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## RESPONSE TO SGX-ST QUERIES ON FY2019 UNAUDITED RESULTS ANNOUNCEMENT

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The Board of Directors (the “**Board**”) of Regal International Group Ltd. (“**Company**”, and together with its subsidiaries, “**Group**”) would like to respond to the queries raised by Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 18 August 2020 in relation to the Company’s announcement dated 3 August 2020 on the unaudited financial statements and related announcement for the full year ended 31 December 2019 (“**FY2019 Unaudited Results**”) as follows:

### SGX-ST’s Queries

1. It is noted on page 3 of the announced financial results that the Group has trade and other receivables amounting to approximately RM122,401,000 as at 31/12/2019. In this regard:
  - (a) Please provide the breakdown of the trade and other receivables in a table format;
  - (b) Please provide an aging analysis for the trade and other receivables financial statement line item; and
  - (c) Please provide the Board of Directors’ assessment of the recoverability of the trade and other receivables.
2. It is noted on page 3 of the announced financial results that the Group’s “trade and other payables” financial statement line item increased from approximately RM159,132,000 as at 31/12/2018 to RM200,837,000 as at 31/12/2019.
  - (a) Please provide the reason(s) for the increase as well as the breakdown in a table format.
  - (b) Which development and construction project(s) is the increase relating to?
3. It is noted on page 2 of the announced financial results that the Group has recorded a “Gain on disposal of subsidiary” of RM22,142,000. It is also noted on page 11, paragraph 16 that, “On 31 December 2019, the Company has disposed of a wholly-owned subsidiary, Upright Strategy Sdn. Bhd., in Malaysia for a cash consideration of RM2,500,000.” Please disclose whether the:
  - (a) subsidiary disposed is Upright Strategy Sdn. Bhd.; and
  - (b) disposal has complied with the Chapter 10 requirements of the Listing Manual.
4. It is stated on page 2 of the announced financial results the following recorded for the FY2019:
  - (i). Allowance for impairment of trade and other receivables of RM1,290,000;
  - (ii). Reversal for impairment of trade and other receivables of RM251,000;
  - (iii). Allowance for impairment of leasehold property of RM623,000; and
  - (iv). Allowance for impairment of inventories of RM115,000.

In this regard, please clarify:

- (a) The reason(s) for each of the impairments made, including the reason(s) for the reversal for impairment in (ii); and
- (b) The Board’s opinion on the reasonableness of the methodologies used to determine the value of the impairments.

## Company's Responses

1. It is noted on page 3 of the announced financial results that the Group has trade and other receivables amounting to approximately RM122,401,000 as at 31/12/2019. In this regard:

(a) Please provide the breakdown of trade and other receivables in a table format;

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Trade receivables</b>		
Outside parties <sup>(i) (ii)</sup>	52,610	31,665
Less: allowance for impairment	(4,789)	(3,831)
Shareholder	29,178	23,630
Receivables from customers on long-term contracts	25,878	30,585
Retention receivables on long-term contracts	2,288	2,882
	<u>105,165</u>	<u>84,931</u>
<b>Other receivables</b>		
Outside parties <sup>(i) (ii)</sup>	18,045	5,779
Less: allowance for impairment	(809)	(742)
	<u>17,236</u>	<u>5,037</u>
<b>Total trade and other receivables</b>	<u>122,401</u>	<u>89,968</u>

(i) Included in trade and other receivables from outside parties are amounts of RM20.1 million (2018: RM13.9 million) respectively that will be used to contra off future purchases of materials or services rendered by suppliers.

(ii) Trade and other receivables from outside parties included amounts of RM28.2 million due by the disposed subsidiary, Upright Strategy Sdn. Bhd.

(b) Please provide an aging analysis for trade and other receivables financial statement line item; and

	<b>Group</b>		
	<b>Gross carrying amount</b>	<b>Loss allowance</b>	<b>Net balance</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>2019</b>			
<b>Trade and other receivables</b>			
Not past due	82,113	–	82,113
Past due 1-30 days	2,998	–	2,998
Past due 31-60 days	2,047	–	2,047
Past due 61-90 days	543	–	543
Past due 91-120 days	6,495	–	6,495
Past due 121 days	31,515	(5,598)	25,917
Retention receivables	2,288	–	2,288
<b>Total</b>	<u>127,999</u>	<u>(5,598)</u>	<u>122,401</u>
<b>2018</b>			
<b>Trade and other receivables</b>			
Not past due	56,990	–	56,990
Past due 1-30 days	954	–	954
Past due 31-60 days	134	–	134
Past due 61-90 days	11,807	–	11,807
Past due 91-120 days	1,117	–	1,117
Past due 121 days	20,657	(4,573)	16,084
Retention receivables	2,882	–	2,882
<b>Total</b>	<u>94,541</u>	<u>(4,573)</u>	<u>89,968</u>



- (c) Please provide the Board of Directors' assessment of the recoverability of the trade and other receivables.

The trade and other receivables are subject to the expected credit loss ("ECL") model under the financial reporting standard on financial instruments. The methodology applied for impairment loss is the simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables and contract assets. The expected lifetime losses are recognised from initial recognition of these assets. These assets are grouped based on shared credit risk characteristics and the days past due for measuring the expected credit losses. The expected credit losses are based on the past payment experience and the corresponding historical credit losses experienced within this period. For sales of properties, as ownership and titles to properties are only transferred to customers upon full settlement of the purchase consideration, the Group regards the credit risk exposure as low. As construction contracts only involve a few customers, the Group assessed the risk of loss of each customer individually based on their financial information, historical payment trends and other external available information. The other receivables which can be graded as low risk individually are considered to have low credit risk and a loss allowance is recognised at an amount equal to 12 month expected credit losses.

2. It is noted on page 3 of the announced financial results that the Group's "trade and other payables" financial statement line item increased from approximately RM159,132,000 as at 31/12/2018 to RM200,837,000 as at 31/12/2019.

- (a) Please provide the reason(s) for the increase as well as the breakdown in a table format.

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<u>Trade payables</u>		
Outside parties and accrued liabilities <sup>(i)</sup>	125,057	98,132
Shareholder	592	-
Due to customers on construction contracts and development properties	43,673	41,602
Provision for liquidated ascertained damages	17,084	9,671
	<u>186,406</u>	<u>149,405</u>
<u>Other payables</u>		
Outside parties <sup>(i)</sup>	9,394	9,690
Associates	473	-
Shareholders and directors of subsidiaries	449	37
Shareholders and directors of Group	4,115	-
	<u>14,431</u>	<u>9,727</u>
Total trade and other payables	<u>200,837</u>	<u>159,132</u>

- (i) Payments of certain trade and other payables from outside parties will to be made through the transfer of units in the Group's developments, i.e. contra arrangements. The suppliers will sign legally valid and binding sale and purchase agreements with the Group to enter such contra arrangements and can choose to sub-sell such units with the prior consent of the Group or to take delivery of the units upon completion of the development.

- (ii) Trade receivables from outsiders parties and accrued liabilities included an amount of RM13.0 million due to the disposed subsidiary, Upright Strategy Sdn. Bhd.

Increase in trade payables to outside parties and accrued liabilities was mainly due to increase in accrued contract costs and additional construction costs for projects. Increase in trade payables due to customers on construction contracts and development properties was mainly arising from the accrued contract liabilities. Additional provision for liquidation ascertained damages relates to the estimated late delivery costs of certain development projects under construction.

(b) Which development and construction project(s) is the increase relating to?

The increase was mainly relating to Jambusan Heights, 72 Residences Block B and Tropics City.

3. It is noted on page 2 of the announced financial results that the Group has recorded a "Gain on disposal of subsidiary" of RM22,142,000. It is also noted on page 11, paragraph 16 that, "On 31 December 2019, the Company has disposed of a wholly-owned subsidiary, Upright Strategy Sdn. Bhd., in Malaysia for a cash consideration of RM2,500,000." Please disclose whether the:

(a) subsidiary disposed is Upright Strategy Sdn. Bhd.; and

The subsidiary disposed is Upright Strategy Sdn. Bhd.

(b) disposal has complied with the Chapter 10 requirements of the Listing Manual.

The disposal has complied with the Chapter 10 requirements of the Listing Manual. Please refer to the related announcement dated 31 December 2019 for further details.

4. It is stated on page 2 of the announced financial results the following recorded for the FY2019:

- (i). Allowance for impairment of trade and other receivables of RM1,290,000;
- (ii). Reversal for impairment of trade and other receivables of RM251,000;
- (iii). Allowance for impairment of leasehold property of RM623,000; and
- (iv). Allowance for impairment of inventories of RM115,000.

In this regard, please clarify:

(a) The reason(s) for each of the impairments made, including the reason(s) for the reversal for impairment in (ii); and

(i) Allowance for impairment of trade and other receivables was provided based on the ECL model under the financial reporting standard on financial instruments.

(ii) Reversal for impairment of trade and other receivables was due to the repayments from the debtors during the year.

(iii) Allowance for impairment of leasehold property was provided based on the assessment of the carrying value of the property by comparing to the recent transactions of similar properties around the same vicinity of the leasehold property.

(iv) Allowance for impairment of inventories was provided based on the review of net realisable value by considering the best estimate of the recoverable amount and is based on the acceptable evidence available at the end of the reporting year and inherently involves estimates regarding the future expected realisable value.

(b) The Board's opinion on the reasonableness of the methodologies used to determine the value of the impairments.

The Board is of the opinion that the methodologies used to determine the value of the impairments are reasonable.

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

Su Chung Jye  
Executive Chairman and Chief Executive Officer  
24 August 2020