

Unaudited Financial Statements and Related Announcement for the First Quarter Ended 31 March 2020

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		Change %
	1Q2020 RM'000	1Q2019 RM'000	
Revenue	11,373	15,550	-27%
Cost of sales	(5,366)	(8,431)	-36%
Gross profit	6,007	7,119	-16%
Interest income	3	4	-25%
Other gains	52	885	-94%
Marketing and distribution costs	(236)	(307)	-23%
Administrative expenses	(4,165)	(4,877)	-15%
Other losses	-	(3)	-100%
Finance costs	(1,491)	(1,477)	1%
Share of profit (loss) from equity-accounted associate	108	(12)	N.M.
Profit before tax	278	1,332	-79%
Income tax expenses	(28)	(337)	-92%
Profit, net of tax	250	995	-75%
<u>Other comprehensive income</u>			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translating foreign operations, net of tax	53	59	-10%
Other comprehensive income for the period, net of tax	53	59	-10%
Total comprehensive income for the period	303	1,054	-71%
Profit attributable to owners of the parent, net of tax	326	1,120	-71%
Loss attributable to non-controlling interests, net of tax	(76)	(125)	-39%
Profit, net of tax	250	995	-75%
Total comprehensive income attributable to owners of the parent	375	1,177	-68%
Total comprehensive loss attributable to non-controlling interests	(72)	(123)	-41%
Total comprehensive income for the period	303	1,054	-71%

N.M. – Not meaningful

REGAL International Group Ltd.

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

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

	Group		
	1Q2020 RM'000	1Q2019 RM'000	Change %
Interest income	3	4	-25.0%
Interest expense	(1,491)	(1,477)	0.9%
Depreciation of property, plant and equipment	(653)	(708)	-7.8%
Gain on disposal of property, plant and equipment	1	-	N.M.
Plant and equipment written off	-	(3)	-100.0%
Foreign exchange adjustment net gain	3	730	-99.6%

N.M. - Not meaningful

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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
	31.03.2020	31.12.2019	31.03.2020	31.12.2019
	RM'000	RM'000	RM'000	RM'000
ASSETS				
<u>Non-current assets</u>				
Property, plant and equipment	12,609	12,475	5	6
Development rights	11,276	11,276	-	-
Investment in subsidiaries	-	-	26,732	26,732
Investment in associate	3,916	3,808	-	-
Investment properties	14,766	13,680	-	-
Deferred tax assets	617	617	-	-
Other assets	480	480	-	-
Total non-current assets	43,664	42,336	26,737	26,738
<u>Current assets</u>				
Inventories	136,484	136,563	-	-
Trade and other receivables	96,413	102,458	4,965	5,233
Other assets	14,912	14,913	106	47
Cash and cash equivalents	9,492	6,950	463	564
Total current assets	257,301	260,884	5,534	5,844
Total assets	300,965	303,220	32,271	32,582
EQUITY AND LIABILITIES				
<u>Equity attributable to owners of the parent</u>				
Share capital	144,552	144,552	381,051	381,051
Accumulated losses	(131,616)	(131,942)	(432,604)	(432,022)
Foreign currency translation reserve	2,846	2,797	70,268	70,268
Share option reserve	2,933	2,933	2,933	2,933
Merger reserve	1,563	1,563	-	-
Other reserve	1,495	1,495	-	-
Equity attributable to owners of the parent	21,773	21,398	21,648	22,230
Non-controlling interests	(2,269)	(2,197)	-	-
Total equity	19,504	19,201	21,648	22,230
<u>Non-current liabilities</u>				
Deferred tax liabilities	9	9	-	-
Other payables	9,961	9,792	-	-
Other financial liabilities	28,251	33,321	-	-
Total non-current liabilities	38,221	43,122	-	-
<u>Current liabilities</u>				
Income tax payable	19,911	20,197	-	-
Trade and other payables	182,749	183,306	5,315	5,003
Other liabilities	2,449	3,835	-	-
Other financial liabilities	38,131	33,559	5,308	5,349
Total current liabilities	243,240	240,897	10,623	10,352
Total liabilities	281,461	284,019	10,623	10,352
Total equity and liabilities	300,965	303,220	32,271	32,582

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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	As at
	31.03.2020	31.12.2019
	RM'000	RM'000
Amount repayable in one year or less, or on demand		
- secured	38,131	33,559
	38,131	33,559
Amount repayable after one year		
- secured	28,251	33,321
	28,251	33,321

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. Joint and several guarantee by directors of certain subsidiaries of the Group;
3. Assignment over the rights, title and interest to the properties held for sale;
4. Corporate guarantees provided by certain subsidiaries of the Group;
5. Legal charge or deed of assignment and power of attorney over certain subsidiaries' properties held for sale;
6. Legal charge over the completed property of associate; and
7. Pledge of cash and cash equivalents in a subsidiary.

The banker acceptance are covered by:

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

The term loans are covered by the following:

1. Joint and several guarantees by certain directors of the Company;
2. Joint and several guarantees by directors of certain subsidiaries of the Group;
3. Corporate guarantees provided by certain subsidiaries of the Group;
4. Assignment over the rights, titles and interest or legal charges and/or power of attorney over properties held for sale and leasehold property;
5. Guarantee by Syarikat Jaminan Pembiayaan Perniagaan Berhad ("SJPP") under the Working Capital Guarantee Scheme (WCGS); and
6. Pledged of cash and cash equivalents of a subsidiary.

The preference shares are covered by the following:-

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

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- 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	1Q2020	1Q2019
	RM'000	RM'000
<u>Cash flows from operating activities</u>		
Profit before tax	278	1,332
Adjustments for:		
Depreciation of property, plant and equipment	653	708
Interest expense	1,491	1,477
Interest income	(3)	(4)
Property, plant and equipment written off	-	3
Gain on disposal of property, plant and equipment	(1)	-
Accrued income tax penalties	34	-
Share of (profit) loss from equity-accounted associate	(108)	12
Operating cash flows before changes in working capital	2,344	3,528
Inventories	79	(13,156)
Trade and other receivables	5,578	(82,908)
Other assets	1	578
Trade and other payables	(3,569)	96,915
Other liabilities	(1,386)	568
Net cash flows from operations before tax	3,047	5,525
Income tax paid	(348)	-
Net cash flows from operating activities	2,699	5,525
<u>Cash flows used in investing activities</u>		
Purchase of property, plant and equipment	(35)	(170)
Proceed from disposal of property, plant and equipment	1	-
Interest received	3	4
Net cash flows used in investing activities	(31)	(166)
<u>Cash flows from (used in) financing activities</u>		
Repayment of borrowings and lease liabilities	(1,387)	(2,184)
Cash restricted in use	(2)	(508)
Proceeds from substantial shareholder - net	102	-
Proceeds from (Repayment to) related parties - net	884	(103)
Proceeds from (Repayment to) associate - net	546	(146)
Repayment to directors of subsidiaries - net	(160)	(70)
Proceeds from directors who are controlling shareholders of Company - net	131	94
Interest paid	(327)	(794)
Net cash flows used in financing activities	(213)	(3,711)
Net increase in cash and cash equivalents	2,455	1,648
Cash and cash equivalents, statement of cash flows, beginning balance	3,891	1,512
Effect of exchange rate changes on cash and cash equivalents	2	(2)
Cash and cash equivalents, statement of cash flows, ending balance	6,348	3,158
Cash and cash equivalents comprised of :		
Cash and bank balances	9,492	8,158
Bank overdrafts	(1,507)	(3,186)
Cash restricted in use	(1,637)	(1,814)
	6,348	3,158

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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	Attributable to owners of the parent		Accumulated losses	Foreign currency translation reserve	Share option reserve	Merger reserve	Other reserve	Non-controlling interests	
	Total equity	Share capital							
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Group									
Current period:									
Opening balance at 1 January 2020	19,201	21,398	144,552	(131,942)	2,797	2,933	1,563	1,495	(2,197)
<u>Movement in equity:</u>									
Total comprehensive income (loss) for the period	303	375	-	326	49	-	-	-	(72)
Closing balance at 31 March 2020	19,504	21,773	144,552	(131,616)	2,846	2,933	1,563	1,495	(2,269)
Previous 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)
<u>Movement in equity:</u>									
Total comprehensive income (loss) for the period	1,054	1,177	-	1,120	57	-	-	-	(123)
Closing balance at 31 March 2019 (Restated)	17,715	19,334	144,552	(134,557)	2,883	3,398	1,563	1,495	(1,619)

	Total equity	Share capital	Accumulated losses	Foreign currency	
				translation reserve	Share option reserve
	RM'000	RM'000	RM'000	RM'000	RM'000
Company					
Current period:					
Opening balance at 1 January 2020	22,230	381,051	(432,022)	70,268	2,933
<u>Movement in equity:</u>					
Total comprehensive loss for the period	(582)	-	(582)	-	-
Closing balance at 31 March 2020	21,648	381,051	(432,604)	70,268	2,933
Previous period:					
Opening balance at 1 January 2019	49,040	381,051	(405,677)	70,268	3,398
<u>Movement in equity:</u>					
Total comprehensive loss for the period	(751)	-	(751)	-	-
Closing balance at 31 March 2019	48,289	381,051	(406,428)	70,268	3,398

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

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1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. 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 31 March 2020 and 31 March 2019, 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 31.03.2020	As at 31.12.2019
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 2019, except as explained in item 5 below.

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- 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.

The Group has adopted several new accounting standards and interpretations and amendments to standards that are effective for periods beginning on or after 1 January 2020.

There is no significant impact to the financial statements of the Group.

- 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	
	1Q2020	1Q2019
Profit attributable to the owners of the parent during the financial period (RM'000)	326	1,120
Weighted average number of ordinary shares on issue	224,917,251	224,917,251
Basic profit per share for profit attributable to owners of the parent during the financial period (sen)	0.14	0.50

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

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

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

- (a) current financial period reported on; and
(b) immediately preceding financial year.

Net Asset Value	Group		Company	
	As at 31.03.2020	As at 31.12.2019	As at 31.03.2020	As at 31.12.2019
Net asset value (RM'000)	21,773	21,398	21,648	22,230
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)	9.68	9.51	9.62	9.88

- 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 RM4.2 million or 26.9% from RM15.6 million in 1Q2019 to RM11.4 million in 1Q2020. This was mainly due the decrease in revenue from construction contracts by RM5.7 million as a result of slower progress of constructions as compared to 1Q2019. Such decrease was partially offset by increase in sale of development properties by RM1.1 million.

The gross profit margin of the Group for 1Q2019 and 1Q2020 were 45.8% and 52.8% respectively. The higher gross profit margin in 1Q2020 was due to sales from the better yield development projects and reduction in costs that directly charged to profit or loss for 1Q2020 as compared to 1Q2019.

Other gains decreased by RM0.8 million was mainly due to the decrease in foreign exchange adjustment net gain.

Administrative expenses decreased by RM0.7 million from RM4.9 million in 1Q2019 to RM4.2 million in 1Q2020 was mainly resulted by the decrease in employee benefits expense.

The 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 profit in 1Q2020 was arising from the net profit in the associate for the period.

Decrease in income tax expenses was mainly due to the lower chargeable income in 1Q2020.

Statements of Financial Position

Group

Non-current assets of the Group increased by RM1.4 million from RM42.3 million as at FY2019 to RM43.7 million as at 1Q2020 was mainly arising from the increase in investment properties under construction.

Current assets of the Group decreased by RM3.6 million from RM260.9 million as at FY2019 to RM257.3 million as at 1Q2020. The decrease was mainly due to decrease in trade and other receivables by RM6.1 million resulting from collections from trade receivables. Such decrease was partially offset by increase in cash and cash equivalents by RM2.5 million.

Non-current liabilities of the Group decreased by RM4.9 million from RM43.1 million as at FY2019 to RM38.2 million as at 1Q2020 was mainly due to the decrease in other financial liabilities following the reclassification of borrowings, which due within 12 months, to current liabilities.

Current liabilities of the Group increased by RM2.3 million from RM240.9 million as at FY2019 to RM243.2 million as at 1Q2020. The increase was mainly due to increase in other financial liabilities by RM4.5 million mainly arising from reclassification of borrowings, which due within 12 months from non-current liabilities. Such increase was partially offset by the decrease in trade and other payables by RM0.6 million for repayments made to creditors and the decrease in other liabilities by RM1.4 million in relation to the decrease in refundable deposits.

Overall, the Group's net asset stood at RM19.5 million as at 1Q2020 as compared to RM19.2 million as at FY2019.

Statement of Cash Flows

Net cash and cash equivalents held by the Group increased from RM3.9 million as at FY2019 to RM6.3 million as at 1Q2020. The increase was mainly contributed by the net cash inflow from the operating activities.

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- 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 ongoing imposition of the Movement Control Order (MCO) by the Malaysian government is continuing to adversely impact the Group's construction and property business. The Covid-19 pandemic continues to create many uncertainties and variables, making the property market and economic trends unpredictable. The Group continues its efforts on sustainability of the operations by way of restructuring of the Group's financial liabilities and cost cutting measures, as well as pursuing diversified business possibilities and ventures.

- 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.

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- 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 first quarter results ended 31 March 2020 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

16 April 2021