

Unaudited Financial Statements and Related Announcement for the Third Quarter Ended 30 September 2016

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 | | |
|--------------------------------------------------------------------------------|--------------|----------------|-------------|-----------------|-----------------|--------------|
| | 3Q2016 | 3Q2015 | Change % | 9M2016 | 9M2015 | Change % |
| | RM'000 | RM'000 | | RM'000 | RM'000 | |
| Continuing Operations | | | | | | |
| Revenue | 37,247 | 11,181 | 233% | 113,428 | 27,862 | 307% |
| Cost of sales | (28,919) | (9,919) | 192% | (89,953) | (21,169) | 325% |
| Gross profit | 8,328 | 1,262 | 560% | 23,475 | 6,693 | 251% |
| Interest income | 6 | 49 | -88% | 13 | 64 | -80% |
| Other gains | 12 | - | N.M. | 514 | 417 | 23% |
| Administrative expenses | (7,512) | (7,329) | 2% | (21,761) | (16,949) | 28% |
| Other losses | - | (1) | N.M. | - | - | N.M. |
| Finance costs | (663) | (555) | 19% | (1,926) | (1,463) | 32% |
| Share of (loss) profit from equity-accounted associates | (64) | 595 | N.M. | 877 | 733 | 20% |
| Profit (Loss) before tax | 107 | (5,979) | N.M. | 1,192 | (10,505) | N.M. |
| Income tax (expense) credit | (514) | 143 | N.M. | (1,312) | 227 | N.M. |
| Loss from continuing operations, net of tax | (407) | (5,836) | -93% | (120) | (10,278) | -99% |
| Discontinued Operation (Precision Business) | | | | | | |
| Loss from discontinued operation, net of tax | (375) | (253) | 48% | (20,861) | (374) | 5478% |
| Loss for the period, net of tax | (782) | (6,089) | -87% | (20,981) | (10,652) | 97% |
| Other comprehensive income (loss) | | | | | | |
| Items that may be reclassified subsequently to profit or loss: | | | | | | |
| Exchange difference on translating foreign operations, net of tax | 511 | 6,841 | -93% | (568) | 10,353 | N.M. |
| Other comprehensive income (loss) for the period, net of tax | 511 | 6,841 | -93% | (568) | 10,353 | N.M. |
| Total comprehensive (loss) income for the period | (271) | 752 | N.M. | (21,549) | (299) | 7107% |
| Loss attributable to equity holders of parent, net of tax | (1,044) | (6,125) | -83% | (21,514) | (10,704) | 101% |
| Profit attributable to non-controlling interest, net of tax | 262 | 36 | 628% | 533 | 52 | 925% |
| Loss, net of tax | (782) | (6,089) | -87% | (20,981) | (10,652) | 97% |
| Total comprehensive (loss) income attributable to equity holders of the parent | (533) | 716 | N.M. | (22,082) | (351) | 6191% |
| Total comprehensive income attributable to non-controlling interests | 262 | 36 | 628% | 533 | 52 | 925% |
| Total comprehensive (loss) income for the period | (271) | 752 | N.M. | (21,549) | (299) | 7107% |

N.M. – Not meaningful

REGAL International Group Ltd.

(Company Registration No. 200508585R)

- Unaudited Financial Statements and Related Announcement for the third quarter ended 30 September 2016

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

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

| | Group | | | Group | | |
|----------------------------------------------------------|------------------|------------------|-------------|------------------|------------------|-------------|
| | 3Q2016 RM'000 | 3Q2015 RM'000 | Change % | 9M2016 RM'000 | 9M2015 RM'000 | Change % |
| <u>Continuing Operation</u> | | | | | | |
| Depreciation of property, plant and equipment | (1,140) | (928) | 22.8% | (3,086) | (2,084) | 48.1% |
| Interest income | 6 | 49 | -87.8% | 13 | 64 | -79.7% |
| Interest expense | (663) | (555) | 19.5% | (1,926) | (1,463) | 31.6% |
| Share-based payments | (483) | (798) | -39.5% | (1,434) | (1,023) | 40.2% |
| (Allowance) Reversal for impairment of trade receivables | (12) | (10) | 20.0% | 107 | 369 | -71.0% |
| Foreign exchange adjustment net (loss) gain | (176) | (56) | 214.3% | 8 | (57) | N.M. |

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 30.09.2016 | As at 31.12.2015 | As at 30.09.2016 | As at 31.12.2015 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| ASSETS | | | | |
| <u>Non-current assets</u> | | | | |
| Property, plant and equipment | 13,341 | 22,700 | 80 | 109 |
| Available-for-sale financial assets | 1,523 | 1,523 | 1,523 | 1,523 |
| Investment in subsidiaries | - | - | 386,308 | 386,308 |
| Investment in associates | 5,973 | 8,565 | - | - |
| Deferred tax assets | 101 | 1,345 | - | 59 |
| Other assets | 7,021 | 6,282 | - | - |
| Total non-current assets | 27,959 | 40,415 | 387,911 | 387,999 |
| <u>Current assets</u> | | | | |
| Development properties | 124,982 | 108,235 | - | - |
| Inventories | 28,373 | 36,729 | - | - |
| Trade and other receivables | 59,247 | 73,565 | 22,957 | 23,324 |
| Other assets | 1,910 | 5,308 | 209 | 127 |
| Cash and cash equivalents | 4,642 | 22,484 | 1,536 | 3,602 |
| | 219,154 | 246,321 | 24,702 | 27,053 |
| Assets of disposal group classified as held for sale | 52,247 | - | - | - |
| Total current assets | 271,401 | 246,321 | 24,702 | 27,053 |
| Total assets | 299,360 | 286,736 | 412,613 | 415,052 |
| EQUITY AND LIABILITIES | | | | |
| <u>Equity attributable to owners of the parent</u> | | | | |
| Share capital | 133,052 | 133,052 | 369,551 | 369,551 |
| Accumulated losses | (88,395) | (66,881) | (45,370) | (38,750) |
| Share option reserve | 3,065 | 1,631 | 3,065 | 1,631 |
| Foreign currency translation reserve | 9,001 | 9,569 | 61,965 | 62,092 |
| Merger reserve | 3,178 | 3,178 | - | - |
| Equity, attributable to owners of the parent | 59,901 | 80,549 | 389,211 | 394,524 |
| Non-controlling interests | 898 | 365 | - | - |
| Total equity | 60,799 | 80,914 | 389,211 | 394,524 |
| <u>Non-current liabilities</u> | | | | |
| Deferred tax liabilities | - | 1,253 | - | - |
| Other financial liabilities | 19,538 | 15,684 | - | - |
| Total non-current liabilities | 19,538 | 16,937 | - | - |
| <u>Current liabilities</u> | | | | |
| Income tax payable | 14,066 | 15,256 | - | 5 |
| Trade and other payables | 88,454 | 61,132 | 23,402 | 20,523 |
| Other liabilities | 4,663 | 4,217 | - | - |
| Progress billings | 60,974 | 77,024 | - | - |
| Other financial liabilities | 15,105 | 31,256 | - | - |
| | 183,262 | 188,885 | 23,402 | 20,528 |
| Liabilities of disposal group classified as held for sale | 35,761 | - | - | - |
| Total current liabilities | 219,023 | 188,885 | 23,402 | 20,528 |
| Total liabilities | 238,561 | 205,822 | 23,402 | 20,528 |
| Total equity and liabilities | 299,360 | 286,736 | 412,613 | 415,052 |

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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 30.09.2016 | As at 31.12.2015 |
| | RM'000 | RM'000 |
| <u>Amount repayable in one year or less, or on demand</u> | | |
| - secured | 15,105 | 31,256 |
| | 15,105 | 31,256 |
| <u>Amount repayable after one year</u> | | |
| - secured | 19,538 | 15,684 |
| | 19,538 | 15,684 |
| | | |

Details of any collateral:

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

The bank overdrafts are covered by: -

1. Pledge of the fixed deposits with licensed banks of certain subsidiaries;
2. Joint and several guarantees of certain directors of the Company;
3. Assignment over the rights, title and interest to the properties held for sale;
4. Corporate guarantees provided by certain subsidiaries of the Company; and/or
5. First party charge and first/second legal charges on some of the subsidiaries' projects land and properties held for sale.

The term loans are covered by the following:-

1. Upfront fixed deposit of RM260,000 and interest;
2. Joint and several guarantee by certain directors of the Company;
3. Yearly fixed deposits of RM30,000 to commence 6 months after initial release of facilities;
4. Joint and several guarantee by ex-director of one of the subsidiaries of the Company;
5. Corporate guarantees provided by certain subsidiaries of the Company;
6. First party charge and first/second legal charges on some of the subsidiaries' projects land and properties held for sale and leasehold property;
7. Assignment over the rights, titles and interest to the properties held for sale;
8. Legal assignment of life policy to be executed by the subsidiary in respect of certain directors; and/or
9. Corporate guarantees provided by 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 | <u>3Q2016</u> RM'000 | <u>3Q2015</u> RM'000 | <u>9M2016</u> RM'000 | <u>9M2015</u> RM'000 |
|---------------------------------------------------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| <u>Cash flows from operating activities</u> | | | | |
| Profit (Loss) before tax from continuing operation | 107 | (5,979) | 1,192 | (10,506) |
| (Loss) Profit before tax from discontinued operation | (546) | (52) | (21,487) | 691 |
| Loss before tax, total | (439) | (6,031) | (20,295) | (9,815) |
| Adjustments for: | | | | |
| Depreciation of property, plant and equipment | 1,453 | 1,690 | 4,449 | 2,882 |
| Waiver of quasi-equity loan to associates | - | - | - | 3,497 |
| Interest expense | 662 | 540 | 1,925 | 1,549 |
| Interest income | (11) | (16) | (28) | (56) |
| Gain on disposal of plant and equipment | - | (158) | (58) | (158) |
| Plant and equipment written off | - | 31 | - | 31 |
| Gain on disposal of investment in associates | - | - | - | (78) |
| Loss recognised on remeasurement to fair value less costs to sell | (7) | - | 18,052 | - |
| Dividends from associates | - | - | 3,469 | - |
| Share-based payments | 483 | 798 | 1,434 | 1,023 |
| Share of loss (profit) from equity-accounted associates | 64 | (596) | (877) | (797) |
| Operating cash flows before changes in working capital | 2,205 | (3,742) | 8,071 | (1,922) |
| Development properties | 4,548 | (17,169) | (16,746) | (50,512) |
| Inventories | (6,706) | (4,545) | (10,025) | (1,102) |
| Trade and other receivables | 17,856 | (708) | (17,797) | (11,541) |
| Other assets, current | 241 | 232 | 2,074 | (334) |
| Trade and other payables | 2,120 | 534 | 40,255 | 13,433 |
| Progress billings | (18,687) | 26,834 | (16,049) | 36,812 |
| Other liabilities | (23) | (127) | 447 | 4,697 |
| Net cash flows from (used in) operations before tax | 1,554 | 1,309 | (9,770) | (10,469) |
| Income tax paid | (878) | (571) | (702) | (1,684) |
| Net cash flows from (used in) operating activities | 676 | 738 | (10,472) | (12,153) |
| <u>Cash flows from investing activities</u> | | | | |
| Purchase of property, plant and equipment | (746) | (214) | (2,064) | (1,234) |
| Proceeds from sale of property, plant and equipment | 51 | 403 | 612 | 403 |
| Other assets, non-current | (386) | 1,445 | (740) | 2,647 |
| Available-for-sale financial asset | - | (1,562) | - | (1,562) |
| Interest received | 11 | 16 | 28 | 56 |
| Net cash flows (used in) from investing activities | (1,070) | 88 | (2,164) | 310 |
| <u>Cash flows from financing activities</u> | | | | |
| Other payables/receivables - directors | 52 | 265 | 1,025 | 364 |
| Other payables/receivables - shareholders | (14) | - | 139 | - |
| Proceeds from borrowings | 590 | 8,552 | 8,079 | 11,630 |
| Repayment of borrowings | (1,107) | (4,590) | (5,893) | (11,437) |
| Cash restricted in use | (34) | (1,267) | (147) | (1,272) |
| Interest paid | (662) | (540) | (1,925) | (1,549) |
| Net cash flows (used in) from financing activities | (1,175) | 2,420 | 1,278 | (2,264) |
| Net (decrease) increase in cash and cash equivalents | (1,569) | 3,246 | (11,358) | (14,107) |
| Cash and cash equivalents, statement of cash flows, beginning balance | 2,994 | 8,985 | 13,363 | 22,921 |
| Effect of exchange rate changes on cash and cash equivalents | 22 | 6,842 | (558) | 10,259 |
| Cash and cash equivalents, statement of cash flows, ending balance | 1,447 | 19,073 | 1,447 | 19,073 |
| Cash and cash equivalents comprised : | | | | |
| Cash and bank balances | 4,642 | 27,455 | 4,642 | 27,455 |
| Cash and bank balances of disposal group classified as held for sale | 7,960 | - | 7,960 | - |
| Bank overdraft | (8,738) | (6,817) | (8,738) | (6,817) |
| Cash restricted in use | (2,417) | (1,565) | (2,417) | (1,565) |
| | 1,447 | 19,073 | 1,447 | 19,073 |

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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.

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

| Statements of Changes in Equity | (Accumulated losses) | | | | | | | |
|--------------------------------------------------|----------------------|------------------------|----------------|-------------------|--------------------------|----------------|----------------------|---------------------------|
| | Total equity | Attributable to parent | Share capital | Retained earnings | Foreign exchange reserve | Merger reserve | Share option reserve | Non-controlling interests |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Group | | | | | | | | |
| Current period: | | | | | | | | |
| Opening balance at 1 July 2016 | 60,587 | 59,951 | 133,052 | (87,351) | 8,490 | 3,178 | 2,582 | 636 |
| Movement in equity: | | | | | | | | |
| Total comprehensive (loss) income for the period | (271) | (533) | - | (1,044) | 511 | - | - | 262 |
| Share-based payments | 483 | 483 | - | - | - | - | 483 | - |
| Closing balance at 30 September 2016 | 60,799 | 59,901 | 133,052 | (88,395) | 9,001 | 3,178 | 3,065 | 898 |
| Previous period: | | | | | | | | |
| Opening balance at 1 July 2015 | 142,925 | 142,775 | 133,052 | 943 | 5,377 | 3,178 | 225 | 150 |
| Movement in equity: | | | | | | | | |
| Total comprehensive income (loss) for the period | 752 | 716 | - | (6,125) | 6,841 | - | - | 36 |
| Share-based payments | 798 | 798 | - | - | - | - | 798 | - |
| Closing balance at 30 September 2015 | 144,475 | 144,289 | 133,052 | (5,182) | 12,218 | 3,178 | 1,023 | 186 |

| | (Accumulated losses) | | | | |
|--------------------------------------------------|----------------------|----------------|-------------------|--------------------------|----------------------|
| | Total equity | Share capital | Retained earnings | Foreign exchange reserve | Share option reserve |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Company | | | | | |
| Current period: | | | | | |
| Opening balance at 1 July 2016 | 390,983 | 369,551 | (43,098) | 61,948 | 2,582 |
| Movement in equity: | | | | | |
| Total comprehensive (loss) income for the period | (2,255) | - | (2,272) | 17 | - |
| Share-based payments | 483 | - | - | - | 483 |
| Closing balance at 30 September 2016 | 389,211 | 369,551 | (45,370) | 61,965 | 3,065 |
| Previous period: | | | | | |
| Opening balance at 1 July 2015 | 370,170 | 369,551 | (29,893) | 30,287 | 225 |
| Movement in equity: | | | | | |
| Total comprehensive income (loss) for the period | 40,269 | - | (2,534) | 42,803 | - |
| Share-based payments | 798 | - | - | - | 798 |
| Closing balance at 30 September 2015 | 411,237 | 369,551 | (32,427) | 73,090 | 1,023 |

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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.

There have been no changes in the Company's share capital and treasury shares since the end of the previous period reported on.

As at 30 September 2016 and 30 September 2015, the Company did not hold any treasury shares.

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 Sep 2016 | As at 30 Sep 2015 |
|---------------------------------------------------------|----------------------|----------------------|
| Total number of issued shares excluding treasury shares | <u>200,114,059</u> | <u>200,114,059</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.

None.

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 2015, except for the adoption of Financial Reporting Standards ("FRSs") which are relevant to the Group's operations and took effect from 1 January 2016.

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.

Please refer to item 4 above. The adoption of the new and revised FRSs had no material effect on the Group's accounting policies and had no significant impact on the Group's financial statements.

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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 | |
|---------------------------------------------------------------------------------------------------------|-------------|-------------|-------------|-------------|
| | 3Q2016 | 3Q2015 | 9M2016 | 9M2015 |
| Loss attributable to the equity holders of the parent during the financial period: | | | | |
| From continuing operation (RM'000) | (669) | (5,872) | (653) | (10,330) |
| From discontinued operation (RM'000) | (375) | (253) | (20,861) | (374) |
| Weighted average number of ordinary shares on issue | 200,114,059 | 200,114,059 | 200,114,059 | 200,114,059 |
| Basic loss per share for loss attributable to equity holders of the parent during the financial period: | | | | |
| From continuing operation (sens) | (0.33) | (2.93) | (0.33) | (5.16) |
| From discontinued operation (sens) | (0.19) | (0.13) | (10.42) | (0.19) |

(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 30.09.2016 | As at 31.12.2015 | As at 30.09.2016 | As at 31.12.2015 |
| Net asset value (RM'000) | 60,799 | 80,549 | 389,211 | 394,524 |
| Number of issued shares excluding treasury shares | 200,114,059 | 200,114,059 | 200,114,059 | 200,114,059 |
| Net asset value per ordinary share (sens) | 30.38 | 40.25 | 194.49 | 197.15 |

- 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

On 2 June 2016, the Company announced the decision of its board of directors to dispose of one of its wholly-owned subsidiaries, Hisaka International Holdings Pte Ltd ("HIHPL"). HIHPL is the holding company of the Group's precision business division. The proposed disposal of the precision business, which has been underperforming, is consistent with the Group's strategy to re-align its corporate strategy and focus on its core property development business.

The proposed disposal was not completed as at 3Q2016 as the necessary approval from the SGX-ST is still pending. The results of the precision business division were presented separately on the income statement as "Loss from discontinued operation, net of tax".

The property business division was presented under the "Continuing Operation".

(a) Revenue and Profitability from Continuing Operation

The Group's Continuing Operation includes its property development business and the holding company.

Revenue from the property development business increased by RM26.0 million or 233% from RM11.2 million in 3Q2015 to RM37.2 million in 3Q2016, attributed by the increase in the development projects completed and the number of units sold in 3Q2016 compared to 3Q2015. Comparatively, the sale of construction materials and construction projects had also risen in 3Q2016 compared to 3Q2015.

The property development business recorded gross profit margin of 22% in 3Q2016 compared to 11% in 3Q2015. The higher gross profit margin was due to the increase in completion of higher profit yielding development projects and units sold in 3Q2016, coupled with the adoption of value engineering approach to lower costs.

Both administrative expenses and finance costs in the Continuing Operation between 3Q2016 and 3Q2015 had remained consistent comparatively.

The share of results from equity-accounted associates was mainly contributed by the Group's associate, Tiya Development Sdn Bhd, for both 3Q2016 and 3Q2015. There was a share of loss this quarter because the available property units were largely sold off in the previous quarters. The new projects undertaken by the associate are still at the very preliminary stage of development.

Income tax expenses increased mainly due to more taxable income from the property development business.

(b) Loss from Discontinued Operation

Discontinued Operation refers to the Group's precision business. There was a slight increase in loss from this business from RM0.3 million in 3Q2015 to RM0.4 million in 3Q2016. The precision business has remained a loss-making segment resulting from weakening of the manufacturing semiconductor industry.

Following the classification of the precision business to discontinued operation, an impairment loss of RM18.1 million was accordingly recognised to reduce the carrying amount of the assets in the disposal group to the fair value less costs to sell in 2Q2016.

(c) Group Result in 3Q2016

Whilst there was a profit generated by the property development business of approximately RM1.9 million coupled with an exchange gain from the translation of foreign operations of RM0.5 million, these gains were offset by the loss from the discontinued operation of RM0.4 million and the administrative expenses of the holding company of approximately RM2.3 million.

Statements of Financial Position

Group

The assets and liabilities of the precision business have been presented in the balance sheet as "Assets of disposal group classified as held for sale" and "Liabilities directly associated with disposal group classified as held for sale" respectively.

Non-current assets of the Group decreased by RM12.4 million from RM40.4 million as at FY2015 to RM28 million as at 3Q2016 largely due to a reclassification of the precision business' assets to the disposal group under current assets. Other factors include the decrease in investment in associate, Tiya Development Sdn Bhd, resulting from a dividend distribution made by the associate in 1Q2016. The decrease was offset by an increase in property, plant and equipment from the property development business of RM2.3 million and an increase in advance to landowners of RM0.7 million.

The current assets of the Group had increased by RM25.1 million from RM246.3 million as at FY2015 to RM271.4 million as at 3Q2016, partly due to the reclassification of the non-current assets of the precision business under assets held for sale amounting to approximately RM11.7 million. Furthermore, the development properties of the property development business had shown an increase of RM16.8 million in 3Q2016 as compared to FY2015 owing to an increase in the property development activities. These were the major reasons for the overall increase in current assets of the Group.

Non-current liabilities rose by RM2.6 million from RM16.9 million as at FY2015 to RM19.5 million as at 3Q2016. The increase was mainly due to the higher bank borrowings by the property development business for its property development activities.

Current liabilities of the Group increased by RM30.1 million from RM188.9 million as at FY2015 to RM219.0 million as at 3Q2016. One of the significant reasons was the net increase in trade and other payables and progress billings of RM22.4 million largely due to the increase in the property development and construction activities. There was also an increase in the precision business' current liabilities of approximately RM8.5 million in 3Q2016 as a result of its increased borrowings and trade and other payables.

Overall, the Group's net tangible assets stood at RM60.8 million as at 30 September 2016 compared to RM80.9 million as at FY2015.

Company

The movements in trade and other receivables and trade and other payables were mainly due to movements in inter-companies' balances.

Statement of Cash flows

Net cash and cash equivalents held by the Group as at 3Q2016 was RM1.4 million after netting of bank overdraft and cash restricted in use aggregating RM11.1 million. 3Q2016 saw a positive cash flow generating from the operating activities, this was offset by the net cash out flow from both investing and financing activities due to more purchases of property, plant and equipment to cope with the increase in development and constructing activities, as well as repayments of borrowings.

- 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.

In the next 12 months, the Group maintains a cautious outlook for both its property development and precision businesses. A summary of our outlook and strategies are as follows:

Disposal of the Precision Business

The Group is working actively towards the completion of the proposed divestment of its precision business division held by its wholly-owned subsidiary, Hisaka International Holdings. On 2 June 2016, the Group had announced its plan to dispose of the precision business for a cash consideration of S\$7 million plus net proceeds from the sale of its industrial property building. Pending the SGX-ST approval, the disposal of the precision business will enable the Group to align its corporate strategy towards an exclusive focus on its property development business.

Property Division

Looking ahead, the property market for Sarawak is holding up steadily despite challenging economic environment. Genuine homebuyers will continue to create market demand while the slight slowdown in property sales due previously to financial institutions tightening their loan approvals could well be relieved with the increase in public servants' housing loan limit as per Malaysia's 2017 Budget.

The Group also wishes to highlight several key corporate developments recently announced over the past 3 months that might impact the Group over the next 12 months:

- A Heads of Agreement with China – Malaysia Qinzhou Industrial Park Administrative Committee in conjunction with the development of the Halal Industry Zone within the China-Malaysia Qinzhou Industrial Park;
- The incorporation of a new logistics subsidiary, Regal Global Logistics Pte. Ltd ("RGL"), on 10 October 2016 as part of the Group's plans to venture into the logistics sector, followed by the signing of a Management Rights Agreement with FTL Group Pte. Ltd. to collaborate on the management and running of its business for 6 months, prior to RGL acquiring 51% shareholding of FTL Group;
- The MOU signed in August with SINAD Sports Pte Ltd to establish a real estate-focused asset management company materialized with the incorporations of 2 new 75%-owned subsidiaries on 28 October 2016 – Regal Asset Management Pte. Ltd. and Regal Global Capital Pte. Ltd., setting the Group's initial pace into the asset management business;
- The incorporation of a 70%-owned subsidiary, Regalia Properties Pte. Ltd., on 4 November 2016 to market international investment properties and ultimately contribute to the transformation of the Group into a full-fledged real estate service and solution provider.

- 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

REGAL International Group Ltd.

(Company Registration No. 200508585R)

- Unaudited Financial Statements and Related Announcement for the third quarter ended 30 September 2016

(c) **Date Payable**

Not applicable.

(d) **Books Closure Date**

Not applicable.

12 **If no dividend has been declared/recommended, a statement to that effect.**

Not applicable.

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). (Not required for announcement on full year results)**

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 third quarter results ended 30 September 2016 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

11 November 2016