

Unaudited Financial Statements and Related Announcement for the Second Quarter Ended 30 June 2019

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		
	2Q2019	2Q2018	Change	1H2019	1H2018	Change
	RM'000	RM'000		RM'000	RM'000	
Revenue	14,124	18,057	-22%	29,674	48,645	-39%
Cost of sales	(6,400)	(10,212)	-37%	(14,831)	(31,900)	-54%
Gross profit	7,724	7,845	-2%	14,843	16,745	-11%
Interest income	8	1	700%	12	2	500%
Other gains	627	413	52%	1,512	1,446	5%
Marketing and distribution costs	(430)	(417)	3%	(737)	(993)	-26%
Administrative expenses	(4,582)	(5,839)	-22%	(9,459)	(11,959)	-21%
Other losses	(148)	(135)	10%	(151)	(897)	-83%
Finance costs	(1,808)	(813)	122%	(3,540)	(1,843)	92%
Share of (loss) profit from equity-accounted associates	(3)	70	N.M.	(15)	67	N.M.
Profit before tax	1,388	1,125	23%	2,465	2,568	-4%
Income tax expenses	(887)	(691)	28%	(1,224)	(1,450)	-16%
Profit, net of tax	501	434	15%	1,241	1,118	11%
Other comprehensive income						
Items that may be reclassified subsequently to profit or loss:						
Exchange difference on translating foreign operations, net of tax	(77)	-	N.M.	(18)	34	N.M.
Other comprehensive (loss) income for the period, net of tax	(77)	-	N.M.	(18)	34	N.M.
Total comprehensive income for the period	424	434	-2%	1,223	1,152	6%
Profit attributable to owners of the parent, net of tax	1,127	134		1,992	857	
(Loss) Profit attributable to non-controlling interests, net of tax	(626)	300		(751)	261	
Profit, net of tax	501	434		1,241	1,118	
Total comprehensive income attributable to owners of the parent	1,052	132		1,974	891	
Total comprehensive (loss) profit attributable to non-controlling interests	(628)	302		(751)	261	
Total comprehensive income for the period	424	434		1,223	1,152	

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 2019

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

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

	Group			Group		
	2Q2019 RM'000	2Q2018 RM'000	Change %	1H2019 RM'000	1H2018 RM'000	Change %
Interest income	8	1	700.0%	12	2	500.0%
Interest expense	(1,808)	(813)	122.4%	(3,540)	(1,843)	92.1%
Depreciation of property, plant and equipment	(635)	(694)	-8.5%	(1,268)	(1,389)	-8.7%
Depreciation of right-of-use assets	(350)	-	N.M.	(425)	-	N.M.
Allowance for impairment of trade and other receivables	(59)	-	N.M.	(59)	-	N.M.
Reversal for impairment of trade and other receivables	1,267	-	N.M.	1,267	-	N.M.
Foreign exchange adjustment net loss	(881)	-	N.M.	(151)	(24)	529.2%

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 2019

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	As at	As at	As at
	30.06.2019	31.12.2018	30.06.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
ASSETS				
<u>Non-current assets</u>				
Property, plant and equipment	13,679	14,663	-	-
Development rights	11,276	11,276	-	-
Investment in subsidiaries	-	-	54,859	54,859
Investment in associate	4,326	4,342	-	-
Investment properties	11,412	11,286	-	-
Deferred tax assets	64	417	-	-
Other assets	7,025	2,045	1,551	1,551
Total non-current assets	47,782	44,029	56,410	56,410
<u>Current assets</u>				
Inventories	125,059	128,919	-	-
Trade and other receivables	187,094	89,968	3,477	4,364
Other assets	14,885	14,689	72	62
Cash and cash equivalents	7,367	6,090	499	569
Total current assets	334,405	239,666	4,048	4,995
Total assets	382,187	283,695	60,458	61,405
EQUITY AND LIABILITIES				
<u>Equity attributable to owners of the parent</u>				
Share capital	144,552	144,552	381,051	381,051
Accumulated losses	(133,685)	(135,677)	(405,470)	(405,677)
Foreign currency translation reserve	2,808	2,826	70,268	70,268
Share option reserve	3,398	3,398	3,398	3,398
Merger reserve	1,563	1,563	-	-
Other reserve	1,278	1,495	-	-
Equity, attributable to owners of the parent	19,914	18,157	49,247	49,040
Non-controlling interests	(2,247)	(1,496)	-	-
Total equity	17,667	16,661	49,247	49,040
<u>Non-current liabilities</u>				
Other payables	14,600	8,979	-	-
Other liabilities	55	55	-	-
Other financial liabilities	16,025	21,284	-	-
Total non-current liabilities	30,680	30,318	-	-
<u>Current liabilities</u>				
Income tax payable	21,158	19,948	-	-
Trade and other payables	252,140	159,132	4,340	3,990
Other liabilities	2,839	2,680	-	-
Other financial liabilities	57,703	54,956	6,871	8,375
Total current liabilities	333,840	236,716	11,211	12,365
Total liabilities	364,520	267,034	11,211	12,365
Total equity and liabilities	382,187	283,695	60,458	61,405

REGAL International Group Ltd.

(Company Registration No. 200508585R)

- Unaudited Financial Statements and Related Announcement for the second quarter ended 30 June 2019

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 30.06.2019	As at 31.12.2018
	RM'000	RM'000
Amount repayable in one year or less, or on demand		
- secured	57,703	54,956
	57,703	54,956
Amount repayable after one year		
- secured	16,025	21,284
	16,025	21,284

Details of any collateral:

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

The bank overdrafts are covered by:-

1. Joint and several guarantees of certain directors of the Company;
2. Assignment over the rights, title and interest to the properties held for sale;
3. Corporate guarantees provided by certain subsidiaries of the Company;
4. Legal charges on some of the subsidiaries' projects land and properties held for sale;
5. Legal charge or deed of assignment and power of attorney over properties held for sale; and
6. Pledge at restricted in use cash and cash equivalents of the Group.

The banker acceptance are covered by:

1. Joint and several guarantees of certain directors of the Company;
2. Corporate guarantees provided by certain subsidiaries of the Group; and
3. Legal charge or deed of assignment and power of attorney over the associate's properties held for sale.

The term loans are covered by the following:

4. Upfront fixed deposit of RM260,000 and interest;
5. Joint and several guarantee by certain directors of the Company;
6. Joint and several guarantee by ex-director of one of the subsidiaries of the Company;
7. Corporate guarantees provided by certain subsidiaries of the Company;
8. Legal charges on some of the subsidiaries' projects land and properties held for sale and leasehold property;
9. Legal charge or power of attorney over properties held for sale;
10. Assignment over the rights, titles and interest to the properties held for sale; and
11. Guarantee by Syarikat Jaminan Pembiayaan Perniagaan Berhad (SJPP) under the Working Capital Guarantee Scheme (WCGS).

The preference shares are covered by the following:-

1. Deed of assignment of development properties units; and
2. Personal guarantees provided by certain directors of the Company.

REGAL International Group Ltd.

(Company Registration No. 200508585R)

- Unaudited Financial Statements and Related Announcement for the second quarter ended 30 June 2019

- 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	2Q2019	2Q2018	1H2019	1H2018
	RM'000	RM'000	RM'000	RM'000
<u>Cash flows from operating activities</u>				
Profit before tax	1,388	1,125	2,465	2,568
Adjustments for:				
Depreciation of property, plant and equipment	635	694	1,268	1,389
Depreciation of right-of-use assets	350	-	425	-
Interest expense	1,808	813	3,540	1,843
Interest income	(8)	(1)	(12)	(2)
Property, plant and equipment written off	-	-	3	-
Reversal of impairment on trade and other receivables - net	(1,208)	-	(1,208)	-
Share of loss (profit) from equity-accounted associates	3	(70)	15	(67)
Operating cash flows before changes in working capital	2,968	2,561	6,496	5,731
Inventories	17,016	(9,459)	3,860	(5,791)
Trade and other receivables	(13,058)	(20,250)	(95,916)	(33,394)
Other assets	(2,735)	(697)	(5,260)	(923)
Trade and other payables	3,210	28,269	97,061	34,770
Other liabilities	(409)	243	159	346
Net cash flows used in operations before tax	6,992	667	6,400	739
Income tax paid	-	(25)	-	(51)
Net cash flows from operating activities	6,992	642	6,400	688
<u>Cash flows from investing activities</u>				
Purchase of property, plant and equipment	(107)	(30)	(277)	(146)
Investment properties	-	-	(126)	(11)
Interest received	8	1	12	2
Net cash flows used in investing activities	(99)	(29)	(391)	(155)
<u>Cash flows from financing activities</u>				
Repayment of borrowings	(1,739)	(1,438)	(2,333)	(2,199)
Cash restricted in use	(1)	-	(509)	-
(Repayment to) Proceeds from Shareholders	(4,116)	3	45	(313)
(Repayment to) Proceeds from Associate	(580)	1,120	189	1,827
Interest paid	(1,162)	(813)	(2,457)	(1,843)
Net cash flows used in financing activities	(7,598)	(1,128)	(5,065)	(2,528)
Net (decrease) increase in cash and cash equivalents	(705)	(515)	944	(1,995)
Cash and cash equivalents, statement of cash flows, beginning balance	3,158	1,836	1,512	3,319
Effect of exchange rate changes on cash and cash equivalents	7	2	4	(1)
Cash and cash equivalents, statement of cash flows, ending balance	2,460	1,323	2,460	1,323
Cash and cash equivalents comprised of :				
Cash and bank balances	7,367	7,058	7,367	7,058
Bank overdraft	(3,092)	(4,474)	(3,092)	(4,474)
Cash restricted in use	(1,815)	(1,261)	(1,815)	(1,261)
	2,460	1,323	2,460	1,323

REGAL International Group Ltd.

(Company Registration No. 200508585R)

- Unaudited Financial Statements and Related Announcement for the second quarter ended 30 June 2019

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.

Statements of Changes in Equity									
	Total equity	Attributable to parent	Share capital	Accumulated losses	Foreign exchange reserve	Share option reserve	Merger reserve	Other reserve	Non-controlling interests
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group									
Current period:									
Opening balance at 1 January 2019	16,661	18,157	144,552	(135,677)	2,826	3,398	1,563	1,495	(1,496)
Movement in equity:									
Total comprehensive income (loss) for the period	1,223	1,974	-	1,992	(18)	-	-	-	(751)
Reversal of other reserve	(217)	(217)	-	-	-	-	-	(217)	-
Closing balance at 30 June 2019	17,667	19,914	144,552	(133,685)	2,808	3,398	1,563	1,278	(2,247)
Previous period:									
Opening balance at 1 January 2018	52,142	52,497	144,552	(100,120)	2,902	3,600	1,563	-	(355)
Movement in equity:									
Total comprehensive income for the period	1,152	891	-	857	34	-	-	-	261
Closing balance at 30 June 2018	53,294	53,388	144,552	(99,263)	2,936	3,600	1,563	-	(94)

	Total equity	Share capital	Accumulated losses	Foreign exchange reserve	Share option reserve
	RM'000	RM'000	RM'000	RM'000	RM'000
Company					
Current period:					
Opening balance at 1 January 2019	49,040	381,051	(405,677)	70,268	3,398
Movement in equity:					
Total comprehensive income for the period	207	-	207	-	-
Closing balance at 30 June 2019	49,247	381,051	(405,470)	70,268	3,398
Previous period:					
Opening balance at 1 January 2018	431,764	381,051	(23,155)	70,268	3,600
Movement in equity:					
Total comprehensive loss for the period	(3,072)	-	(3,072)	-	-
Closing balance at 30 June 2018	428,692	381,051	(26,227)	70,268	3,600

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

REGAL International Group Ltd.

(Company Registration No. 200508585R)

- Unaudited Financial Statements and Related Announcement for the second quarter ended 30 June 2019

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. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed 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 since the end of the previous period reported on.

As at 30 June 2019 and 30 June 2018, the Company did not hold any treasury shares and subsidiary holdings.

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 30.06.2019	As at 31.12.2018
Total number of issued shares excluding treasury shares	<u>224,917,251</u>	<u>224,917,251</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.

Not applicable. There are no treasury shares as at the end of the current financial period reported on.

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

Not applicable. There are no subsidiary holdings as at the end of the current financial period reported on.

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 2018, except as explained in item 5 below.

REGAL International Group Ltd.

(Company Registration No. 200508585R)

- Unaudited Financial Statements and Related Announcement for the second quarter ended 30 June 2019

- 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.

SFRS(I) 16 Leases

The Group has applied SFRS(I) 16 *Leases* that is effective from 1 January 2019.

SFRS(I) 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance lease, and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The Group and the Company have applied the changes in accounting policies using the modified retrospective approach. The impact of adoption is adjusted against the opening balance of retained earnings on 1 January 2019, which is the date of initial application. Comparatives are not restated.

As a result of the application of SFRS(I) 16, the Group recorded the right-of-use assets under other assets and lease liabilities under other payables. Depreciation of right-of-use assets and interest expenses of lease liabilities were charged to profit or loss accordingly.

IAS 23

On 6 March 2019, the International Financial Reporting Standards (“IFRS”) Interpretation Committee has finalised the agenda decision on IAS 23 Borrowing Costs – Revenue recognised over time. It was concluded that borrowing costs would not be capitalised when the borrowings relate to the construction of a residential multi-unit real estate development for which revenue is recognised over time. The Group has ceased capitalisation of certain borrowing costs on development properties and construction contracts in FY2018.

- 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	
	2Q2019	2Q2018	1H2019	1H2018
Profit attributable to the owners of the parent during the financial period (RM'000)	1,127	134	1,992	857
Weighted average number of ordinary shares on issue	224,917,251	224,917,251	224,917,251	224,917,251
Basic profit per share for profit attributable to owners of the parent during the financial period (sen)	0.50	0.06	0.89	0.38

- (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.

REGAL International Group Ltd.

(Company Registration No. 200508585R)

- Unaudited Financial Statements and Related Announcement for the second quarter ended 30 June 2019

- 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 30.06.2019	As at 31.12.2018	As at 30.06.2019	As at 31.12.2018
Net asset value (RM'000)	19,914	18,157	49,247	49,040
Number of issued shares excluding treasury shares	224,917,251	224,917,251	224,917,251	224,917,251
Net asset value per ordinary share (sens)	8.85	8.07	21.90	21.80

- 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

Revenue decreased by RM4.0 million or 22% from RM18.1 million in 2Q2018 to RM14.1 million in 2Q2019 was mainly due the decrease in revenue from construction contracts by RM6.7 million. Such decrease was partially offset by the increase in sale of construction materials and development properties by RM2.7 million.

The gross profit margin of the Group for 2Q2018 and 2Q2019 were 43.4% and 54.7% respectively. The higher gross profit margin in 2Q2019 was due to sales from the better yield development projects and reduction in costs as compared to 2Q2018.

The fluctuation in other gains was mainly due to reversal of allowance for impairment on trade and other receivables.

There has no significant fluctuation in marketing and distribution costs.

Administrative expenses decreased by RM1.2 million from RM5.8 million in 2Q2018 to RM4.6 million in 2Q2019 was mainly resulted by the decrease in employee benefits expense.

The increase in finance costs was mainly due to the dividends on redeemable preference shares and notional interest expenses for non-current other payables in 2Q2019.

Share of profit or loss from equity-accounted associate was the recognition of results in the Group's associate, Tiya Development Sdn Bhd. The share of loss in 2Q2019 was arising from the net loss in the associate.

Increase in income tax expenses was mainly due to the higher chargeable income in 2Q2019.

Statements of Financial Position

Group

Non-current assets of the Group increased by RM3.8 million from RM44.0 million as at FY2018 to RM47.8 million as at 2Q2019 was mainly due to the recognition of right-of-use assets.

Current assets of the Group increased by RM94.7 million from RM239.7 million as at FY2018 to RM334.4 million as at 2Q2019. The increase was mainly due to increase in trade and other receivables by RM97.1 million for development and construction projects.

Non-current liabilities of the Group increased by RM0.4 million from RM30.3 million as at FY2018 to RM30.7 million as at 2Q2019 was mainly due to the increase in other payables as a result of the recognition of lease liabilities. Such increase was partially offset by the decrease in other financial liabilities arising from the reclassification of partial redeemable preference share which due within 12 months from non-current liabilities.

Current liabilities of the Group increased by RM97.1 million from RM236.7 million as at FY2018 to RM333.8 million as at 2Q2019. The increase was mainly due to increase in trade and other payables by RM93.0 million for on-going development and construction projects, and increase in other financial liabilities arising from the reclassification of balances which due within 12 months from non-current liabilities.

Overall, the Group's net asset stood at RM17.7 million as at 2Q2019 as compared to RM16.7 million as at FY2018.

Statement of Cash Flows

Net cash and cash equivalents held by the Group increased from RM1.5 million as at FY2018 to RM2.5 million as at 1H2019. The increase was mainly contributed by the net cash inflow from the operating activities of RM6.4 million which partially offset by net cash outflow from financing activities of RM5.1 million.

- 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.](#)

The Malaysian Government has further extended the stamp duty exemption for another 6 months until end of December 2019 in an effort to bolster purchasers' confidence. This may serve towards increasing interest for purchasers towards owning properties. The Group continues to focus on affordable housing and looking at other opportunities. .

REGAL International Group Ltd.

(Company Registration No. 200508585R)

- Unaudited Financial Statements and Related Announcement for the second quarter ended 30 June 2019

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.

After considering the Group's condition, no dividend has been declared.

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).

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 2019 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

14 August 2019