Regal International Group Ltd.

Company update
14 July 2016

Overweight

Current Price	**S$0.118**
Fair Value	S$0.350
Up / (downside)	197%

Stock Statistics

Market cap	S$20.2m
52-low	S$0.085
52-high	S$0.485
Avg daily vol	49,152
No of share	200.1m
Free float	32.2%

Key Indicators

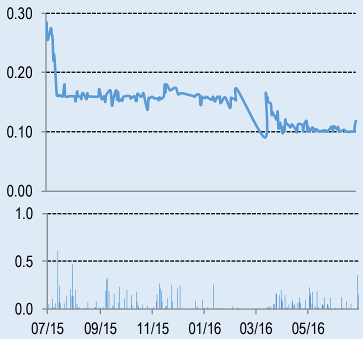
ROE 16F	12.6%
ROA 16F	3.7%
RNAV	RM319.6m
P/BK	0.89*
Net gearing	45%

**Before disposal of Hisaka.*

Major Shareholders

Su Chung Jye	69.72%

Historical Chart



Source: Bloomberg

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Significant GDV shows Upside

- **Significant Portfolio GDV of RM1.70 billion.** Following our previous update on Regal, we reviewed Regal's projects one-by-one and updated our assumptions. We counted 24 projects with a total gross development value (GDV) of RM 1.70 billion. Estimated net development value from these projects in turn amount to RM254.11m. Adding back Regal's equity base, RNAV works out to about RM319.60m or S$0.532 per share.
- **Six projects account for >70% of RNAV.** Out of the 24 projects, we further estimate that six key projects have a total GDV of RM 1.39 billion, or RM 230.67 m in net development value, after deducting selling expenses and tax. We have provided our assumptions for these six projects in our report.
- **Major projects linked to key themes.** We found that these six projects are typically located in areas where demand can be expected to be positive. For example, the Regal Corporate Park project is actually a play on the development of a township by Cahya Mata Sarawak Bhd and a resort city has been planned in the vicinity of the Regal Corporate Park. Another two projects are located in a key residential district in Kuching city area, with one project in Bintulu that leverages on the development of the nearby Samalaju Industrial Park as an investment merit. These attributes suggest that Regal's key investments are well selected in spite of a lengthy list of more than 20 projects.
- **Asset light business model supports fast expansion.** Regal is able to undertake some 24 projects with such high RNAV as it enters into development rights agreements with the landowners and does not purchase the land outright. Hence, Regal can take on a larger portfolio of projects without raising its capital needs. In fact, construction costs can be funded via bank borrowings once sales reach an adequate level. To enhance value, Regal tends to break larger projects into phases. The case for higher selling prices for subsequent phases will typically improve once the first phase is fully sold and completed. On the other hand, subsequent phases can also be deferred or revised if sales for the first phase is weaker than expected.
- **Maintain high return/high risk view.** Based on a RNAV of RM319.60m, and applying a discount of 34.6%, we estimate that Regal is potentially worth S$0.350 per share. Hence, the upside potential of Regal can be quite significant compared to its share price of S$0.100. Moreover, the case for Regal to turn profitable is now stronger as a number of projects are slated for completion in 2016 and Regal is now in the midst of disposing its loss making legacy precision manufacturing business. Execution risk remains a key concern, but we see Regal as a high return/high risk early investment opportunity at this stage. We also have not updated our forecasts for FY16 to FY18, as Regal is in the midst of disposing the Precision Business.

Key Financial Data (RM m, FYE Dec)	2014	2015	2016F	2017F	2018F
Sales	95.3	120.7	179.0	200.6	220.4
Gross Profit	32.2	20.8	53.7	62.2	68.3
Net Profit	(17.9)	(72.4)	11.4	18.2	23.7
EPS (sen)	(8.9)	(36.2)	5.7	9.1	11.8
EPS growth (%)	(152.0)	305.3	115.7	60.5	30.0
PER (x)	nm	nm	6.2	3.9	3.0
NTA/share (sen)	52.1	40.3	44.9	53.1	63.9
DPS (sen)	4.0	0.0	0.5	0.7	0.9
Div Yield (%)	11.2	0.0	1.5	2.0	2.5

Source: Company, NRA Capital forecasts

Piecing It All Together

Six projects account for 82% of GDV. Regal operates an asset light business model where it enters into development rights agreements with landowners to develop new projects. Such agreements may entail the payment of a cash sum and/or the payment of completed units to the landowner as compensation for the land. The benefit of this business model is that Regal can rapidly scale across multiple projects using less capital than if it were to fully acquire the land upfront.

Our review of 24 Regal projects suggests that the company's portfolio GDV is actually concentrated around six projects with an estimated total GDV of RM1,390.0m out of a total of RM1,696.4m. Two projects – 72 Residences and Tropics City - are located in the core Kuching city area and are about 50% to 80% sold. Regal Corporate Park and Tondong Heights are located in the outer Kuching area. The next two projects are Airtrollis located in Nilai Negri Sembilan (in West Malaysia) and Treetops@Kemena in Bintulu. The remaining 18 projects have an average gross development value of RM17.0m and are relatively small in value.

Among the six projects, Tropics City appear to be the bestselling, followed by Tondong Heights and 72 Residences. The launch of Airtrollis, Regal Corporate Park and Treetops@Kemena are in phases. Hence, their overall sales rates are slower. However, the target completion for these projects range from 2017 to 2020. As such, Regal is in a position to progressively sell these projects prior to completion.

Figure 1: List of Major Projects

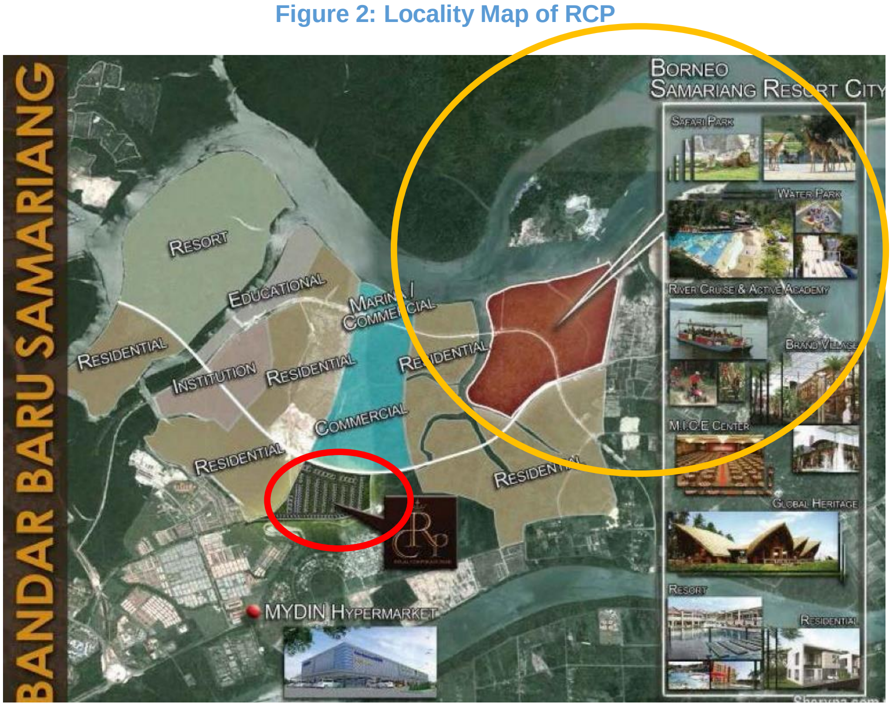
Project	Location	Description	GDV (RM m)	Completion	Total no of units	% Unsold
Regal Corporate Park	Kuching	Detached and semi-detached light industry units	377.6	2022	384	84%
Airtrollis	Nilai	Apartments, shophouses and mall	362.2	2019	1040	65%
Tropics City	Kuching	SOHO, apartments and mall	315.5	2019	603	6%
Treetops@Kemena	Bintulu	Apartments	202.2	2018	585	100%
72 Residences	Kuching	Condominium	65.8	2017	72	44%
Tondong Heights	Kuching	Terrace houses	66.8	2017	228	30%
18x other projects	Sarawak	Landed properties and shophouses	306.4			
		Total GDV	**1,696.4**			

Source: Company, NRA Capital

Regal Corporate Park – proxy to resort city development in north Kuching. Regal Corporate Park (RCP) is located 7km away from the Kuching city area in the township of Bandar Baru Samariang (BBS). The key value proposition of Regal Corporate Park is its ability to ride on the growth of the BBS township being spearheaded by Cahya Mata Sarawak Bhd (CMSB). In turn, CMSB sold a 500-acre plot of land in 2013 to Sentoria Group Berhad. Sentoria is a theme park operator-cum-property developer listed on the KLSE with a market capitalisation of RM411.5m as of 7 July 2016. This 500-acre land plot will be developed over a ten-year period into the Borneo Samariang Resort City (BSRC), comprising of theme parks and residential properties to form an integrated tourism and MICE location just in the outskirts of Kuching city. In a nutshell, RCP is being anchored by landmark projects in the area.

State Planning Approval has been obtained for BSRC in 2015 and the first launch of 428 serviced apartments has been 50.6% taken up as of September 2015. The next phase comprising of 506 units of terrace houses, semi-detached houses and bungalows has been slated for launch in 2016.

Figure 2: Locality Map of RCP



Source: Company, NRA Capital

To differentiate itself from the other projects in the area, RCP is a light industrial/commercial project with units suitable for activities such as distribution, warehousing and even retail shops such as F&B. According to Regal, the whole project has been split into three phases. The first phase comprising of 63 units is around 95% to 100% sold and will be completed in 2016.

Figure 3: Regal Corporate Park Estimates

	No of Units*	Built-up Area (sq. ft./unit) *	ASP/ sq. ft. (RM)^	ASP/unit (RM m)	GDV (RM m)	% Sold	Completion
Phase 1	63	2,242	350	0.78	49.4	95%-100%	2016
Phase 2	98	1,939	500	0.97	95.0		2020
Phase 3	223	2,091	500	1.05	233.1		TBC
	384.0	797,561	473.44	0.98	**377.6**		
	GDV (RM m)	**Built-up Area (sq. ft.)**	**Land cost (RM m) ^**	**Construction cost (RM m) ^**	**Gross profit (RM m)**	**Gross margin**	
Phase 1	49.44	141,246	-14.12	-19.07	16.24	32.9%	
Phase 2	95.01	190,022	-19.00	-25.65	50.36	53.0%	
Phase 3	233.15	466,293	-46.63	-62.95	123.57	53.0%	
	377.59	797,561	-79.76	-107.67	**190.17**	50.4%	
	Gross profit (RM m)	**Operating exp. (RM m)**	**PBT (RM m)**	**Tax (RM m)**	**PAT (RM m)**	**Year Recognize**	**Rev. Recog. Method**
Phase 1	16.24	-4.94	11.30	-2.82	8.47	2016	100% on Completion
Phase 2	50.36	-9.50	40.85	-10.21	30.64	2020	
Phase 3	123.57	-23.31	100.25	-25.06	75.19	2022	
	190.17	-37.76	152.41	-38.10	**114.31**		

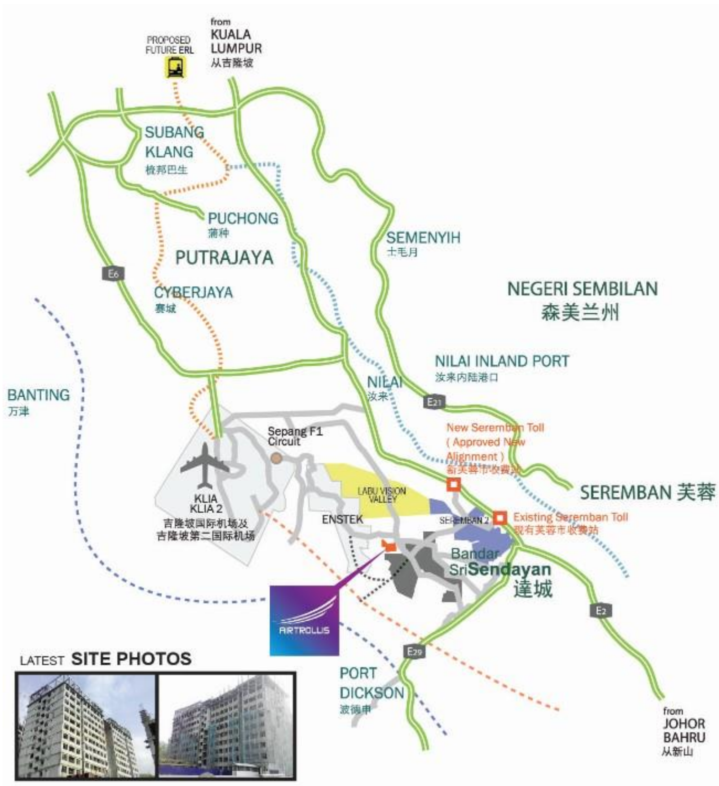
Assumptions: Land cost – RM100 per sq. ft., Construction cost – RM135 per sq. ft. Operating expenses, e.g. selling and commission costs = 10% of GDV, tax = 25%. Construction cost is obtained from JUBM and Langdon Seah Construction Cost Handbook Malaysia 2016. According to the handbook, the construction cost of light duty flatted factories in Kuching is about RM1,425 to RM1,670 per sq. m. We decided to take the lower end value of RM1,425 psm and assume RM135 per sq. ft. The cost of constructing Regal Corporate Park is lower as the units are low rise structures. *Source: *Regal, ^NRA Capital*

We reckon that Phases 2 and 3 will enjoy healthy demand with the growth of BBS and BSRC. Hence, we assume higher selling prices for these two phases, as the development of BBS and BSRC raise the value of properties in the area. The entire BSRC with 500 acres of land has been given a gross development value of about RM 2 billion, or about RM 4.0m per acre. The entire Regal site sitting on 134.8 acres of land thus have an equivalent gross development value of RM539.2m (@RM 4m per acre). Our estimated GDV of RM377.6m is thus comparatively conservative.

Reports by C H Williams Talhar & Wong suggest that RCP was launched in 2014 with an initial price of RM0.7m per unit, reaching RM1.0m per unit in 2015. As such, our estimated average prices of RM0.78m per unit to RM1.05m is roughly in line with reported quantum.

Airtrollis is an 18-acre site with a planned project built-up area of more than 1.0m. Its value proposition lies in its proximity to Kuala Lumpur International Airport and Kuala Lumpur city area.

Figure 4: Locality Map of Airtrollis



Source: Company, NRA Capital

Airtrollis comprises of 1,024 residential units about 600 condominium units and 400 affordable apartments. Prices of condominium properties in Nilai range from about RM390 to RM510 per sq. ft. Apartment properties range from RM70 to RM250 per sq. ft. We assume average price of RM440 per sq. ft. for condominiums and RM210 per sq. ft. for apartments. Based on a 60/40 split, we assume average selling prices of about RM350 per sq. ft. for Airtrollis. The shop house and mall components are in turn assumed to be worth RM400 per. sq. ft.

According to data from the Valuation and Property Services department (JPPH), one unit of Airtrollis was sold at RM184 per sq. ft. in January 2016, which is lower than our estimate of RM350 per sq. ft. We highlight that Airtrollis comprises of lower priced affordable apartments and higher priced condominium units. Hence, this one sample may not be representative.

Figure 5: Locality Map of Airtrollis

Source: Company, NRA Capital

Figure 6: Airtrollis Estimates

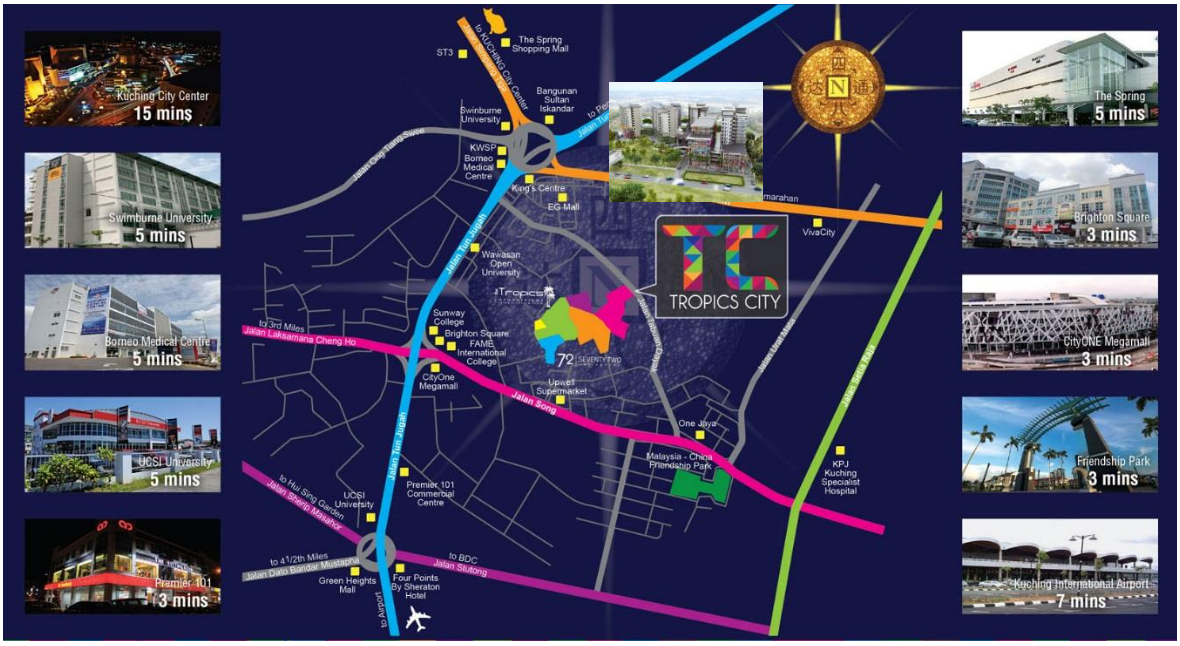
	No of Units *	Built-up Area (sq. ft./unit) *	ASP/ sq. ft. (RM) ^	ASP/unit (RM m)	GDV (RM m)	% Sold	Completion
Phase 1	360	917	350	0.32	115.5	99%-100%	2016
Phase 2	400	917	350	0.32	128.4	NA	2019
Phase 3	288	917	350	0.32	92.4	NA	2018
Shophouses	16	1,923	400	0.77	12.3	NA	NA
Mall	NA	33,857	400	13.54	13.5	NA	NA
	1064.0	1,025,641	353	0.34	**362.2**		
	GDV (RM m)	**Built-up Area (sq. ft.)**	**Land cost (RM m) ^**	**Construction cost (RM m) ^**	**Gross profit (RM m)**	**Gross margin**	
Phase 1	115.54	330,120	-49.52	-49.52	16.51	14.3%	
Phase 2	128.38	366,800	-55.02	-55.02	18.34	14.3%	
Phase 3	92.43	264,096	-39.61	-39.61	13.20	14.3%	
Shop houses	12.31	30,768	-4.62	-4.62	3.08	25.0%	
Mall	13.54	33,857	-5.08	-6.77	1.69	12.5%	
	362.21	1,025,641	-153.85	-155.54	**52.82**	14.6%	
	Gross profit (RM m)	**Operating exp. (RM m)**	**PBT (RM m)**	**Tax (RM m)**	**PAT (RM m)**	**Rev. Recognition**	**Rev. Recog. Method**
Phase 1	16.51	-11.55	4.95	-1.24	3.71	2016	
Phase 2	18.34	-12.84	5.50	-1.38	4.13	2017-2019	Percentage of Completion
Phase 3	13.20	-9.24	3.96	-0.99	2.97	2016-2018	
Shop houses	3.08	-1.23	1.85	-0.46	1.38	2019	100% on Completion
Mall	1.69	-1.35	0.34	-0.08	0.25	2019	
	52.82	-36.22	16.60	-4.15	**12.45**	3.4%	

Assumptions: Land cost – RM150 per sq. ft., Construction cost – RM150 per sq. ft. for Phases 1 -3 and Shop houses. Mall construction cost is set at RM200 per sq. ft. Operating expenses, e.g. selling and commission costs = 10% of GDV, tax = 25%. Construction cost is obtained from JUBM and Langdon Seah Construction Cost Handbook Malaysia 2016. According to the handbook, the construction cost of average standard high rise apartments is about RM1,320 to RM1,990 per sq. m. in Kuala Lumpur. We decided to set construction cost at the mid-point of RM153.7 per sq. ft., rounded to RM150 per sq. ft. for residential units and shop houses, and assume RM200 per sq. ft. for the mall. Likely, the mall may be retained for investment income. *Source: *Regal, ^NRA Capital*

Regal International Group Ltd.

Tropics City is an integrated project with 26% of built-up area allocated to the mall component. Airtrollis also has a mall component that takes up about 15% floor area. Tropics City is unique for its location in the Jalan Song area of Kuching city, in proximity to educational institutions and shopping malls. The Jalan Song residential area comprise of mainly low rise housing and amenities are relatively sparse. Tropics City thus brings more convenience to residents.

Figure 7: Locality Map of Tropics City



Source: Company, NRA Capital

Figure 8: Tropics City Estimates

	No of Units*	Built-up Area (sq. ft./unit)*	ASP/ sq. ft. (RM)^	ASP/unit (RM m)	GDV (RM m)	% Sold	Completion
SOHO	90	668	550	0.37	33.1	≈80%	2019
Apartments	262	1,249	525	0.66	171.8		2019
Mall	251	551	800	0.44	110.6	NA	2019
	603	525,659	600	0.52	315.5		
	GDV (RM m)	Built-up Area (sq. ft.)^	Land cost (RM m)^	Construction cost (RM m)	Gross profit (RM m)	Gross margin	
SOHO	33.07	60,120	-9.02	-12.02	12.02	36.4%	
Apartments	171.80	327,238	-49.09	-65.45	57.27	33.3%	
Mall	110.64	138,301	-20.75	-34.58	55.32	50.0%	
	315.51	525,659	-78.85	-112.05	124.61	39.5%	
		26.3%					
	Gross profit (RM m)	Operating exp. (RM m)	PBT (RM m)	Tax (RM m)	PAT (RM m)	Rev. Recognition	Rev. Recog. Method
SOHO	12.02	-3.31	8.72	-2.18	6.54	2016-2019	% of Completion
Apartments	57.27	-17.18	40.09	-10.02	30.06	2016-2019	
Mall	55.32	-11.06	44.26	-11.06	33.19	2019	
	124.61	-31.55	93.06	-23.27	69.80		

Assumptions: Land cost – RM150 per sq. ft., Construction cost – RM200 per sq. ft. for SOHO and apartments, RM250 per sq. ft. for mall. Operating expenses, e.g. selling and commission costs = 10% of GDV, tax = 25%. Construction cost is obtained from JUBM and Langdon Seah Construction Cost Handbook Malaysia 2016. According to the handbook, the construction cost of average standard high rise apartments is about RM1,480 to RM1,650 per sq. m. and RM2,510 to 2,650 for high rise luxury apartments in Kuching. We decided to set construction cost at RM200 per sq. ft. or between standard and luxury apartments. Likely, the mall may be retained for investment income. *Source: *Regal, ^NRA Capital*

Figure 9: Comparable Prices for Tropics City

	Price (RM)	Built-Up (sq. ft.)	Price (RM/sq. ft.)		Price (RM)	Built-Up (sq. ft.)	Price (RM/sq. ft.)
Apartment				**SOHO**			
Tribeca Condominiums	850,000	1432	594	Near Medical Faculty UNIMAS	307,800	500	616
De Summit Condominium	750,000	1800	417	Boulevard Shopping Mall	379,000	815	465
Stake 128	398,000	864	461	Vivacity Megamall	1,200,000	1580	759
THE RYEGATES	630,000	1360	463	MetroCity Soho Apartment	369,000	815	453
Jazz Suites	789,420	1222	646	SOHO Apartment-matang	359,000	815	440
Lifestyle Condo/Apartment	522,922	1004	521			**Average**	**547**
Sky Villa Apartment	468,000	980	478	NRA Assumption for Tropics City			550
8th miles Sentosa	277,380	603	460	**MALL**	**Rental/mth**	**(sq. ft.)**	**Implied^**
Residence Gala City	500,000	917	545	Matang Mall	2,450	1560	314
The cube	650,000	1324	491	CityOne Mall	1,500	274	1095
Satria Apartment	334,000	560	596	CityOne Mall	2,200	279	1577
Riverine	880,000	1660	530	Bintulu Town centre shopping mall	1,000	298	671
Riverbank suites	800,000	1345	595	Wisma Saberkas	500	180	556
		Average	**523**	Swan Mall	6,500	1750	743
NRA Assumption for Tropics City			525			**Average**	**826**
				NRA Assumption for Tropics City			800

^Implied price = Rental per month x 12 months / Built-Up Area / Cap Rate of 6%. *Source: mudah.my, NRA Capital*

Treetops@Kemena is a residential property project located in Bintulu, Sarawak. Bintulu is a growth area owing to the Samalaju Industrial Park (SIP). The SIP has been reported as the largest single industrial park in Malaysia and has attracted 16 approved projects with a total investment of RM25.29 billion.[1] As such, Treetops can be expected to benefit from the growth of Bintulu. Prices in Bintulu range from RM300 to RM600 sq. ft. based on our survey. Hence, we decided on an average selling price assumption of RM450 per sq. ft. for Treetops. As for land and construction costs, we rely on the same assumptions as for Tropics City.

Figure 10: Treetops@Kemena Estimates

	No of Units*	Built-up Area (sq. ft./unit)*	ASP/ sq. ft. (RM)^	ASP/unit (RM m)	GDV (RM m)	% Sold	Completion
Apartments	585	768	450	0.35	202.2	Launched	2018
	GDV (RM m)	**Built-up Area (sq. ft.)**	**Land cost (RM m)^**	**Construction cost (RM m)^**	**Gross profit (RM m)**	**Gross margin**	
Apartments	202.2	449,280	-67.39	-89.86	44.93	22.2%	
	Gross profit (RM m)	**Operating exp. (RM m)**	**PBT (RM m)**	**Tax (RM m)**	**PAT (RM m)**	**Rev. Recognition**	**Rev. Recog. Method**
Apartments	44.93	-20.2176	24.71	-6.1776	**18.53**	2016-2018	% of Completion

Assumptions: Land cost – RM150 per sq. ft., Construction cost – RM200 per sq. ft. Operating expenses, e.g. selling and commission costs = 10% of GDV, tax = 25% *Source: *Regal, ^NRA Capital*

Figure 11: Comparable Prices for Treetops

	Price (RM)	Built-Up (sq. ft.)	Price (RM/sq. ft.)		Price (RM)	Built-Up (sq. ft.)	Price (RM/sq. ft.)
Iris garden	250,000	830	301	Sky villa	468,000	980	478
Iris garden	258,000	880	293	Saville suite	580,000	1275	455
Bintulu	500,000	956	523	Urbaneeze	530,000	1291	411
Hills 68 Arang Road	459,000	1258	365	Satria Aptm	334,000	560	596
Greenwich South	528,000	1173	450	Gateway Kuching	650,000	1179	551
Stutong Heights	382,000	882	433	Batu Kawah	468,000	1200	390
Mall 2 Apartment	243,000	827	294				
						Average	**426**
						NRA Assumption	450

Source: mudah.my, NRA Capital

[1] http://www.thestar.com.my/business/business-news/2016/06/20/samalaju-industrial-park-in-bintulu-draws-rm25pt29bil-investment/

72 Residences is similar to Tropics City for their proximity to each other. Likewise, we use similar pricing and cost assumptions as with the residential component of Tropics City for Block 2 of 72 Residences. Block 1 was sold earlier and we applied an ASP of RM450 per sq. ft..

Figure 12: 72 Residences Estimates

	No of Units*	Built-up Area (sq. ft./unit)*	ASP/ sq. ft. (RM)^	ASP/unit (RM m)	GDV (RM m)	% Sold	Completion
Block 1	40	2,048	450	0.92	36.9	100%	2016
Block 2	32	1,807	500	0.90	28.9	NA	2017
	72	139,748	471	0.91	65.8		
	GDV (RM m)	**Built-up Area (sq. ft.)**	**Land cost (RM m)^**	**Construction cost (RM m)^**	**Gross profit (RM m)**	**Gross margin**	
Block 1	36.9	81,922	-12.29	-16.38	8.19	22.2%	
Block 2	28.9	57,826	-8.67	-11.57	8.67	30.0%	
	65.8	139,748	-20.96	-27.95	16.87		
	Gross profit (RM m)	**Operating exp. (RM m)**	**PBT (RM m)**	**Tax (RM m)**	**PAT (RM m)**	**Rev. Recognition**	**Rev. Recog. Method**
Block 1	8.19	-3.69	4.51	-1.13	3.38	2016	100% on completion
Block 2	8.67	-2.89	5.78	-1.45	4.34	2017	
	16.87	-6.58	10.29	-2.57	7.72		

Assumptions: Land cost – RM150 per sq. ft., Construction cost – RM200 per sq. ft. Operating expenses, e.g. selling and commission costs = 10% of GDV, tax = 25%
*Source: *Regal, ^NRA Capital*

Tondong Heights. Phases 1 and 3 are almost fully sold. We assume that Regal will sell Phase 2 at a higher price. Construction cost is assumed to be similar to that of Regal Corporate Park (both are low rise projects). However, we assume lower land cost of RM100 per sq. ft. Tondong Heights is located further away from the Kuching city area. Hence, selling prices and land costs should be lower than the other projects in the Kuching area.

Figure 13: Tondong Heights Estimates

	No of Units*	Built-up Area (sq. ft./unit) *	ASP/ sq. ft. (RM)^	ASP/unit (RM m)	GDV (RM m)	% Sold	Completion
Phase 1							
Double storey terrace house	63	962	350	0.34	21.21	95%	2016
Single storey terrace house	40	564	350	0.20	7.90	95%	2016
Single storey terrace house	30	564	350	0.20	5.92	95%	2016
Phase 2							
Double storey terrace house	69	951	350	0.33	22.97	NA	2017
Phase 3							
Double storey terrace house	1	962	350	0.34	0.34	95%	2016
Double storey terrace house	25	962	350	0.34	8.42	95%	2016
	228	190,717	350.00	0.29	66.8		
	GDV (RM m)	**Built-up Area (sq. ft.) ^**	**Land cost (RM m) ^**	**Construction cost (RM m)**	**Gross profit (RM m)**	**Gross margin**	
Phase 1	35.03	100,086	-12.51	-13.51	9.01	25.7%	
Phase 2	22.97	65,619	-8.20	-8.86	5.91	25.7%	
Phase 3	8.75	25,012	-3.13	-3.38	2.25	25.7%	
	66.75	190,717	-23.84	-25.75	17.16	25.7%	
	Gross profit (RM m)	**Operating exp. (RM m)**	**PBT (RM m)**	**Tax (RM m)**	**PAT (RM m)**	**Rev. Recognition**	**Rev. Recog. Method**
Phase 1	9.01	-3.50	5.50	-1.38	4.13	2016	100% on completion
Phase 2	5.91	-2.30	3.61	-0.90	2.71	2017	
Phase 3	2.25	-0.88	1.38	-0.34	1.03	2016	
	17.16	-6.68	10.49	-2.62	7.87		

Assumptions: Land cost – RM125 per sq. ft., Construction cost – RM135 per sq. ft. Operating expenses = 10% of GDV, tax = 25% *Source: *Regal, ^NRA Capital*

Other projects. As for the remaining 18 projects, we estimate that they have a total GDV of RM306.44m with an estimated net development value after tax of RM26.42m that can be realized once fully sold and completed. Construction and land costs are based on the attributes of the respective projects. Given a net margin of 12.4% on average, our assumptions can be deemed to be reasonable. Five projects are expected to be completed in 2016. These five projects are already fully sold and have an estimated GDV of RM58.15m.

Figure 14: Estimates for Other Projects

	No of units	Built-up (sq. ft./unit)	Built-up (sq. ft.)	ASP/ sq. ft. (RM)	GDV (RM m)	Constr. and Land Costs (RM m)	Operating exp (RM m)	Tax (RM m)	PAT	Rev. Recog.	Rev. Recog. Method	% Sold
Haziq Ria	22	1,579	34,746	219	7.61	-5.90	-0.76	-0.24	0.71	2016	COC	100%
Serapi Maju	48	1,126	54,035	250	13.51	-11.42	-1.35	-0.18	0.55	2016	COC	100%
Tapah Residency	25	1,083	27,071	246	6.66	-5.48	-0.67	-0.13	0.39	2016	POC	100%
Ashraf Avenue 2	19	4,376	83,140	319	26.51	-21.93	-2.65	-0.48	1.45	2016	COC	100%
Tapah Heights	10	1,662	16,619	232	3.85	-3.05	-0.39	-0.11	0.32	2016	POC	100%
Batu Kawa Shophouse	10	5,530	55,300	270	14.93	-13.56	-1.49	0.03	-0.09	2017	COC	100%
Malihah Shophouse	16	4,103	65,649	270	17.73	-15.97	-1.77	0.01	-0.02	2017	COC	100%
Sibiyu Square	30	3,820	114,592	270	30.94	-28.82	-3.09	0.24	-0.73	2017	COC	68%
Sinaran 251 (Phase 2)	40	1,214	48,556	213	10.32	-8.15	-1.03	-0.29	0.86	2017	POC	25%
Taman Sri Landeh	40	1,241	49,622	213	10.55	-7.97	-1.05	-0.38	1.14	2017	COC	86%
Tropics Bazaar	8	5,313	42,507	270	11.48	-10.25	-1.15	-0.02	0.06	2017	COC	100%
Jambusan Heights	206	898	184,906	220	40.68	-31.86	-4.07	-1.19	3.57	2018	POC	NA
Rafflesia Garden	34	1,351	45,940	225	10.34	-7.30	-1.03	-0.50	1.50	2018	POC	100%
Salak Tinggi	19	1,658	31,502	292	9.18	-6.97	-0.92	-0.32	0.97	2018	POC	NA
Tondong Shophouse	28	2,286	64,013	445	28.49	-17.68	-2.85	-1.99	5.97	2017	COC	NA
Lot 338 Sibu	29	680	19,730	231	4.57	-3.99	-0.46	-0.03	0.09	2018	POC	NA
Lot 1900	22	3,708	81,576	445	36.31	-20.80	-3.63	-2.97	8.91	2018	COC	NA
Damai Blues (Lot640)	72	881	63,397	359	22.78	-19.47	-2.28	-0.26	0.78	2019	POC	NA
	678	1,597	1,082,901	283	306.44	-240.56	-30.64	-8.81	26.42			

*Source: *Regal, ^NRA Capital*

We are mindful that Figure 14 shows that the Batu Kawa Shophouse, Malilah Shophouse and Sibiyu Square are loss making. These are relatively small projects. We have simply applied a consistent 10% rate across all projects for operating expenses. In reality, these projects may be profitable if we apply more careful cost assumptions. In any case, we decided to leave these estimates as they are, given the small size of these projects.

Turnaround in 2H 2016 is likely. Based on the preceding analysis, we can expect Regal to turnaround operationally in 2016 provided that the company is able to handover the projects in time. For instance, Regal Corporate Park is expected to provide RM49.4m of revenue in 2016. In all, we can expect RM401.9m of revenue from the property development business in 2016 and net profit contribution of RM40.09m. The risk for Regal is that losses from the disposal of Hisaka may still drag on reported profitability.

Figure 15: GDV Estimates, Split by Completion

RM m	2015	2016	2017	2018	2019	2020	2022
Regal Corporate Park		49.4				95.0	233.1
Airtrollis - Phase 1 and 2	69.3	46.2	42.8	42.8	42.8		
Airtrollis - Phase 3, Shophouse, Mall		30.8	30.8	30.8	25.9*		
Tropics City - SOHO, Apts		51.2	51.2	51.2	51.2		
Tropics City - Mall					110.6		
Treetops@Kemena		67.4	67.4	67.4			
72 Residences		36.9	28.9				
Tondong Heights		43.8	23.0				
Other projects		76.2	146.7	65.5	7.6		
Total		401.9	390.8	257.7	238.1	95.0	233.1

*Include RM13.5m from mall, **Development value from Malls are unlikely to be recognized as revenue if they are kept as investment properties. *Source: NRA Capital*

Figure 16: Net Development Value

RM m	2016	2017	2018	2019	2020	2022	Total
Regal Corporate Park	8.47				30.64	75.19	114.31
Airtrollis - Phase 1 and 2	1.49	1.38	1.38	1.38			5.61***
Airtrollis - Phase 3, Shophouse, Mall	0.99	0.99	0.99	1.64			4.61
Tropics City - SOHO, Apts	9.15	9.15	9.15	9.15			36.60
Tropics City - Mall				33.19			33.19
Treetops@Kemena	6.18	6.18	6.18				18.53
72 Residences	3.38	4.34					7.72
Tondong Heights	5.16	2.71					7.87
Other projects	5.27	8.92	11.21	0.26			25.67
Total	40.09	33.66	28.91	45.62	30.64	75.19	**254.11**

*Excludes est. RM4.8m already recognized in 2015 or earlier. **Excludes est. RM0.76m already recognized in 2015 or earlier. ***Excludes est. RM2.23m recognized in 2015 or earlier. *Source: NRA Capital*

Figure 17: Updated Valuation

Net Development Value (RM m)	254.11
Book value of Property Business (RM m) as per balance sheet, 31 Mar 16	28.8
Cash proceeds from prospective sale of Hisaka (RM m)	21
Open market value of 63SKL less 5% cost to sell (S$5.23m x 3)	15.69
RNAV (RM m)	319.60
Discount (based on 15% discount rate per annum)	34.6%
Discounted RNAV (RM m)	208.96
Number of shares (millions)	200.11
Value per share (RM)	1.044
Value per share (S$) @ RM/SGD 3.0	0.348

Source: NRA Capital

Valuation. Based on our updated parameters, we yielded a RNAV of RM319.60m for Regal. After adjusting for a discount of 34.6%, we arrived at a valuation of S$0.348 per share (rounded to S$0.350). The discount rate of 34.6% is derived from the discounting of Regal's expected development gains at an annual rate of 15%. Suppose we apply a more aggressive discount of 50%, we will still arrive at S$0.266 per share.

In this update, we revise our valuation, but maintain our explicit forecasts in Page 1 and Page 11 as per the previous report. Regal is in the midst of disposing its precision business. Upon completion, we will have more clarity to forecast Regal's balance sheet. We also remind that Regal is a mainboard listed company and is subject to the minimum trading price rule.

Profit & Loss (RM m, FYE Dec)	**2014**	**2015**	**2016F**	**2017F**	**2018F**
Revenue	95.3	120.7	179.0	200.6	220.4
Operating expenses	(78.9)	(142.6)	(166.7)	(182.0)	(197.8)
EBITDA	16.4	(21.9)	12.3	18.6	22.6
Depreciation & amortisation	(1.6)	(4.7)	(5.0)	(5.2)	(5.5)
EBIT	14.8	(26.6)	7.3	13.3	17.1
Non-operating income/(expenses)	(6.6)	(44.2)	(2.9)	(2.6)	(1.5)
Associates' contribution	8.9	(1.5)	9.6	11.5	13.2
Exceptional items	(30.1)	0.0	0.0	0.0	0.0
Pretax profit	**(12.9)**	**(72.3)**	**13.9**	**22.2**	**28.7**
Tax	(5.0)	0.1	(2.2)	(3.5)	(4.6)
Minority interests	0.0	(0.2)	(0.3)	(0.4)	(0.4)
Net profit	**(17.9)**	**(72.4)**	**11.4**	**18.2**	**23.7**
Shares at year-end (m)	200.1	200.1	200.1	200.1	200.1

Balance Sheet (RM m, as at Dec)	**2014**	**2015**	**2016F**	**2017F**	**2018F**
Fixed assets	16.6	22.7	24.7	26.7	28.6
Goodwill and intangible assets	39.3	0.0	0.0	0.0	0.0
Other long-term assets	23.7	17.7	17.7	17.7	17.7
Total non-current assets	**79.6**	**40.4**	**42.4**	**44.4**	**46.3**
Cash and equivalents	27.7	22.5	15.7	23.7	29.3
Stocks	30.3	36.7	37.6	38.8	38.0
Trade and other debtors	78.9	73.6	79.1	78.3	82.6
Development properties and others	54.0	113.5	129.8	142.2	149.1
Total current assets	**190.9**	**246.3**	**262.2**	**283.0**	**299.0**
Trade and other creditors	55.5	61.1	75.2	83.0	91.2
Short-term borrowings	16.5	31.3	35.8	36.1	22.0
Other current liabilities	39.8	96.5	82.2	83.5	88.1
Total current liabilities	**111.8**	**188.9**	**193.2**	**202.7**	**201.4**
Long-term borrowings	13.7	15.7	19.7	16.0	13.2
Other long-term liabilities	1.4	1.3	1.3	1.3	1.3
Total long-term liabilities	**15.0**	**16.9**	**20.9**	**17.3**	**14.5**
Shareholders' funds	**143.6**	**80.5**	**89.8**	**106.3**	**127.8**
Minority interests	0.1	0.4	0.7	1.1	1.5
NTA/share (RM)	0.52	0.40	0.45	0.53	0.64
Total Assets	**270.6**	**286.7**	**304.6**	**327.3**	**345.2**
Total Liabilities + S'holders' funds	**270.6**	**286.7**	**304.6**	**327.3**	**345.2**

Cash Flow (RM m, FYE Dec)	**2014**	**2015**	**2016F**	**2017F**	**2018F**
Pretax profit	(12.9)	(72.3)	13.9	22.2	28.7
Depreciation & non-cash adjustments	19.2	49.6	(2.6)	(1.1)	2.5
Working capital changes	(20.3)	10.9	(5.4)	(1.9)	(0.3)
Cash tax paid	0.3	(0.7)	(16.5)	(2.2)	(3.5)
Cash flow from operations	**(13.7)**	**(12.4)**	**(10.5)**	**17.0**	**27.4**
Capex	(1.4)	(3.2)	(3.0)	(3.0)	(3.0)
Net investments & sale of FA	0.0	1.9	0.0	0.0	0.0
Others	24.0	1.7	0.0	0.0	0.0
Cash flow from investing	**22.7**	**0.3**	**(3.0)**	**(3.0)**	**(3.0)**
Debt raised/(repaid)	23.1	12.5	8.5	(3.3)	(16.9)
Equity raised/(repaid)	0.0	0.0	0.0	0.0	0.0
Dividends paid	0.0	0.0	0.0	(1.1)	(1.4)
Cash interest & others	(8.5)	(9.9)	(1.8)	(1.6)	(0.6)
Cash flow from financing	**14.6**	**2.5**	**6.8**	**(6.0)**	**(18.9)**
Change in cash	**23.6**	**(9.6)**	**(6.8)**	**8.0**	**5.6**
Change in net cash/(debt)	**0.5**	**(22.0)**	**(15.3)**	**11.3**	**22.5**
Ending net cash/(debt)	**(2.4)**	**(24.4)**	**(39.7)**	**(28.4)**	**(6.0)**

KEY RATIOS (FYE Dec)	**2014**	**2015**	**2016F**	**2017F**	**2018F**
Revenue growth (%)	(24.2)	26.7	48.2	12.1	9.9
EBITDA growth (%)	(48.2)	(233.2)	156.0	51.3	21.7
Pretax margins (%)	(13.5)	(59.9)	7.8	11.1	13.0
Net profit margins (%)	(18.7)	(60.0)	6.4	9.1	10.8
Effective tax rates (%)	(38.5)	0.1	16.0	16.0	16.0
Net dividend payout (%)	0.0	0.0	(18.7)	(23.3)	(22.4)
ROE (%)	12.7	(41.8)	12.7	17.2	18.5
Free cash flow yield (%)	(63.9)	(66.1)	(57.3)	59.1	103.5

Source: Company, NRA Capital forecasts