated losses	(405,677)	(230,391)	(175,286)	N, O, P
Foreign currency translation reserve	70,268	-	70,268	P

Notes:

(A) Following the finalisation of revenue recognition adjustments arising from adoption of SFRS(I)15, there were changes in the project recognition computation. This has resulted in changes in revenue and cost of sales recognition. Simultaneously, certain indirect and other costs were expensed off to marketing and distribution costs, administrative expenses and finance costs.

(B) Certain subsidiaries in the Group have amounts due from their directors, shareholders and the Group's associate. These creditors provided letters to the subsidiaries that they will not demand repayment of the amounts outstanding over the next 36 months. Accordingly, the Group has reclassified the amounts as non-current liabilities and present valued the amounts. The differences between gross value and present value have been accounted accordingly as notional interest income for amounts due to directors and Group's associate and other reserves for amounts due to shareholders.

(C) The variances comprise the following:
   (i) Reclassification of foreign exchange gains from other gains to other losses in order to present the net effect.
   (ii) Additional allowances for impairment were provided on trade and other receivables, inventories and land held for property development.

(D) The decrease in share of loss from equity-accounted associate was mainly due to finalisation of the associate's audit.

(E) Further to the finalisation of the above matters, the Group recomputed the income tax and deferred tax impact and this resulted in adjustments to various tax related accounts.

(F) The variance in investment in associate was arising from adjustments from the finalisation of the associate's audit.

(G) The Group rectified the classification of a block of residential apartments which was constructed in 2016 and was classified as investment properties unintentionally in the financial statements. The principal activity of the subsidiary holding the investment property is that of a property developer and the subsidiary has launched the said property for sales since 2017. Hence the said property was reclassified from investment properties to inventories.

(H) The variances in non-current other assets were mainly due to:
   (i) Reclassification of key man life insurance policy from other financial assets to non-current other assets.
   (ii) Adjustment on prepayments and allowance for impairment on land held for property development.

(I) Following the finalisation of revenue recognition adjustments arising from the adoption of SFRS(I)15, there were changes in the project recognition computation and accounts classification. This has resulted in the variances in various project related accounts. The contract assets were also reclassed accordingly to inventories, trade and other receivables and other assets.

(J) Certain subsidiaries in the Group had delays in payments of instalments on the borrowings during the financial year. Due to the callable clauses in the borrowing agreements, the Group has reclassified the affected amounts from non-current to current.

(K) Following the finalisation of the revenue recognition adjustments arising from the adoption of SFRS(I)15, there were changes in the project recognition computation and accounts classification. This has resulted in the variances in various project related accounts. The contract liabilities and amount due to customers on construction contracts under other liabilities were reclassified to trade and other payables.

(L) The variances were mainly due to the following:
   (i) Previously, the Group has elected the optional exemption under SFRS(I)1 to reset the cumulative translation differences for all foreign operations to be zero at the date of transition of 1 January 2017. However, the Group has withdrawn the election.
   (ii) Following the finalisation of the revenue recognition adjustments arising from the adoption of SFRS(I)15, there were changes in the project recognition computation and it is applied retrospectively. Therefore, the comparatives for the reporting year 2017 are restated. This has resulted in variances in loss for the year and the non-controlling interests were recomputed accordingly.

(M) Key man life insurance policy was reclassed from other financial assets to non-current other assets.

(N) 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 revenue recognition adjustments arising from the adoption of SFRS(I)15 and the present value of the significant existing projects, further allowance for impairment on investment in subsidiaries was provided.

(O) The variance was due to further allowance for impairment on amounts due from subsidiaries being provided.

(P) The Company has withdrawn the election of optional exemption under SFRS(I)1 to reset the cumulative translation differences as the translation differences at the company level are not allowed for reset.

By Order of the Board

Su Chung Jye
Executive Chairman and Chief Executive Officer

21 June 2019