



DISPOSAL OF HJ LAI CONCRETE CEMENT SDN BHD AND ASSETS

1. Introduction

The Board of Directors of Regal International Group Ltd. (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that its indirect wholly owned subsidiary under the Group, Regal Lands Sdn Bhd (“**RLSB**”), has on 25 August 2021 entered into an Agreement for Sale of Shares (“**Shares Sale Agreement**”) with Lai Nyit Khiong (“**Purchaser**” or “**LNK**”) for the disposal of Regal Lands’ 51% shareholding in HJ LAI Concrete Cement Sdn Bhd (“**HJ Lai Concrete**”) to the Purchaser (“**Disposal of HJ Lai**” or “**Sale Shares**”).

Further to the Disposal of HJ Lai, Kenyalang Avenue Sdn Bhd (“**KASB**”) and Sang Kanchil Rising Sdn Bhd (“**SKRSB**”), another two indirect wholly-owned subsidiaries of RIGL, have also on 25 August 2021 respectively entered into the Sale and Purchase (Assets) Agreements (“**Assets S&P**”) with LNK, whereby LNK will purchase the vehicles and/or machineries (“**Assets**”) as stated in the Assets S&P (“**Disposal of Assets**”).

2. Information on the assets to be disposed of and the Purchaser

HJ Lai Concrete is a private company limited by shares incorporated in Malaysia on 11 December 2014, with a registered and paid-up capital of RM240,000 comprising of 240,000 ordinary shares. As at the date of this announcement, the shareholding interest of HJ Lai Concrete is 51% owned by RLSB and 49% owned by LNK.

HJ Lai Concrete is principally in the business of manufacturing and supply of concrete and cement.

KASB and SKRSB are the registered legal and/or beneficial owners of the assets as stated in Assets S&P.

In respect of LNK:

- (a) he is a Malaysian citizen holding 49% shareholding in HJ Lai Concrete since the incorporation of HJ Lai Concrete; and
- (b) he is a Director of HJ Lai Concrete.

Based on the latest unaudited financial statements for the financial period ended 31 March 2021 (“**1Q2021**”),

- (i) the book value and net tangible asset value of Sale Shares, representing the 51% the issued and paid-up share capital of HJ Lai Concrete, was approximately RM392,000;
- (ii) the net losses attributable to the Sale Shares, representing the 51% the issued and paid-up share capital of HJ Lai Concrete, was approximately RM28,000;
- (iii) the book value and net tangible asset value of Assets S&P with KASB was approximately RM278,000; and
- (iv) the book value and net tangible asset value of Assets S&P with SKRSB was approximately RM292,000.



3. Rationale for the Disposal

In connection with the Disposal of HJ Lai, the Company is desirous of Regal Lands disposing HJ Lai Concrete because RLSB wishes to explore and consolidate their resources and efforts towards other areas of business ventures, and LNK is desirous of wholly acquiring HJ Lai concrete to be able to move in the direction of his personal business visions.

RLSB decided to exit the concrete ready mixed industry as the Company does not have the competitive edge in the industry nor volume of scale, and also because the Company failed to have the right team to run, operate and grow the business. The key person in charge of the operations for the production of the plant on site chose to exit, leaving the Company with no choice but to take this route.

The Disposal of HJ Lai forms part of the steps towards a planned internal restructuring and consolidation of the Group's resources and a re-alignment back to the core businesses of the Group.

In connection with the Disposal of Assets, the KASB's and SKRSB's assets as stated in the Assets S&P were mainly leased to HJ Lai Concrete. Therefore, the Purchaser intended to acquire the Assets together with the Sale Shares.

4. Consideration and intended use of the proceeds

Under the terms of the Shares Sale Agreement, the consideration payable by Purchaser to RLSB for the Disposal of HJ Lai is to be valued at RM1,230,000 only ("**Purchase Consideration of HJ Lai**").

The Purchase Consideration of HJ Lai will be payable in the following manner:

- (a) by way of cash sum of RM1,063,988 only to RLSB, and RLSB will utilise this cash sum payment as set-off/contra against all outstanding amounts which may be due and payable to HJ Lai Concrete by RLSB and/or the RLSB's associated/related group of companies to HJ Lai Concrete; and
- (b) the balance of RM166,012 only to be paid by way of the supply of ready mixed concrete by HJ Lai Concrete to RLSB and/or the RLSB's associated/related group of companies within the next 6 months from the date of Shares Sale Agreement.

Under the terms of the Assets S&P, the consideration payable by Purchaser to KASB and SKRSB for the Disposal of Assets is to be valued at respectively RM200,000 and RM240,000 only ("**Purchase Consideration of Assets**").

The Purchase Consideration of Assets will be payable by way of the supply of ready mixed concrete by HJ Lai Concrete to KASB and SKRSB and/or the KASB's/SKRSB's associated/related group of companies within the next 6 months.

The aggregate Purchase Consideration for the Disposal of HJ Lai and Disposal of Assets is approximately RM1,670,000.

The proceeds from the Disposal of HJ Lai and Disposal of Assets will be utilised as set-off/contra against all outstanding amounts which may be due and payable to HJ Lai Concrete by RLSB and/or the RLSB's associated/related group of companies to HJ Lai Concrete and the supply of ready mixed concrete by HJ Lai Concrete to the Group for construction and development projects.

5. Material terms and conditions of the Disposal

The salient terms and conditions relating to the Disposal are set out in this section below. Take note that the items below are not a full list of the terms and conditions of the Shares Sale Agreement and the Assets S&P.



Shares Sale Agreement

- (a) Pursuant to the Disposal of HJ Lai, RLSB' shareholding of 51% shall be disposed to LNK who shall then hold 100% shareholding in HJ Lai Concrete. Following the completion of the Disposal of HJ Lai ("**Completion of HJ Lai**"), HJ Lai Concrete will cease to be a subsidiary or related company of the Group.
- (b) The Disposal of HJ Lai is conditional upon, and Completion of HJ Lai shall not take place until the following conditions having been fulfilled:
- (i) all necessary approvals, consents and/or waivers from any third party and governmental or regulatory consents, approvals and waivers where required for the transactions contemplated hereunder having been granted or obtained, and being in full force and effect and not having been withdrawn, amended or revoked, and if such approvals, consents and/or waivers are granted or obtained subject to any conditions, and where such condition(s) affect any of the Parties, such condition(s) being acceptable to the Party concerned and if such condition(s) are required to be fulfilled before Completion, such condition(s) being fulfilled before Completion;
 - (ii) HJ Lai Concrete's management accounts and any other accounts as so required by the necessary authorities will be finalised;
 - (iii) All and any guarantees given by the existing Directors and Regal Lands in favour of and for the benefit of HJ Lai Concrete, whether for financiers or suppliers or any other party (if any) and where possible shall be revoked, rescinded and/or terminated on or before the Completion Date;
 - (iv) the Disposal shall be duly sanctioned and approved by the Board of Directors of Regal Lands, and the umbrella corporation of Regal Lands; and
 - (v) the execution and performance by the Parties under the Shares Sale Agreement not being prohibited, restricted, impaired or otherwise adversely affected by any relevant statute, order, rule, directive or regulation promulgated by any legislative, executive or regulatory body or authority.
- (c) In the event that the Purchaser shall be in breach of any terms, conditions and obligations thereunder, in particular the obligation to settle the Purchase Consideration of HJ Lai, RLSB shall be entitled to treat it as repudiation and to terminate the Shares Sale Agreement and forfeit the whole or any part of the Purchase Consideration of HJ Lai paid or commence an action in a Court of Law for specific performance.

Further, either the two current directors of RLSB will be re-appointed and/or any other person(s) nominated by RLSB will be appointed as Directors of the HJ Lai Concrete.

- (d) In the event that RLSB shall be in breach of any terms, conditions and obligations thereunder, the Purchaser shall be entitled to treat it as repudiation and to terminate the Shares Sale Agreement and to demand the refund of the whole or any part of the Purchase Price paid and a further like sum as liquidated damages or commence an action in a Court of Law for specific performance.
- (e) The Parties hereto agree and warrant that they shall be wholly and solely responsible for their respective real property gains tax, income taxes and/or any other taxes payable by them respectively (if any) arising from their sale/disposal and/or purchase of the Sale Shares. In any such event, the parties shall timeously settle such individual tax liability, failing which the party who has failed to do so shall be wholly responsible to indemnify the other party in the event of any such failure to do so.

The Company shall be wholly responsible for the full settlement of all income taxes and/or any other taxes imposed on the Company (if any) including any current or outstanding tax(es) prior to the Completion Date and after the Completion Date.



- (f) Each party hereto shall pay their own share of professional charges. All stamp duties, registration fees and other expenses incurred in relation to the preparation, execution and/or perfection of the Shares Sale Agreement and the subsequent Transfer of the Sale Shares shall be borne solely by the Purchaser.

Assets S&P

- (a) Upon full payment of the Purchase Consideration of Assets to the KASB or SKRSB, the KASB or SKRSB shall then effect full transfer of ownership of the Assets to the Purchaser free from all encumbrances.
- (b) The sale and purchase of the Assets pursuant to the Assets S&P is on an “as-is-where-is” basis.
- (c) In the event the KASB or SKRSB is unwilling or unable to complete the sale herein by transferring the Assets to the Purchaser as aforesaid, the KASB or SKRSB shall refund to the Purchaser all the monies paid by the Purchaser under the Assets S&P and the Assets S&P shall be rescinded.
- (d) In the event the Purchaser refuses, is unwilling and/or unable to pay the Purchase Consideration of Assets or any portion there to the KASB or SKRSB, the Vendor shall be entitled to forfeit all monies paid by the Purchaser to the KASB or SKRSB under this Assets S&P and the Assets S&P shall be rescinded.

6. Relative Figures for the Disposal

The relative figures computed on the bases as set out in Rule 1006 of the listing manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) (the “**Listing Manual**”), and based on the latest announced unaudited consolidated financial statements of the Group for the financial period ended 30 September 2020 (“**3Q2020**”), are as follows:-

| Rule 1006 | | Relative Figures |
|-----------|--|----------------------|
| (a) | The net asset value of the assets to be disposed of, compared with the Group's net asset value. This basis is not applicable to an acquisition of assets ⁽¹⁾ . | 6.79% ⁽²⁾ |
| (b) | The net profits attributable to the assets acquired or disposed of, compared with the group's net profits ⁽³⁾ . | 4.81% ⁽⁴⁾ |
| (c) | The aggregate value of the consideration given or received, compared with the issuer's market capitalisation based on the total number of issued shares excluding treasury shares. | 2.31% ⁽⁵⁾ |
| (d) | The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue. | N.A. ⁽⁶⁾ |
| (e) | The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets. If the reserves are not directly comparable, the Exchange may permit valuations to be used instead of volume or amount. | N.A. ⁽⁷⁾ |



Notes:

- (1) "Net assets" means total assets less total liabilities.
- (2) The net asset value of the Group as at 3Q2020 was approximately RM15,990,000. The aggregate net asset value of the Disposal of HJ Lai and Disposal of Assets was approximately RM1,085,000 (being the net asset value of HJ Lai Concrete attributable to the Shares Sale as at 3Q2020 approximately RM432,000, and net book value of assets as at 3Q2020 approximately RM322,000 and RM331,000 for KASB and SKRSB respectively) which represents approximately 6.79% of the Group's net asset value as at 3Q2020.
- (3) "Net profits" means profit or loss including discontinued operations that have not been disposed and before income tax and non-controlling interests.
- (4) The net losses of the Group for 3Q2020 were approximately RM3,347,000. The aggregate net losses attributable to the Disposal of HJ Lai and Disposal of Assets for 3Q2020 was approximately RM161,000 (being the net profits of HJ Lai Concrete attributable to the Shares Sale for 3Q2020 approximately RM52,000, and losses on disposal of assets for 3Q2020 approximately RM122,000 and RM91,000 for KASB and SKRSB respectively) which represents approximately 4.81% of the Group's net profits for 3Q2020.
- (5) The market capitalisation of the Company was approximately S\$23,639,000 (equivalent to approximately RM72,368,000 based on an exchange rate of S\$1 : RM3.06141) on 29 March 2021, being the last full market day on which trades were done preceding the date of the Shares Sale Agreement and Assets S&P. The aggregate Consideration for the Disposal of HJ Lai and Disposal of Assets is approximately RM1,670,000 which represents approximately 2.31% of the Company's market capitalization, which was determined by multiplying the number of Shares in issue (224,917,251 Shares) by the weighted average price of such Shares transacted on 29 March 2021 (S\$0.1051).
- (6) Not applicable. This is not an acquisition.
- (7) Not applicable. The Company is not a mineral, oil and gas company.

As the relative figures computed pursuant to Rule 1006(a) in respect of the Disposal of HJ Lai and Disposal of Assets exceed 5% but do not exceed 20%, the Disposal falls under the definition of a discloseable transaction under Rule 1010 of the Listing Manual, and therefore does not require the approval of shareholders of the Company.

7. Financial effects of the Disposal

The financial effects below have been prepared based on the audited financial statements of the Group for the financial year ended 31 December 2019 ("FY2019"), being the latest announced audited consolidated financial statements of the Group as at the date of this announcement.

The financial effects presented below are for illustrative purposes only and are not intended to reflect the actual future results and/or financial position of the Company and/or the Group after completion of the Disposal. No representation is made as to the actual future results and/or financial position of the Company and/or the Group.

For the purpose of illustrating the financial effects of the Disposal of HJ Lai and Disposal of Assets, the financial effects have been prepared based on, *inter alia*, the following assumptions:

- a. the financial effects on the Net Tangible Assets ("NTA") per Share of the Group are computed assuming that the Disposal was completed on 31 December 2019;
- b. the financial effects on the Earnings Per Share ("EPS") of the Group are computed assuming that the Disposal was completed on 1 January 2019; and
- c. the costs and expenses incurred or to be incurred in connection with the Disposal shall be disregarded.



Financial Effects on the NTA Per Share of the Group

| | Before the Disposal | After the Disposal |
|--|---------------------|--------------------|
| NTA attributable to the owners of the parent (RM) | 10,122,000 | 10,622,000 |
| Number of shares in the issued and paid-up share capital of the Company, excluding treasury shares and subsidiary holdings | 224,917,251 | 224,917,251 |
| NTA per share (Sens) | 4.5003 | 4.7226 |

Financial Effects on the EPS of the Group

| | Before the Disposal | After the Disposal |
|---|---------------------|--------------------|
| Net profits attributable to attributable to the owners of the parent (RM) | 3,269,000 | 3,769,000 |
| Number of shares | 224,917,251 | 224,917,251 |
| EPS (Sens) | 1.4534 | 1.6757 |

8. Interests of Directors and Controlling Shareholders of the Company

Saved as disclosed in this announcement, none of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the Disposal, other than through their respective shareholdings in the Company, if any.

9. Service Contracts in connection the Disposal

No person was proposed to be appointed as Director of the Company in connection with the Disposal. Accordingly, no service contracts in relation thereto were entered into by the Company.

10. Further Updates

The Company will release such further announcements in due course as and where may be necessary in compliance with the listing manual.

11. Documents available for inspection

Copies of the Shares Sale Agreement and the Assets S&P are available for inspection during normal business hours at the registered office of the Company at 63 Sungei Kadut Loop #02-01 Singapore 729484 for a period of three (3) months from the date of this announcement.



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Regal International Group

REGAL INTERNATIONAL GROUP LTD.

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12. Cautionary Statement

Shareholders and potential investors are advised to read this announcement and any further announcements made by the Company carefully. Shareholders and potential investors should consult their stockbrokers, solicitors or other professional advisors if they have any doubts about the actions that they should take.

By the Order of the Board

Su Chung Jye

Executive Chairman and Chief Executive Officer

25 August 2021