

IDEAL UNITED BINTANG INTERNATIONAL BERHAD (1215261-H)

Interim report for the first quarter ended 31st Mar 2019

(These figures have not been audited)

PART A – Compliance with Malaysia Financial Reporting Standard (MFRS) 134, Interim Financial Reporting and Bursa Listing Requirements

A1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of new International Financial Reporting Standards Compliant framework, Malaysia Financial Reporting Standards (MFRS), MFRS 134 – “Interim Financial Reporting” and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

These explanatory notes attached to the interim financial statements provide an explanation of the events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2018.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2018.

A2. Changes in Accounting Policies

The significant accounting policies and methods of computation adopted for the interim financial statement are consistent with those of the audited financial statements for the year ended 31 December 2018. The Group has adopted the following amendments to MFRSs issued by the Malaysian Accounting Standards Board (“MASB”) that are mandatory for the current financial year:

| | |
|---|---|
| Amendments to MFRS 9 | Financial Instruments (IFRS 9 as issued by IASB in July 2014) |
| IC Interpretation 22 | Foreign Currency Transactions and Advance Consideration |
| Amendments to MFRS 2 | Classification and Measurement of Share-Based Payment Transactions |
| Amendments to MFRS 4 | Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts |
| Amendments to MFRS 15 | Clarifications to MFRS 15 |
| Amendments to MFRS 140 | Transfers to Investment Property |
| Annual Improvements to MFRSs 2014-2016 Cycle: | |
| - Amendments to MFRS 1 | |
| - Amendments to MFRS 128 | |

Adoption of the above amendments to MFRSs did not have any significant impact on the financial statements of the Group.

A3. Auditor’s Report on Preceding Annual Financial Statements

The Financial Statements of the Group for the preceding financial year ended 31 December 2018 were not subject to any qualification.

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A4. Comments about the Seasonality or Cyclicity of Interim Operation.

The business operations of the Group were not significantly affected by any seasonal or cyclical factors.

A5. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows & Sensitivity Analysis of Market Risk

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows and sensitivity analysis of market risk that were unusual because of their nature, size or incidence for the current quarter.

A6. Changes in Estimates

There were no changes in estimates that had any material effect to the financial statements in the period under review.

A7. Issuance, Cancellation, Repurchase, Resale and Repayment of Debts and Equity Securities

There were no issuances, cancellations, repurchases, resales and repayments of debts and equity securities in the current quarter and financial year to date under review.

A8. Dividends Paid

No dividends have been paid by the Company in the current quarter and financial year to date.

A9. Operating Segment Information

The Group has two business segments of which the revenue and result of business segments for the current quarter and financial year to date were as follows. Previously there were three business segments, as overseas machinery segment no longer meet the quantitative thresholds in accordance to FRS 8, Operating Segments, we have now combined the local machinery and overseas machinery under Trading & Machinery Segment.

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-----3 months ended 31-03-2019-----

| Business segments | Property Development | Trading of Building Material & Machinery | Adjustments & Eliminations | Total |
|----------------------------|-------------------------|--|----------------------------------|----------------------|
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue: | | | | |
| External customers | 137,844 | 3,491 | - | 141,335 |
| Inter-segment | - | - | - | - |
| | <u>137,844</u> | <u>3,491</u> | <u>-</u> | <u>141,335</u> |
| Results: | | | | |
| Segment results (external) | 32,372 | 95 | - | 32,467 |
| Unallocated expenses | | | | - |
| Profit before tax | | | | <u>32,467</u> |

-----Cumulative 3 months ended 31-03-2019-----

| Business segments | Property Development | Trading of Building Material & Machinery | Adjustments & Eliminations | Total |
|----------------------------|-------------------------|--|----------------------------------|----------------------|
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue: | | | | |
| External customers | 137,844 | 3,491 | - | 141,335 |
| Inter-segment | - | - | - | - |
| | <u>137,844</u> | <u>3,491</u> | <u>-</u> | <u>141,335</u> |
| Results: | | | | |
| Segment results (external) | 32,372 | 95 | - | 32,467 |
| Unallocated expenses | | | | - |
| Profit before tax | | | | <u>32,467</u> |

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A10. Valuation of Property, Plant and Equipment

There were no changes to the valuation of property, plant, and equipment since the previous audited financial statements.

A11. Material Subsequent Events

There were no material events subsequent to the end of interim period that have not been reflected in the financial statements for the interim period.

A12. Effects of Changes in Composition of Group

There were no changes in the composition of the Group during the interim period including business combination, disposal of subsidiaries and long-term investments, restructuring and discontinued operations.

A13. Contingent Liabilities and Contingent Assets

There have been no changes in contingent liabilities and contingent assets since the last audited financial statements for the financial year ended 31 December 2018.

A14. Capital Commitments

There were no material capital commitments since the last audited financial statements for the financial year ended 31 December 2018.

A15. Related Party Transactions

There were no significant related party transactions in the interim financial statements.

A16. Trade Receivables

Trade receivables are non-interest bearing and are generally on 30 to 180 days term. They are recognised at their original invoice amounts which represent their fair values on initial recognition. Trade receivables that are neither past due nor impaired are creditworthy receivables with good payment records with the Group. Trade receivables that are past due but not impaired relate to a number of independent customers from whom there are no recent history of default.

PART B – Explanatory Notes Pursuant to Appendix 9B of Bursa Malaysia Securities Berhad Listing Requirements

B1 Review of Performance

The Group recorded total revenue of RM141.335 million for the current quarter under review compared to RM205.597 million in the corresponding preceding quarter as One Foresta was completed during the quarter while I-Santorini is nearing completion; meanwhile Forestville is at 71% completion. Progress is slower due to the beginning of the year festive seasons and holidays. This represents a decrease of 31.25%. The trading

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of building material & machinery segment recorded total revenue of RM3.491 million for the current quarter as the Group embarked in the business of trading building materials.

The group achieved a profit before tax of RM32.467 million as compared to profit before tax of RM39.569 million in the corresponding preceding quarter, which represents a drop of 17.94%.

B2 Material changes in Profit before Tax for Current Quarter as Compared to the Preceding Quarter.

| | Current Quarter Ended 31.03.19 RM '000 | Preceding Quarter Ended 31.12.18 RM '000 |
|---------------------------|---|---|
| Revenue | 141,335 | 172,212 |
| Profit/ (Loss) before Tax | 32,467 | 36,642 |

For the current quarter under review, revenue decreased by approximately 17.92% from RM172.212 million in the immediate preceding quarter to RM141.335 million. Profit before tax dropped by approximately 11.39% from RM36.642 million to RM32.467 million. The drop in revenue is mainly due to the delay in I-Santorini's construction works as a result of the festive season in the first quarter of 2019. For I-Santorini, gross property sold amounted to RM870.008 million with unbilled sales of RM265.696 million. Percentage of completion for I-Santorini commercial and residential is 93%. For One Foresta, gross property sold amounted to RM476.484 and is 100% completed during the current quarter. For Forestville, gross property sold is RM461.002 million with unbilled sales of RM197.423million. Percentage of completion is 71%.

B3. Prospects

Barring unforeseen circumstances, the Board is expecting the property development sector to contribute further to the revenue and profit of the Group for the financial year ending 31 December 2019.

B4. Variance of Profit Forecast and Profit Guarantee

Not applicable as the Group had not disclosed any profit forecasts or made any profit guarantees.

B5. Statement of the Board of Directors' Opinion as to whether Revenue or Profit Estimate, Forecast, Projection or Internal Targets are likely to be achieved.

Not applicable as the Group has not announced or disclosed in a public document any revenue or profit estimate, forecast, projection or internal targets.

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B6. Income tax expense

| | Current quarter | | Cumulative quarter | |
|--------------|-----------------|----------------|--------------------|----------------|
| | 3 months ended | 3 months ended | 3 months ended | 3 months ended |
| | 31.03.2019 | 31.03.2018 | 31.03.2019 | 31.03.2018 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Current year | 7,857 | 9,869 | 7,857 | 9,869 |

For the quarter under review, the tax is approximate the statutory tax rate for the profitable subsidiary as the business losses carrying in the parent company cannot be utilised to set off the tax arisen from the profit in property sector.

B7. Status of Corporate Proposals

On 15 October 2018, the Board announced the following:

1. Proposed acquisition of the entire equity interest in Modular Platinum Sdn Bhd, Ideal Homes Properties Sdn Bhd and Premium Flame Development Sdn Bhd from Tan Sri Datuk Ooi Kee Liang and Puan Sri Datuk Phor Li Wei for a total consideration of RM353,088,000
2. Proposed private placement of up to 393,084,300 new ordinary shares in IUBI (“IUBI Shares”) (“Placement Share(s)”), representing up to 30% of the issued shares in IUBI (“Proposed Private Placement”), and
3. Proposed subdivision of every 1 existing IUBI Share into 2 ordinary shares in IUBI (“Subdivided Shares”) (“Proposed Share Split”)

Subsequent to the announcement on 15 October 2018, the Company and the Vendors have on 14 December 2018 entered into a supplemental share sale agreement to vary certain terms to the original SPA for the Proposed Acquisition (“Supplemental SPA”). On the same date, the Company, the Vendors and Modular have entered into a shareholders agreement to define their specific rights and obligations with respect to Modular upon completion of the SPA and Supplemental SPA (“Shareholders Agreement”).

As the Proposed Private Placement and Proposed Share Split are conditional upon the Proposed Acquisition, the varied terms of the Proposed Acquisition would affect the terms of the Proposed Private Placement and Proposed Share Split. As a result of the Supplemental SPA and Shareholders Agreement, the varied terms of the Proposals (as redefined below) are as follows:

- (i) Proposed acquisition by IUBI of the 20% equity interest in Modular and 100% equity interest in Ideal Homes and Premium Flame from Tan Sri Ooi and Puan Sri Phor for a total purchase consideration of RM191,468,000 (“Proposed Acquisition”);
- (ii) Proposed private placement of up to 296,112,300 IUBI Shares (“Placement Share(s)”) representing up to 30% of the issued shares in IUBI (“Proposed Private Placement”);

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(iii) Proposed subdivision of every 1 existing IUBI Share into 2 Subdivided Shares (“Proposed Share Split”); and

(iv) Proposed shareholders agreement with the Vendors, the Company (being a 20% shareholder of Modular after the completion of the Proposed Acquisition) and Modular to define the rights and obligations of the shareholders of Modular, which includes, among others, the rights of IUBI to acquire the remaining 80% equity interest in Modular from the Vendors at a purchase

On 21 February 2019, Bursa Securities had, vide its letter dated 21 February 2019 approved the the following:

(i) listing of and quotation for up to 191,468,000 new IUBI Shares to be issued as Purchase Consideration pursuant to the Proposed Acquisition;

(i) listing of and quotation for up to 296,112,300 new IUBI Shares to be issued pursuant to the Proposed Private Placement;

(iii) the Proposed Share Split;

(iv) listing of and quotation for up to 55,234,200 additional Warrants to be issued pursuant to the Adjustments (“Additional Warrants”);

(v) listing of and quotation for up to 55,234,200 new IUBI Shares to be issued pursuant to the exercise of the Additional Warrants;

(vi) listing of and quotation for up to 136,350,000 new IUBI Shares to be issued pursuant to the conversion of additional RCPS to be issued arising from the Adjustments; and

(vii) listing of and quotation for up to 323,240,000 new IUBI Shares to be issued pursuant to the Proposed Shareholders Agreement.

On 27 March 2019, the Company announced that the following proposals were duly passed at the Extraordinary General Meeting.

(a) Proposed acquisition by the Company of 20% equity interest in Modular Platinum Sdn Bhd (“Modular”), entire equity interest in Ideal Homes Properties Sdn Bhd (“Ideal Homes”) and the entire equity interest in Premium Flame Development Sdn Bhd (“Premium Flame”) from Tan Sri Datuk Ooi Kee Liang and Puan Sri Datuk Phor Li Wei (Collectively, the “Vendors”) for a total purchase consideration of RM191,468,000 (“Proposed Acquisition”);

(b) Proposed private placement of up to 30% of the issued shares of the Company involving up to 296,112,300 new ordinary shares in the Company;

(c) Proposed share split involving the subdivision of every 1 existing ordinary share in the Company into 2 ordinary shares held on an entitlement date to be determined later; and

(d) Proposed shareholders agreement between the Company, the vendors and Modular to define the rights and obligations of the shareholders of Modular, which includes,

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amongst others, the right of the Company to acquire the remaining 80% equity interest in Modular from the vendors at a purchase consideration of RM161,620,000.

On 15 April 2019, the Company announced the first batch of 73,555,000 consideration shares are issued to Vendors with respect to the acquisition of 20% equity interest in Modular and the entire equity interest in Premium Flame. Modular becomes an associate of the Company and Premium Flame becomes a wholly-owned subsidiary of the Company.

On 25 April 2019, the Company announced the second batch 117,913,000 consideration shares are issued to the Vendors with respect of the acquisition entire equity interest in Ideal Homes. Ideal Homes becomes a wholly-owned subsidiary of the Company.

B8. Group Borrowings and Debt Securities

| | As at 1st quarter ended 31.03.2019 | | |
|--|------------------------------------|---------------|---------------|
| | Secured | Unsecured | Total |
| | RM'000 | RM'000 | RM'000 |
| Short Term Bank Borrowings * | 178 | - | 178 |
| Long Term Bank Borrowings * | 435 | - | 435 |
| Redeemable Convertible Preference Shares | - | 17,132 | 17,132 |
| | <u>613</u> | <u>17,132</u> | <u>17,745</u> |

| | As at 1st quarter ended 31.03.2018 | | |
|--|------------------------------------|--------------|--------------|
| | Secured | Unsecured | Total |
| | RM'000 | RM'000 | RM'000 |
| Short Term Bank Borrowings | 108 | - | 108 |
| Long Term Bank Borrowings | 378 | - | 378 |
| Redeemable Convertible Preference Shares | - | 7,719 | 7,719 |
| | <u>486</u> | <u>7,719</u> | <u>8,205</u> |

* consist of hire purchase

B9. Other Income

Other income consists mainly of bank interest received, late payment interest and forfeited deposits from cancellation of sales.

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| | Current Quarter 31/03/2019 RM'000 | Cumulative 3 months ended 31/03/2019 RM'000 |
|---|--|--|
| a) Interest Income | 205 | 205 |
| b) Other income including investment income | 325 | 325 |
| c) Interest expense | 7 | 7 |
| d) Depreciation and amortization | n/a | n/a |
| e) Provision for and write off of receivables | n/a | n/a |
| f) Provision for and write off of inventories | n/a | n/a |
| g) Properties, plant & equipment written off | n/a | n/a |
| h) Gain/(loss) on disposal of properties, plant & equipment | n/a | n/a |
| i) Gain /(loss) on disposal of quoted and unquoted Investment or Properties | n/a | n/a |
| j) Gains on fair value changes of Investment Properties | n/a | n/a |
| k) Foreign exchange loss | n/a | n/a |
| l) Gain /(loss) on derivatives | n/a | n/a |
| m) Exceptional items (with details) | n/a | n/a |

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B11. Changes in Material Litigations

There was no pending material litigation within the 7 days before the date of issue of this report.

B12. Dividend

The board of directors have not proposed any dividend for the current financial period ended 31 March 2019.

B13. Earnings Per Share

| | 3 months ended | | Cumulative 3 months ended | |
|---|-----------------------|-------------------|----------------------------------|-------------------|
| | 31-03-2019 | 31-03-2018 | 31-03-2019 | 31-03-2018 |
| (a) Basic earnings per share | | | | |
| Profit/(Loss) for the period attributable to owners of the Company (RM'000) | 12,178 | 14,694 | 12,178 | 14,694 |
| Number of ordinary shares in issued ('000) | 110,468 | 110,468 | 110,468 | 110,468 |
| Basic Earnings/(Loss) per share (sen) | 11.02 | 13.30 | 11.02 | 13.30 |
| | <hr/> | | | |
| | 3 months ended | | Cumulative 3 months ended | |
| | 31-03-2019 | 31-03-2018 | 31-03-2019 | 31-03-2018 |
| (b) Diluted earnings per share | | | | |
| Diluted Earnings/(Loss) per share (sen) | 6.57 | N/A | 6.57 | N/A |
| | <hr/> | | | |

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B14. Realised and Unrealised Losses

| | As at 31-03-2019 RM'000 | As at 31-03-2018 RM'000 |
|---|--|--|
| Total accumulated profit/(losses) of the Company and its subsidiary | | |
| - Realised | 45,629 | (3,890) |
| - Unrealised | <u>2,294</u> | <u>2,294</u> |
| Total group accumulated profit/(losses) as per consolidated accounts | <u><u>47,923</u></u> | <u><u>(1,596)</u></u> |

By Order of the Board

LIM CHOO TAN
(LS 0008888)

CHEW SIEW CHENG
(MAICSA 7019191)
Company Secretaries

Penang
Date: 29th May 2019

c.c Securities Commission