

IDEAL UNITED BINTANG BERHAD (44676-M)

Interim report for the second quarter ended 30th June 2015

(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 2014.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2014.

Significant Accounting Policies

The audited financial statement for the year ended 31 December 2014 were prepared in accordance with Malaysia Financial Reporting Standards (MFRS). The significant accounting policies adopted in preparing this interim financial statements are consistent with those of the audited financial statements for the year ended 31 December 2014.

The adoption of the new MFRS, Amendments to MFRS and Interpretations effective for annual period beginning 1 January 2015 have no significant changes in the accounting policies and presentation of the financial statements of the Group upon their initial application.

Adoption of the new standards did not have any effect on the financial performance or position of the Group.

A2 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.

A3. 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.

A4. Material Changes in Estimates

There were no material changes in estimates of amounts reported in the current quarter or changes in estimates of amounts reported in prior financial years.

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A5. Issuance, Cancellations, Repurchases, Resales and Repayments 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.

A6. Dividends Paid

No dividend was paid by the Company in the current quarter and financial year to date.

A7. Operating Segment Information

The segment revenue and result of business segments for the current quarter and financial year to date were as follows:

----- 3 months ended 30-06-2015 -----					
	Local Machinery	Local Property Development	Overseas Machinery	Adjustments and Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue:					
External customers	200	-	-	-	200
Inter-segment	173	-	-	(173)	-
	<u>373</u>	<u>-</u>	<u>-</u>	<u>(173)</u>	<u>200</u>
Results:					
Loss Before Tax	(77)	(4)	-	-	(81)

----- Cumulative 6 months ended 30-06-2015 -----					
	Local Machinery	Local Property Development	Overseas Machinery	Adjustments and Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue:					
External customers	9,276	-	-	-	9,276
Inter-segment	9,009	-	-	(9,009)	-
	<u>18,285</u>	<u>-</u>	<u>-</u>	<u>(9,009)</u>	<u>9,276</u>
Results:					
Loss Before Tax	(1,407)	(8)	-	-	(1,415)

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A8. Valuation of Property, Plant and Equipment

The valuation of property, plant and equipment were brought forward without any amendment from the previous annual financial statements.

A9. 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.

A10. 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.

A11. 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 2014.

A12. Capital Commitments

There were no material capital commitments not recognised in the interim financial statements

A13. Related Party Transactions

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

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

B1 Segmental information

Local Sales of Machinery and Motor Vehicle

Current quarter revenue was at RM0.2 million compared with the preceding year corresponding quarter of RM0.13 million due to demand on machinery from local market remain at slow pace.

Loss before tax for current quarter was at RM0.077million against the preceding year corresponding quarter loss before tax of RM0.049 million mainly due to higher admin cost incurred for the current quarter.

Overseas Sales of Machinery

There were no revenue recorded for the current quarter compared with the preceding year corresponding quarter of RM1.947 million due to scaling down of business in overseas segment.

Hence, there were no gain nor loss for the current quarter for this segment against the corresponding quarter loss before tax of RM0.411 million in the preceding year.

Consolidated profit before tax

The Group recorded a lower loss before tax for the current quarter at RM0.115 million compared with the preceding year corresponding quarter loss before tax of RM0.461 million mainly due to better margin generated from the machinery sold in the current quarter.

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

	Current Quarter Ended 30.06.15 RM '000	Preceding Quarter Ended 31.03.15 RM '000
Revenue	200	9,076
Loss before Tax	(81)	(1,333)

For the quarter under review, the Group recorded a lower loss before tax of RM0.081 million against loss before tax of RM1.333 million in the preceding quarter mainly due to lower cost of sales incurred for the current quarter as the result of the scaling down of machinery business.

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B3 Prospects

Uncertainties in the global economy is expected to continue to affect the heavy machineries demand and Group business performance. In this regard, to enhance the financials, the Group had plans to commence property development business which is the primary aspect of its diversification plan to increase the shareholders' value.

B4. Variance of Profit Forecast and Profit Guarantee

Not applicable as the Group has 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.

B6. Income tax expense

	Current quarter 3 months ended		Cumulative quarter 6 months ended	
	30.06.2015 RM'000	30.06.2014 RM'000	30.06.2015 RM'000	30.06.2014 RM'000
Current year	34	-	71	-
Under /(Over) provision in prior year	-	-	-	-
Deferred tax	-	-	-	-
	<u>34</u>	<u>-</u>	<u>71</u>	<u>-</u>

The provision for taxation is mainly arising from wholly owned subsidiary - United Bintang Machinery Sdn. Berhad. local sales of machineries.

B7. Status of Corporate Proposals

There were no corporate proposals announced but not completed as at 20th July 2015 being the latest practicable date which is not earlier than seven (7) days from the date of issue of this quarterly report.

B8. Group Borrowings and Debt Securities

The Group does not have any borrowings nor debt securities.

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	Current Quarter 30/06/2015 RM'000	Cumulative 6 months ended 30/06/2015 RM'000
a) Interest Income	Neg.	1
b) Other income including investment income	10	10
c) Interest expense	n/a	n/a
d) Depreciation and amortization	9	19
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	Neg.	Neg.
h) Gain 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

Neg. means Negligible.

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B10. Changes in Material Litigations

On 27 November 2014, the Board of Directors of IDEALUBB has announced that United Bintang Machinery Sdn Bhd (“UBMSB”), a wholly-owned subsidiary of IDEALUBB, has on 3 October 2014 received a Letter of Claims, dated 30 September 2014, from Messrs. Sidek Teoh Wong & Dennis, the solicitors of Hong Leong Bank Berhad (“HLBB”) for seeking an agreement, without reference to assessment of damage in the High Court, for compensation at the amount of RM2,100,000 (“the Letter of Claims”). The receipt of the Letter of Claims was in connection with the Civil Suit, where the High Court has on 25 February 2010 passed its judgement. The Company has written to Messrs. Sidek Teoh Wong & Dennis to confirm if they are representing HLBB because they are not record as acting for EON Bank Berhad.

On 18 November 2014, UBMSB received a summary of legal opinion in respect of the position of UBMSB with regards to the above Civil Suit (“the Summary Legal Opinion”). The complete set of cause papers from the above matter has yet to be delivered to the Company’s solicitors by the former solicitors of UBMSB.

In the Summary Legal Opinion, our solicitor informed that the High Court’s Judgement did not stipulate a liquidated sum and it was therefore for EON to file an application for assessment of damages to the High Court based on the High Court’s Judgement; unless the quantum of compensation is agreed between EON and UBMSB without necessitating further court application. Our solicitors opined that the wordings in the High Court Judgement are unclear and they believe that this issue needs further clarification from the High Court.

On 30 September 2014, the solicitors of HLBB wrote to the former solicitors of UBMSB seeking an agreement, without reference to assessment of damage in the High Court, for compensation at the amount of RM2,100,000.

Our solicitors are of the opinion that the claim of RM2,100,000 is incorrect and should not be taken as a reasonable benchmark of damages due to the following reasons:-

- a. The wordings in the High Court Judgement are unclear and need clarification;
- b. If reading upon the basis of EON’s claim, to quantify the claim for each machine, would be: the difference calculated should be value of the machine in 1994 minus value of machine in 1992 minus RM30,000; and
- c. Without ascertaining first the value of the machine in 1992, we cannot have the base number to calculate the difference.

The amount involved is expected to have major impact on the Group’s cash flow position and operation.

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UBMSB and IDEALUBB are exposed to the losses resulted from the above claim, interest and legal cost in respect from the Letter of Claims. The group has made the provision of RM700,000 for this claim.

On 29 June 2015, the Board of Directors of IDEALUBB has announced that United Bintang Machinery Sdn. Bhd. ("UBMSB"), a wholly-owned subsidiary of IDEALUBB, has on 26 June 2015 confirmed the acceptance of the following terms of settlement as proposed by Hong Leong Bank Berhad ("HLBB") via their letter Reference No. 51-014-460555-4 dated 24 June 2015 as full and final settlement for the Judgement dated 25 February 2010:-

1. Initial RM100,000.00 to be paid on or before 29 June 2015;
2. The remaining RM450,000.00 to be paid in 4 installments as following:-
 - a) RM50,000.00 to be paid in 30 November 2015;
 - b) RM100,000.00 to be paid in 30 April 2016 and 30 September 2016;
 - c) RM200,000.00 to be paid in 31 December 2016.
3. The installment payment for RM450,000.00 to be secured in 4 post dated cheques with the following dates, 30 November 2015, 30 April 2016, 30 September 2016 and 31 December 2016 respectively; and
4. HLBB undertake not to enforce the Judgement insofar as the above installments are paid by UBMSB to HLBB on or before the respective due dates.

The above settlement is not expected to have major impact on the Group's cash flow position and operation.

B11. Dividend

No interim dividend was proposed for the financial period ended 30 June 2015.

B12. Basic Loss Per Share

	3 months ended		Cumulative 6 months ended	
	30-06-2015	30-06-2014	30-06-2015	30-06-2014
Loss for the period attributable to owners of the Company (RM'000)	(115)	(461)	(1,486)	(1,183)
<i>Number of ordinary shares ('000)</i>	<i>70,207</i>	<i>54,005</i>	<i>70,207</i>	<i>54,005</i>
Basic Loss per share (sen)	(0.16)	(0.85)	(2.12)	(2.19)

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B13. Realised and Unrealised Losses

	As at 30-06-2015 RM'000	As at 30-06-2014 RM'000
Total accumulated losses of the Company and its subsidiary		
- Realised	(42,968)	(39,250)
- Unrealised	2,294	2,244
	<hr/>	<hr/>
Total group accumulated losses as per consolidated accounts	<u>(40,674)</u>	<u>(37,006)</u>

B14. Qualification of Audit Report

There was no audit qualification in the preceding annual financial statement of the Group and Company for the financial year ended 31 December 2014.

By Order of the Board

GUNN CHIT GEOK
(MAICSA 0673097)

CHEW SIEW CHENG
(MAICSA 7019191)
Company Secretaries

Penang
Date: 27 July 2015

c.c Securities Commission