

## Unaudited Financial Statements and Related Announcement for the Second Quarter Ended 30 June 2016

### PART I – INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR ANNOUNCEMENTS

1(a)(i) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Statement of Comprehensive Income	Group			Group		
	2Q2016	2Q2015	Change %	1H2016	1H2015	Change %
	RM'000	RM'000		RM'000	RM'000	
<b>Continuing Operation</b>						
Revenue	18,685	6,337	195%	76,181	16,681	357%
Cost of sales	(12,393)	(5,181)	139%	(61,034)	(11,250)	443%
<b>Gross profit</b>	<b>6,292</b>	<b>1,156</b>	<b>444%</b>	<b>15,147</b>	<b>5,431</b>	<b>179%</b>
Interest income	4	3	33%	7	15	-53%
Other gains	242	294	-18%	503	418	20%
Administrative expenses	(6,823)	(5,352)	27%	(14,249)	(9,620)	48%
Other losses	(386)	-	N.M.	(1)	-	N.M.
Finance costs	(633)	(459)	38%	(1,263)	(908)	39%
Share of profit (loss) from equity-accounted associates	375	(3)	N.M.	941	138	582%
<b>(Loss) Profit before tax</b>	<b>(929)</b>	<b>(4,361)</b>	<b>-79%</b>	<b>1,085</b>	<b>(4,526)</b>	<b>N.M.</b>
Income tax expenses	(381)	(26)	1365%	(798)	84	N.M.
	<b>(1,310)</b>	<b>(4,387)</b>	<b>-70%</b>	<b>287</b>	<b>(4,442)</b>	<b>N.M.</b>
<b>Discontinued Operation (Precision Business)</b>						
Loss from discontinued operation, net of tax	(19,149)	(3,648)	425%	(20,486)	(121)	16831%
<b>Loss for the period, net of tax</b>	<b>(20,459)</b>	<b>(8,035)</b>	<b>155%</b>	<b>(20,199)</b>	<b>(4,563)</b>	<b>343%</b>
<b>Other comprehensive income (loss)</b>						
<b>Items that may be reclassified subsequently to profit or loss:</b>						
Exchange difference on translating foreign operations, net of tax	1,126	2,162	-48%	(1,079)	3,512	N.M.
<b>Other comprehensive income (loss) for the period, net of tax</b>	<b>1,126</b>	<b>2,162</b>	<b>-48%</b>	<b>(1,079)</b>	<b>3,512</b>	<b>N.M.</b>
<b>Total comprehensive loss for the period (Note)</b>	<b>(19,333)</b>	<b>(5,873)</b>	<b>229%</b>	<b>(21,278)</b>	<b>(1,051)</b>	<b>1925%</b>
Loss attributable to equity holders of parent, net of tax	(20,521)	(8,101)	153%	(20,470)	(4,579)	347%
Profit attributable to non-controlling interest, net of tax	62	66	-6%	271	16	1594%
<b>Loss, net of tax</b>	<b>(20,459)</b>	<b>(8,035)</b>	<b>155%</b>	<b>(20,199)</b>	<b>(4,563)</b>	<b>343%</b>
Total comprehensive loss attributable to equity holders of the parent	(19,395)	(5,939)	227%	(21,549)	(1,067)	1920%
Total comprehensive income attributable to non-controlling interests	62	66	-6%	271	16	1594%
<b>Total comprehensive loss for the period (Note)</b>	<b>(19,333)</b>	<b>(5,873)</b>	<b>229%</b>	<b>(21,278)</b>	<b>(1,051)</b>	<b>1925%</b>

**Note:**

Mainly due to an impairment loss from the precision business amounting to RM18.1 million following its classification as a discontinued operation after the Board announced its disposal. The proposed disposal of the underperforming precision business is consistent with the Group's strategy to re-align its corporate strategy and focus exclusively on its core property development business.

The property development business had contributed a profit after tax of RM0.7 million in 2Q2106, recording a total profit after tax of RM4.5 million for 1H2016. Without the one-off impairment loss of RM18.1 million from the precision business, the Group would have recorded a lower total comprehensive loss of RM1.2 million in 2Q2016.

N.M. – Not meaningful

# REGAL International Group Ltd.

(Company Registration No. 200508585R)

- Unaudited Financial Statements and Related Announcement for the second quarter ended 30 June 2016

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## 1(a)(ii) Notes to statement of comprehensive income

Profit (Loss) before tax is stated after (charging)/crediting:

	Group			Group		
	2Q2016 RM'000	2Q2015 RM'000	Change %	1H2016 RM'000	1H2015 RM'000	Change %
<b><u>Continuing Operation</u></b>						
Depreciation of property, plant and equipment	(1,101)	(671)	64.1%	(1,946)	(1,156)	68.3%
Interest income	4	3	33.3%	7	15	-53.3%
Interest expense	(633)	(459)	37.9%	(1,263)	(908)	39.1%
Allowance for impairment of trade receivables - reversal	119	273	-56.4%	119	379	-68.6%
Foreign exchange adjustment net (loss) gain	(386)	-	N.M.	184	-	N.M.

N.M. - Not meaningful

# REGAL International Group Ltd.

(Company Registration No. 200508585R)

- Unaudited Financial Statements and Related Announcement for the second quarter ended 30 June 2016

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

Statements of Financial Position	Group		Company	
	As at 30.06.2016	As at 31.12.2015	As at 30.06.2016	As at 31.12.2015
	RM'000	RM'000	RM'000	RM'000
<b>ASSETS</b>				
<b><u>Non-current assets</u></b>				
Property, plant and equipment	13,516	22,700	90	109
Available-for-sale financial assets	1,523	1,523	1,523	1,523
Investment in subsidiaries	-	-	386,308	386,308
Investment in associates	6,036	8,565	-	-
Deferred tax assets	101	1,345	-	59
Other assets	6,635	6,282	-	-
<b>Total non-current assets</b>	<b>27,811</b>	<b>40,415</b>	<b>387,921</b>	<b>387,999</b>
<b><u>Current assets</u></b>				
Development properties	129,530	108,235	-	-
Inventories	23,980	36,729	-	-
Trade and other receivables	65,750	73,565	23,024	23,324
Other assets	1,757	5,308	107	127
Cash and cash equivalents	5,751	22,484	2,855	3,602
	226,768	246,321	25,986	27,053
Assets of disposal group classified as held for sale	60,049	-	-	-
<b>Total current assets</b>	<b>286,817</b>	<b>246,321</b>	<b>25,986</b>	<b>27,053</b>
<b>Total assets</b>	<b>314,628</b>	<b>286,736</b>	<b>413,907</b>	<b>415,052</b>
<b>EQUITY AND LIABILITIES</b>				
<b><u>Equity attributable to owners of the parent</u></b>				
Share capital	133,052	133,052	369,551	369,551
Accumulated losses	(87,351)	(66,881)	(43,098)	(38,750)
Share option reserve	2,582	1,631	2,582	1,631
Foreign currency translation reserve	8,490	9,569	61,948	62,092
Merger reserve	3,178	3,178	-	-
<b>Equity, attributable to owners of the parent</b>	<b>59,951</b>	<b>80,549</b>	<b>390,983</b>	<b>394,524</b>
Non-controlling interests	637	365	-	-
<b>Total equity</b>	<b>60,588</b>	<b>80,914</b>	<b>390,983</b>	<b>394,524</b>
<b><u>Non-current liabilities</u></b>				
Deferred tax liabilities	-	1,253	-	-
Other financial liabilities	20,899	15,684	-	-
<b>Total non-current liabilities</b>	<b>20,899</b>	<b>16,937</b>	<b>-</b>	<b>-</b>
<b><u>Current liabilities</u></b>				
Income tax payable	14,579	15,256	-	5
Trade and other payables	78,204	61,132	22,924	20,523
Other liabilities	4,687	4,217	-	-
Progress billings	79,661	77,024	-	-
Other financial liabilities	12,512	31,256	-	-
	189,643	188,885	22,924	20,528
Liabilities of disposal group classified as held for sale	43,498	-	-	-
<b>Total current liabilities</b>	<b>233,141</b>	<b>188,885</b>	<b>22,924</b>	<b>20,528</b>
<b>Total liabilities</b>	<b>254,040</b>	<b>205,822</b>	<b>22,924</b>	<b>20,528</b>
<b>Total equity and liabilities</b>	<b>314,628</b>	<b>286,736</b>	<b>413,907</b>	<b>415,052</b>

## REGAL International Group Ltd.

(Company Registration No. 200508585R)

- Unaudited Financial Statements and Related Announcement for the second quarter ended 30 June 2016

1(b)(ii) In relation to the aggregate amount of the group's borrowings and debt securities, specify the following as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year.

Borrowings and Debt Securities	Group	
	As at 30.06.2016	As at 31.12.2015
	RM'000	RM'000
<u>Amount repayable in one year or less, or on demand</u>		
- secured	12,512	31,256
	<b>12,512</b>	<b>31,256</b>
<u>Amount repayable after one year</u>		
- secured	20,899	15,684
	<b>20,899</b>	<b>15,684</b>

### Details of any collateral:

The banking facilities of the Enlarged Group comprised of bank overdraft, term loans, finance leases and trade lines.

The bank overdrafts are covered by: -

1. Pledge of the fixed deposits with licensed banks of certain subsidiaries;
2. Joint and several guarantees of certain directors of the Company;
3. Assignment over the rights, title and interest to the properties held for sale;
4. Corporate guarantees provided by certain subsidiaries of the Company; and/or
5. First party charge and first/second legal charges on some of the subsidiaries' projects land and properties held for sale.

The term loans are covered by the following:-

1. Upfront fixed deposit of RM260,000 and interest;
2. Joint and several guarantee by certain directors of the Company;
3. Yearly fixed deposits of RM30,000 to commence 6 months after initial release of facilities;
4. Joint and several guarantee by ex-director of one of the subsidiaries of the Company;
5. Corporate guarantees provided by certain subsidiaries of the Company;
6. First party charge and first/second legal charges on some of the subsidiaries' projects land and properties held for sale and leasehold property;
7. Assignment over the rights, titles and interest to the properties held for sale;
8. Legal assignment of life policy to be executed by the subsidiary in respect of certain directors; and/or
9. Corporate guarantees provided by the Company.

**REGAL International Group Ltd.**

(Company Registration No. 200508585R)

- Unaudited Financial Statements and Related Announcement for the second quarter ended 30 June 2016

- 1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated Statement of Cash Flows	<u>2Q2016</u>	<u>2Q2015</u>	<u>1H2016</u>	<u>1H2015</u>
	RM'000	RM'000	RM'000	RM'000
<b>Cash flows from operating activities</b>				
(Loss) Profit before tax from continuing operation	(929)	(4,361)	1,085	(4,526)
(Loss) Profit before tax from discontinued operation	(19,259)	(3,491)	(20,941)	742
Loss before tax, total	(20,188)	(7,852)	(19,856)	(3,784)
Adjustments for:				
Depreciation of property, plant and equipment	1,624	513	2,996	1,192
Waiver of quasi-equity loan to associates	-	3,419	-	3,419
Interest expense	633	538	1,263	1,009
Interest income	(8)	(15)	(17)	(40)
Gain on disposal of plant and equipment	(36)	-	(58)	-
Loss on disposal of investment in associates	-	78	-	78
Loss recognised on remeasurement to fair value less costs to sell	18,059	-	18,059	-
Dividends from associates	-	-	3,469	-
Share-based payments	477	225	951	225
Share of (profit) loss from equity-accounted associates	(375)	97	(941)	(201)
<b>Operating cash flows before changes in working capital</b>	<b>186</b>	<b>(2,997)</b>	<b>5,866</b>	<b>1,898</b>
Development properties	(28,617)	(7,179)	(21,294)	(33,343)
Inventories	1,251	316	(3,319)	(3,062)
Trade and other receivables	(11,307)	4,873	(35,653)	(4,328)
Other assets, current	(38)	(436)	1,833	(566)
Trade and other payables	19,209	(4,262)	38,135	13,435
Progress billings	16,531	1,432	2,638	9,978
Other liabilities	389	5,085	470	4,824
Net cash flows used in operations before tax	(2,396)	(3,168)	(11,324)	(11,164)
Income tax refund (paid)	790	(204)	176	(1,113)
<b>Net cash flows used in operating activities</b>	<b>(1,606)</b>	<b>(3,372)</b>	<b>(11,148)</b>	<b>(12,277)</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(655)	(930)	(1,318)	(1,020)
Proceeds from sale of property, plant and equipment	345	-	561	-
Other assets, non-current	(159)	299	(354)	1,202
Interest received	8	15	17	40
<b>Net cash flows (used in) from investing activities</b>	<b>(461)</b>	<b>(616)</b>	<b>(1,094)</b>	<b>222</b>
<b>Cash flows from financing activities</b>				
Other payables/receivables - directors	113	-	973	99
Other payables/receivables - shareholders	125	-	153	-
Proceeds from borrowings	2,237	3,078	7,489	3,078
Repayment of borrowings	(4,786)	(1,883)	(4,786)	(7,383)
Cash restricted in use	(61)	-	(113)	(5)
Interest paid	(633)	(538)	(1,263)	(1,009)
<b>Net cash flows from (used in) financing activities</b>	<b>(3,005)</b>	<b>657</b>	<b>2,453</b>	<b>(5,220)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(5,072)</b>	<b>(3,331)</b>	<b>(9,789)</b>	<b>(17,275)</b>
Cash and cash equivalents, statement of cash flows, beginning balance	8,040	10,263	13,363	22,921
Effect of exchange rate changes on cash and cash equivalents	26	2,053	(580)	3,339
<b>Cash and cash equivalents, statement of cash flows, ending balance</b>	<b>2,994</b>	<b>8,985</b>	<b>2,994</b>	<b>8,985</b>
<b>Cash and cash equivalents comprised of :</b>				
Cash and bank balances	5,751	16,383	5,751	16,383
Cash and bank balances of disposal group classified as held for sale	6,832	-	6,832	-
Bank overdraft	(7,207)	(7,099)	(7,207)	(7,099)
Cash restricted in use	(2,382)	(299)	(2,382)	(299)
	<b>2,994</b>	<b>8,985</b>	<b>2,994</b>	<b>8,985</b>

# REGAL International Group Ltd.

(Company Registration No. 200508585R)

- Unaudited Financial Statements and Related Announcement for the second quarter ended 30 June 2016

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Note : The Foreign Exchange Reserve and Merger Reserve are not available for distribution as cash dividends.

Statements of Changes in Equity	(Accumulated losses)							
	Total equity	Attributable to parent	Share capital	Retained earnings	Foreign exchange reserve	Merger reserve	Share option reserve	Non-controlling interests
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Group</b>								
<b>Current period:</b>								
Opening balance at 1 April 2016	79,444	78,869	133,052	(66,830)	7,364	3,178	2,105	575
<b>Movement in equity:</b>								
Total comprehensive (loss) income for the period	(19,333)	(19,395)	-	(20,521)	1,126	-	-	62
Share-based payments	477	477	-	-	-	-	477	-
<b>Closing balance at 30 June 2016</b>	<b>60,588</b>	<b>59,951</b>	<b>133,052</b>	<b>(87,351)</b>	<b>8,490</b>	<b>3,178</b>	<b>2,582</b>	<b>637</b>
<b>Previous period:</b>								
Opening balance at 1 April 2015	148,573	148,489	133,052	9,044	3,215	3,178	-	84
<b>Movement in equity:</b>								
Total comprehensive (loss) income for the period	(5,873)	(5,939)	-	(8,101)	2,162	-	-	66
Share-based payments	225	225	-	-	-	-	225	-
<b>Closing balance at 30 June 2015</b>	<b>142,925</b>	<b>142,775</b>	<b>133,052</b>	<b>943</b>	<b>5,377</b>	<b>3,178</b>	<b>225</b>	<b>150</b>

	(Accumulated losses)				
	Total equity	Share capital	Retained earnings	Foreign exchange reserve	Share option reserve
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Company</b>					
<b>Current period:</b>					
Opening balance at 1 April 2016	392,503	369,551	(40,994)	61,841	2,105
<b>Movement in equity:</b>					
Total comprehensive (loss) income for the period	(1,997)	-	(2,104)	107	-
Share-based payments	477	-	-	-	477
<b>Closing balance at 30 June 2016</b>	<b>390,983</b>	<b>369,551</b>	<b>(43,098)</b>	<b>61,948</b>	<b>2,582</b>
<b>Previous period:</b>					
Opening balance at 1 April 2015	359,011	369,551	17,270	(27,810)	-
<b>Movement in equity:</b>					
Total comprehensive income (loss) for the period	10,934	-	13,017	(2,083)	-
Share-based payments	225	-	-	-	225
<b>Closing balance at 30 June 2015</b>	<b>370,170</b>	<b>369,551</b>	<b>30,287</b>	<b>(29,893)</b>	<b>225</b>

## REGAL International Group Ltd.

(Company Registration No. 200508585R)

- Unaudited Financial Statements and Related Announcement for the second quarter ended 30 June 2016

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1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

There have been no changes in the Company's share capital and treasury shares since the end of the previous period reported on.

As at 30 June 2016 and 30 June 2015, the Company did not hold any treasury shares.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	As at 30 Jun 2016	As at 30 Jun 2015
Total number of issued shares excluding treasury shares	<u>200,114,059</u>	<u>200,114,059</u>

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

None.

2 Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by our auditors.

3 Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period as compared to its audited financial statements as at 31 December 2015, except for the adoption of Financial Reporting Standards ("FRSs") which are relevant to the Group's operations and took effect from 1 January 2016.

5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

Please refer to item 4 above. The adoption of the new and revised FRSs had no material effect on the Group's accounting policies and had no significant impact on the Group's financial statements.

## REGAL International Group Ltd.

(Company Registration No. 200508585R)

- Unaudited Financial Statements and Related Announcement for the second quarter ended 30 June 2016

6 Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

(a) Based on the weighted average number of ordinary shares on issue:

Earnings Per Share	Group		Group	
	2Q2016	2Q2015	1H2016	1H2015
(Loss) Profit attributable to the equity holders of the parent during the financial period:				
From continuing operation (RM'000)	(1,372)	(4,453)	16	(4,458)
From discontinued operation (RM'000)	(19,149)	(3,648)	(20,486)	(121)
Weighted average number of ordinary shares on issue	200,114,059	200,114,059	200,114,059	200,114,059
<b>Basic (loss) earnings per share for (loss) profit attributable to equity holders of the parent during the financial period:</b>				
From continuing operation (sens)	(0.69)	(2.23)	0.01	(2.23)
From discontinued operation (sens)	(9.57)	(1.82)	(10.24)	(0.06)

(b) On a fully diluted basis (detailing any adjustments made to the earnings).

Diluted earnings per share is not presented as there is no potential dilutive ordinary share existing during the relevant financial periods presented.

7 Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the: -

(a) current financial period reported on; and

(b) immediately preceding financial year.

Net Asset Value	Group		Company	
	As at 30.06.2016	As at 31.12.2015	As at 30.06.2016	As at 31.12.2015
Net asset value (RM'000)	59,951	80,549	390,983	394,524
Number of issued shares excluding treasury shares	200,114,059	200,114,059	200,114,059	200,114,059
<b>Net asset value per ordinary share (sens)</b>	<b>29.96</b>	<b>40.25</b>	<b>195.38</b>	<b>197.15</b>



- 8 A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following: -
- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
  - (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

### **Statement of Comprehensive Income**

On 2 June 2016, the Company announced the decision of its board of directors to dispose of one of its wholly-owned subsidiaries, Hisaka International Holdings Pte Ltd ("HIHPL"). HIHPL is the holding company of the Group's precision business division. The proposed disposal of the precision business, which has been underperforming, is consistent with the Group's strategy to re-align its corporate strategy and focus on its core property development business.

The proposed disposal was not completed as at 2Q2016 as the necessary approval from the SGX-ST was still pending. The results of the precision business division were presented separately on the income statement as "Loss from discontinued operation, net of tax".

The property business division was presented under the "Continuing Operation".

#### **(a) Revenue and Profitability from Continuing Operation**

The Group's Continuing Operation includes its property development business and the holding company.

Revenue from the property development business increased by RM12.4 million or 195% from RM6.3 million in 2Q2015 to RM18.7 million in 2Q2016. This was due mainly to the increase in the development projects completed and the number of units sold in 2Q2016 compared to 2Q2015. There was also higher revenue contribution from the sale of construction materials and construction projects in 2Q2016 compared to 2Q2015.

The property development business recorded gross profit margin of 34% in 2Q2016 compared to 18% in 2Q2015. The higher gross profit margin was due to the increase in completion of higher profit yielding development projects and units sold in 2Q2016. Its value engineering approach adopted also lowered costs.

Administrative expenses of the Continuing Operation reflected an increase from RM5.4 million in 2Q2015 to RM6.8 million in 2Q2016. The comparative increase was largely due to increasing payroll costs in the property development business resulting from hiring more headcount to meet the demands of increasing projects.

The fluctuations in other gains were mainly due to foreign currencies exchange differences and reversal of impairment of trade receivables.

Finance costs increased from RM0.5 million in 2Q2015 to RM0.6 million in 2Q2016 due to increase in the Group's borrowings.

The share of profit from equity-accounted associates was mainly from the recognition of profits in the Group's associate, Tiya Development Sdn Bhd, for both 2Q2016 and 2Q2015. The increase in share of profit from the associate was due to more completed units sold in 2Q2016.

Income tax expenses increased mainly due to more taxable income from the property development business.

**(b) Loss from Discontinued Operation**

Discontinued Operation refers to the Group's precision business. There was a decrease in loss from this business from RM3.6 million in 2Q2015 to RM1.1 million in 2Q2016.

The gross profit margin had remained rather consistent at 20% in 2Q2016 comparing to 23% in 2Q2015. The loss, net of tax, was RM1.1 million in 2Q2016 as compared to RM3.6 million in 2Q2015. The higher loss in 2Q2015 was largely due to a waiver of loan due from an associate, amounting to approximately RM3.5 million, consequently from its disposal. Nevertheless, the precision business was still recording a higher loss in 1H2016 at RM2.4 million as compared to a loss of RM0.1 million in 1H2015. The lacklustre performance of the precision business was mainly due to the continued weakening of the manufacturing and semiconductor industry in 2016.

In addition, following the classification of the precision business to discontinued operation, an impairment loss of RM18.1 million was accordingly recognised to reduce the carrying amount of the assets in the disposal group to the fair value less costs to sell.

**(c) Overall Profitability**

In 2Q2016, the property development business contributed a profit after tax of RM0.7 million and there was also an exchange rate translation gain of RM1.1 million arising from the translation of the precision business. The profit was, however, offset by an operating loss from the discontinued precision business of RM1.1 million, the impairment loss of RM18.1 million contributed by the discontinued operation and the administrative expenses of the holding company of approximately RM1.9 million. **Without the one-off impairment loss of RM18.1 million from the precision business, the Group would have recorded a lower total comprehensive loss of RM1.2 million in 2Q2016.**

**Statements of Financial Position**

**Group**

The assets and liabilities of the precision business have been presented in the balance sheet as "Assets of disposal group classified as held for sale" and "Liabilities directly associated with disposal group classified as held for sale" respectively.

Non-current assets of the Group decreased by RM12.6 million from RM40.4 million as at FY2015 to RM27.8 million as at 2Q2016 mainly due to the decrease in investment in associate, Tiya Development Sdn Bhd, resulting from a dividend distribution made by the associate in 1Q2016. Furthermore, there was also a decrease of RM9.2 million in property, plant and equipment; and a decrease of RM1.2 million in deferred tax assets between FY2015 and 2Q2016. The decreases were largely due to the reclassification of the precision business' assets to the disposal group under current assets.

The current assets of the Group had increased by RM40.5 million from RM246.3 million as at FY2015 to RM286.8 million as at 2Q2016, partly due to the reclassification of the non-current assets of the precision business under assets held for sale amounting to approximately RM11.9 million. The other current assets of the precision business also had an overall increase of RM14.4 million in 2Q2016 as compared to FY2015. Furthermore, the development properties of the property development business had shown an increase of RM21.3 million in 2Q2016 as compared to FY2015 owing to an increase in the property development activities. These were the major reasons for the overall increase in current assets of the Group.

Non-current liabilities rose by RM4 million from RM16.9 million as at FY2015 to RM20.9 million as at 2Q2016. The increase was mainly due to the higher bank borrowings by the property development business for its property development activities.

Current liabilities of the Group increased by RM44.2 million from RM188.9 million as at FY2015 to RM233.1 million as at 2Q2016. This was due to an increase in the precision business' current liabilities of approximately RM16.5 million in 2Q2016 as a result of increased borrowings and trade and other payables. Additionally, the property development business also saw an increase of RM26.9 million in its trade and other payables owing to an increase in the property development activities.

Overall, the Group's net tangible assets stood at RM60.6 million as at 30 June 2016 compared to RM80.9 million as at FY2015.

### Company

The movements in trade and other receivables and trade and other payables were mainly due to movements in inter-companies' balances.

### **Statement of Cash flows**

Net cash and cash equivalents held by the Group decreased from RM8.0 million in 1Q2016 to RM7.3 million in 2Q2016. This was mainly due to cash outflow from the operating activities and investing activities.

- 9 [Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.](#)

Not applicable. No forecast or prospect statement have been previously disclosed.

- 10 [A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.](#)

In the next 12 months, the Group maintains a cautious outlook for both its property development and precision businesses. A summary of our outlook and strategies are as follows:

### **Disposal of the Precision Business**

The Group had announced, on 2 June 2016, its proposal to dispose of the precision business for a cash consideration of S\$7 million and the net proceeds from the sale of its industrial property building. The disposal of the precision business will enable the Group to align its corporate strategy towards an exclusive focus on its property development business. The Group continues to position itself as a property builder-developer and an investment gateway to East Malaysia (especially Sarawak).

### **Property Division**

Overall, the property market for Sarawak is expected to remain stable especially for those developments in the prime locations. Affordable housing will continue to witness good demand. Due to the more cautious outlook, the Group continues to adjust its development plans and pricing strategies towards more affordable residential developments. For instance, in Bintulu, a fast growing industrial city in Sarawak, the Group is aligning its new project plans towards meeting buyers' price expectations.

Nonetheless, the Group's property development business is committed to a diversified property portfolio across a wide range of locations, product offerings and pricing levels. The property development business' portfolio ranges from affordable to high-end residential properties and also comprises commercial and industrial developments. Geographically, the property development business has development projects in both East and West Malaysia.

Overall, the Group is cautiously confident that it will be able to counter the headwinds with continual emphasis on cautious and sustainable management through adaptive strategies in: a) growing beyond Kuching; b) improving cost competitiveness and control; c) positioning the Group as the gateway into East Malaysia; and d) fostering timely strategies to respond to ever changing market needs and demands.

In terms of recent developments that might impact the Group in the next 12 months, the Group wishes to highlight the following:

- On 28 July 2016, the Group entered into a Memorandum of Understanding with a Singaporean consortium to explore opportunities to own, develop and operate a sustainable eco-resort destination and vacation community in Sarawak, Malaysia. The consortium included The Destination Lab LLP, ONG&ONG Pte Ltd and Kingsmen Exhibits Pte Ltd; and

## REGAL International Group Ltd.

(Company Registration No. 200508585R)

- Unaudited Financial Statements and Related Announcement for the second quarter ended 30 June 2016

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- Additionally, on 3 August 2016, the Group entered into a Memorandum of Understanding with SINAD Sports Pte Ltd, a real estate asset management and sports marketing company, with a view to establish a real estate-focused asset management company and initiating the Group's first real estate fund.

### 11 Dividend

#### (a) Current Financial Period Reported On

*Any dividend recommended for the current financial period reported on?*

Nil

#### (b) Corresponding Period of the Immediately Preceding Financial Year

*Any dividend recommended for the corresponding period of the immediately preceding financial year?*

Nil

#### (c) Date Payable

Not applicable.

#### (d) Books Closure Date

Not applicable.

### 12 If no dividend has been declared/recommended, a statement to that effect.

Not applicable.

### 13 If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group has not obtained a general mandate from shareholders for Interested Person Transactions.

### 14 Negative confirmation pursuant to Rule 705(5). (Not required for announcement on full year results)

The board of directors of the Company confirms to the best of its knowledge that nothing has come to its attention which may render the second quarter results ended 30 June 2016 to be false or misleading in any material aspect.

### 15 Undertaking Confirmation Statement from all its directors and executive officers under Rule 720(1)

The Company has procured undertakings from all its directors and executive officer (in the format set out in Appendix 7.7) under Rule 720(1) of the Listing Manual.

BY ORDER OF THE BOARD

Su Chung Jye  
Chairman and Chief Executive Officer

Wong Pak Kiong  
Executive Director

12 August 2016