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## PROPOSED DISPOSAL OF SUBSIDIARIES UNDER PRECISION BUSINESS DIVISION

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*CIMB Bank Berhad, Singapore branch was the financial adviser to the Company for the acquisition of the entire issued and paid up share capital of Regal International Holdings Pte. Ltd. (the "Financial Adviser"). The Financial Adviser (i) assumes no responsibility for; and (ii) does not endorse, the contents of this announcement (or any matter contemplated herein).*

### 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 wholly owned subsidiary under the Precision Business Division, Hisaka International Holdings Pte. Ltd. ("**HIHPL**") has on 27 May 2016 entered into two sale and purchase agreements (the "**SPAs**") with Mr Yap Ah Seng, Alvin (the "**Purchaser**") for the disposal of HIHPL's entire equity interests in its subsidiaries Hisaka Mechatronic (Suzhou) Co. Ltd. ("**HMS**") and Tech Motion (Shanghai) Co. Ltd ("**TMS**", and collectively with HMS, the "**Targets**") to the Purchaser (collectively, the "**Proposed Disposals**").

### 2. Information on the assets to be disposed of and rationale for the Proposed Disposals

HMS is a limited liability company established in the People's Republic of China ("**PRC**") with fully paid up registered capital of US\$1,000,000. HIHPL is the sole shareholder of the entire equity interests in HMS. HMS is principally engaged in the business of mechanical motion products distribution and fabrication of precision components.

TMS is a limited liability company established in the PRC with fully paid up registered capital of RMB 1,000,000. HIHPL is the sole shareholder of the entire equity interests in TMS. TMS is principally engaged in the business of import, export and wholesale of mechatronic, electronic, metallic, rubber and plastic products.

The Purchaser is an individual who is a Singapore citizen and resides in Singapore. The Purchaser is a businessman and is not related to the Group or any of the Company's Directors or substantial shareholders. The Purchaser is a friend of Mr. Cheng Ee Chew, who is the managing director of HSPL, and had approached the Group with an offer to acquire HMS and TMS.

Following the completion of the Proposed Disposals (the "**Completion**"), HMS and TMS will cease to be subsidiaries of the Group.

Based on the latest announced unaudited consolidated financial statements of the Group for the financial period ended 31 March 2016 ("**1Q2016**"), the book value and net tangible asset value attributable to HMS were approximately RMB 6,315,265 (approximately S\$1,329,996) and RMB 6,315,265 (approximately S\$1,329,996) respectively. The net losses attributable to HMS for 1Q2016 were approximately RMB 2,160,101 (approximately S\$462,835, computed based on the 1Q2016 average currency exchange rate of SGD1: RMB4.667). As at the date of the SPAs, HMS has an intercompany debt of US\$427,822 (approximately S\$584,457) owing to the Company (the "**Intercompany Debt**"). The Company proposes to waive the Intercompany Debt on or before the completion of the Proposed Disposal of HMS.

Based on the latest announced unaudited consolidated financial statements of the Group for 1Q2016, the book value and net tangible asset value attributable to TMS were approximately RMB 1,074,094 (approximately S\$226,204) and RMB 1,074,094 (approximately S\$226,204) respectively. The net profits attributable to TMS for 1Q2016 were approximately RMB 106,085 (approximately S\$22,731, computed based on the 1Q2016 average currency exchange rate of SGD1: RMB4.667).



The Group's precision engineering business, which is held through HIHPL, has on the whole been loss-making and is in a negative cash flow position. The Company is of the view that the business conditions surrounding the precision engineering business will remain volatile and challenging. The Company believes that the Proposed Disposals of the Targets will allow the Group to, amongst others, rationalise its financial and capital resources and allow the Group to focus its resources on its property development business.

### 3. Consideration

The consideration for the Proposed Disposal of HMS is S\$150,000, and the consideration for the Proposed Disposal of TMS is S\$50,000 (collectively, the "Consideration"). The Consideration shall be satisfied by the Purchaser in cash.

The Consideration in respect of each of the Proposed Disposals was arrived at following arm's length negotiations and on a willing buyer, willing seller basis, after taking into account:

- (a) the unaudited net tangible asset values of HMS and TMS of approximately S\$1,329,996 and S\$226,204 as at 31 March 2016;
- (b) the decline in the net tangible asset value of the shares in HMS and TMS over the past two (2) years; and
- (c) the past and current loss-making position of HMS.

Taking into account the Consideration in respect of HMS and the waiver of the Intercompany Debt by the Company, the Proposed Disposal of HMS represents a loss upon disposal of approximately S\$1,764,452. The proceeds in respect of the Proposed Disposal of HMS represent a deficit of S\$1,764,452 against the book value of HMS.

Taking into account the Consideration in respect of TMS, the Proposed Disposal of TMS represents a loss upon disposal of approximately S\$176,204. The proceeds in respect of the Proposed Disposal of TMS represent a deficit of S\$176,204 against the book value of TMS.

The proceeds of the Proposed Disposals are intended to be used towards the working capital requirements of the Precision Business Division.

### 4. Relative figures for the Proposed Disposals

The relative figures computed on the bases as set out in Rule 1006 of the listing manual of the Singapore Exchange Securities Trading Limited (the "SGX-ST") (the "Listing Manual"), and based on the latest announced unaudited consolidated financial statements of the Group for 1Q2016, are as follows:

Rule 1006		Proposed Disposal of HMS	Proposed Disposal of TMS	Proposed Disposals, collectively <sup>(10)</sup>
(a)	Net asset value of the Target(s) to be disposed of, compared with the Group's net tangible asset value of approximately MYR 78,869,000 (approximately S\$27,052,067). This basis is not applicable to an acquisition of assets.	4.92% <sup>(1)</sup>	0.84% <sup>(2)</sup>	5.75% <sup>(3)</sup>
(b)	Net profit/loss attributable to the Target(s) to be disposed of, compared with the Group's net profit of approximately MYR 332,000 (approximately S\$113,876). <sup>(4)</sup>	N.M. <sup>(5)</sup>	19.96% <sup>(6)</sup>	N.M. <sup>(5)</sup>



	Rule 1006	Proposed Disposal of HMS	Proposed Disposal of TMS	Proposed Disposals, collectively <sup>(10)</sup>
(c)	Aggregate value of the consideration given or received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares. <sup>(7)</sup>	0.60%	0.20%	0.80%
(d)	Number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue. <sup>(8)</sup>	N.A.	N.A.	N.A.
(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. <sup>(9)</sup>	N.A.	N.A.	N.A.

**Notes:**

- (1) The net asset value of HMS for 1Q2016 is RMB 6,315,265 (approximately S\$1,329,996).
- (2) The net asset value of TMS for 1Q2016 is RMB 1,074,094 (approximately S\$226,204).
- (3) The aggregate net asset value of the Targets for 1Q2016 is RMB 7,389,358 (approximately S\$1,556,200).
- (4) Under Rule 1002(3)(b) of the Listing Manual, "net profits" means profit or loss before income tax, minority interests and extraordinary items.
- (5) The net loss attributable to HMS for 1Q2016 is RMB 2,160,101 (approximately S\$462,835, computed based on the 1Q2016 average currency exchange rate of SGD1 : RMB4.667). These relative figures are negative and not meaningful of the significance of the Proposed Disposal of HMS and the Targets to the Company as HMS is loss-making for 1Q2016.
- (6) The net profits attributable to TMS for 1Q2016 are RMB 106,085 (approximately S\$22,731, computed based on the 1Q2016 average currency exchange rate of SGD1 : RMB4.667).
- (7) Based on the respective and aggregate Consideration in respect of the Proposed Disposals, and the market capitalisation of the Company of approximately S\$25,014,257 as at 26 May 2016 (being the full market day immediately preceding the date of the SPAs). Under Rule 1002(5), the market capitalisation of the Company is determined by multiplying the number of shares in issue (excluding treasury shares), being 200,114,059 ordinary shares, and the volume weighted average price of the Company's shares of S\$0.125 on 26 May 2016 (being the market date preceding the date of the SPAs).
- (8) Not applicable. This is not an acquisition.
- (9) Not applicable. The Company is not a mineral, oil and gas company.
- (10) For illustration purposes only.

As HMS is loss-making whilst the Group has made a net profit in 1Q2016, the relative figure computed pursuant to Rule 1006(b) in respect of the Proposed Disposal of HMS is a negative figure and is not meaningful. In addition, although the Proposed Disposal of TMS in itself is less than the 20% threshold for a major transaction under Chapter 10 of the Listing Manual, the Company intends to seek the approval of its shareholders ("**Shareholders**") for the Proposed Disposal of TMS.



Accordingly, the Company intends to seek the approval of its Shareholders for each of the Proposed Disposals at an extraordinary general meeting to be convened (“EGM”).

## 5. Financial effects of the Proposed Disposals

The pro forma financial effects below have been prepared based on the audited financial statements of the Group for the financial year ended 31 December 2015 (“FY2015”) and are strictly for illustration purposes. In this section, the individual financial effects in respect of each of the Proposed Disposal of HMS and the Proposed Disposal of TMS are set out. In addition, for illustration purposes, the combined financial effects of the Proposed Disposals of HMS and TMS are provided below.

### Proposed Disposal of HMS – Financial effects on Net Tangible Assets (“NTA”) per ordinary share of the Company (“Share”)

Assuming that the Proposed Disposal of HMS and the waiver of the Intercompany Debt had been completed on 31 December 2015 and based on the audited financial statements of the Group for FY2015, the pro forma financial effects which the Proposed Disposal of HMS and the waiver of the Intercompany Debt would have on the NTA per Share are as follows:

	Before the Proposed Disposal of HMS and the waiver of the Intercompany Debt	After the Proposed Disposal of HMS and the waiver of the Intercompany Debt
NTA (Singapore Dollars)	26,532,864	24,372,275
Number of Shares	200,114,059	200,114,059
NTA per Share (Singapore cents)	0.1326	0.1218

### Proposed Disposal of HMS – Financial effects on Earnings per Share (“EPS”)

Assuming that the Proposed Disposal of HMS had been completed on 1 January 2015 and based on the audited financial statements of the Group for FY2015, the pro forma financial effects which the Proposed Disposal of HMS and the waiver of the Intercompany Debt would have on the EPS are as follows:

	Before the Proposed Disposal of HMS and the waiver of the Intercompany Debt	After the Proposed Disposal of HMS and the waiver of the Intercompany Debt
Loss attributable to Shareholders (Singapore Dollars)	(25,490,065)	(27,737,629)
Number of Shares	200,114,059	200,114,059
Loss per Share (Singapore cents)	(0.1274)	(0.1386)



Proposed Disposal of TMS – Financial effects on NTA per Share

Assuming that the Proposed Disposal of TMS had been completed on 31 December 2015 and based on the audited financial statements of the Group for FY2015, the pro forma financial effects which the Proposed Disposal of TMS would have on the NTA per Share are as follows:

	Before the Proposed Disposal of TMS	After the Proposed Disposal of TMS
<b>NTA (Singapore Dollars)</b>	26,532,864	26,371,839
<b>Number of Shares</b>	200,114,059	200,114,059
<b>NTA per Share (Singapore cents)</b>	0.1326	0.1318

Proposed Disposal of TMS – Financial effects on EPS

Assuming that the Proposed Disposal of TMS had been completed on 1 January 2015 and based on the audited financial statements of the Group for FY2015, the pro forma financial effects which the Proposed Disposal of TMS would have on the EPS are as follows:

	Before the Proposed Disposal of TMS	After the Proposed Disposal of TMS
<b>Loss attributable to Shareholders (Singapore Dollars)</b>	(25,490,065)	(25,624,365)
<b>Number of Shares</b>	200,114,059	200,114,059
<b>Loss per Share (Singapore cents)</b>	(0.1274)	(0.1280)

Proposed Disposals – Combined financial effects on NTA per Share

Assuming that the Proposed Disposals and the waiver of the Intercompany Debt had been completed on 31 December 2015 and based on the audited financial statements of the Group for FY2015, the combined pro forma financial effects which the Proposed Disposals and the waiver of the Intercompany Debt would have on the NTA per Share are as follows:

	Before the Proposed Disposals and the waiver of the Intercompany Debt	After the Proposed Disposals and the waiver of the Intercompany Debt
<b>NTA (Singapore Dollars)</b>	26,532,864	24,211,250
<b>Number of Shares</b>	200,114,059	200,114,059
<b>NTA per Share (Singapore cents)</b>	0.1326	0.1210



## Proposed Disposals – Combined financial effects on EPS

Assuming that the Proposed Disposals and the waiver of the Intercompany Debt had been completed on 1 January 2015 and based on the audited financial statements of the Group for FY2015, the combined pro forma financial effects which the Proposed Disposals and the waiver of the Intercompany Debt would have on the EPS are as follows:

	<b>Before Proposed Disposals and the waiver of the Intercompany Debt</b>	<b>After Proposed Disposals and the waiver of the Intercompany Debt</b>
<b>Loss attributable to Shareholders (Singapore Dollars)</b>	(25,490,065)	(27,871,929)
<b>Number of Shares</b>	200,114,059	200,114,059
<b>Loss per Share (Singapore cents)</b>	(0.1274)	(0.1393)

Please note that the above financial effects figures are for illustrative purposes only. These do not necessarily reflect the actual results and financial performance and position of the Group after the Proposed Disposals. No representation is made as to the actual financial position and/or results of the Group after completion of the Proposed Disposals.

## 6. Material terms and conditions of the Proposed Disposals

The Proposed Disposals are subject to, among others:

- (i) HMS and TMS obtaining such approval(s) from their respective boards of directors and/or shareholders (if necessary) in connection with the SPAs and the transactions contemplated therein as may be necessary;
- (ii) HIHPL obtaining such approval(s) from its board of directors in connection with the SPAs and the transactions contemplated therein as may be necessary;
- (iii) the Company obtaining such approval(s) from its board of directors, Shareholders, the SGX-ST (and any other regulatory authority) in connection with the SPAs and the transactions contemplated therein as may be necessary; and
- (iv) all necessary third party, governmental and regulatory consents, approvals and waivers, if and where required, for the transactions contemplated in the SPAs having been obtained by the HIHPL and/or the Target, and such consents, approvals and waivers not having been amended or revoked before Completion, and if any such consents, approvals or waivers are subject to conditions, such conditions being acceptable to the Purchaser.

In respect of the Proposed Disposal of HMS, HIHPL had agreed to procure the waiver of the Intercompany Debt on or before the completion of the Proposed Disposal of HMS



**7. Interests of Directors and Controlling Shareholders**

Save for their shareholdings in the Company, none of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Disposals.

**8. Service contracts**

There is no person who is proposed to be appointed as Director of the Company in connection with the Proposed Disposals. Accordingly, no service contract is proposed to be entered into between the Company and any person.

**9. Further updates**

The Company will prepare and despatch a circular to provide Shareholders with information on the Proposed Disposals and convene an EGM for the purposes of seeking the abovementioned approvals. The Company will release such further announcements in due course as and where may be necessary.

**10. Documents available for Inspection**

Copies of the SPAs are available for inspection during normal business hours at the registered office of the Company at 45 North Canal Road #04-01 Singapore 059301 for a period of three (3) months from the date of this announcement.

**11. Miscellaneous**

Unless otherwise specifically stated, all references to currencies in this announcement have been based on the currency exchange rates as at 31 March 2016. The currency exchange rate between SGD and MYR has been based on an exchange rate of SGD1: MYR2.9155. The currency exchange rate between SGD and RMB has been based on an exchange rate of SGD1: RMB4.7483. The currency exchange rate between USD and SGD has been based on an exchange rate of USD1: SGD0.7320.

**12. Caution in trading**

Shareholders are advised to exercise caution in trading their Shares as there is no certainty or assurance as at the date of this announcement that the Proposed Disposals will proceed to completion. Shareholders are advised to read this announcement and any further announcements by the Company carefully. Shareholders should consult their stockbrokers, solicitors or other professional advisors if they have any doubts about the actions they should take.

**By Order of the Board**

Su Chung Jye  
Executive Chairman and Chief Executive Officer  
27 May 2016