

IDEAL UNITED BINTANG BERHAD (44676-M)

Interim report for the third quarter ended 30th September 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 30-09-2015 -----				
	Local Machinery	Local Property Development	Overseas Machinery	Adjustments and Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue:					
External customers	-	1,512	-	-	1,512
Inter-segment	-	-	-	-	-
	-	1,512	-	-	1,512
Results:					
Profit/(Loss) Before Tax	(36)	525	-	-	489

	----- Cumulative 9 months ended 30-09-2015 -----				
	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	1,512	-	-	10,788
Inter-segment	9,009	-	-	(9,009)	-
	18,285	1,512	-	(9,009)	10,788
Results:					
Profit/(Loss) Before Tax	(1,443)	517	-	-	(926)

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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

On 1st September 2015, I-Platinum Sdn Bhd (“I-Platinum”) had become the subsidiary company of Ideal United Bintang Berhad which is 50% plus 1 share owned by IDEALUBB after completion of the acquisition of 310,001 Ordinary Shares of RM1.00 each representing 31% of the equity interest in I-Platinum subsequent to the event of acquisition of 190,000 ordinary shares of RM1.00 each representing 19% of the total issued and paid up share capital of I-Platinum Sdn Bhd on 9th June 2015.

I-Platinum is a private limited company incorporated in Malaysia under the Companies Act 1965 which is principally involve in property development. The authorized share capital of I-Platinum is RM1,000,000 comprising 1,000,000 ordinary shares of RM 1.00 each and all of them have been issued and fully paid-up.

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

There were no revenue generated from this segment compared with the preceding year corresponding quarter of RM0.631 million due to scaling down of the local machinery business.

Loss before tax for current quarter was RM0.036 million against the preceding year corresponding quarter loss before tax of RM0.020 million mainly due to administrative cost incurred for the current quarter.

Overseas Sales of Machinery

There were no revenue generated and cost incurred for the current quarter mainly due to the scaling down of import and export operation for heavy machinery and the company business direction of diversifying into property development business.

Local Property Development

For the current quarter under review, the revenue generated for this segment was RM1.512 million which was mainly contributed from the sales of flagship project namely I-Santorini located at Tanjung Tokong, Penang developed by I-Platinum Sdn. Bhd.

The profit before tax generated was at RM0.525 million which was the first profit recorded for the segment since the group diversified the business into property development business.

Consolidated profit before tax

The Group recorded profit before tax for the current quarter of RM0.489 million compared with the preceding year corresponding quarter loss before tax of RM0.778 million mainly due to better profit margin contributed from property development segment.

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

	Current Quarter Ended 30.09.15 RM '000	Preceding Quarter Ended 30.06.15 RM '000
Revenue	1,512	200
Profit/ (Loss) before Tax	489	(81)

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For the quarter under review, the Group recorded a profit before tax of RM0.489 million against loss before tax of RM0.081 million in the preceding quarter mainly due to the contribution of profit generated from property development segment.

B3 Prospects

Uncertainties in the global economy is expected to continue to affect the heavy machineries demand and Group business performance. In this regard, with the acquisition of I-Platinum, the Group had new income stream to further enhance the Group's shareholders value. The group anticipates, the sales and take up rate for the project undertaken by I-Platinum to be encouraging. This will contribute further to the Group's bottom line in the future.

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 9 months ended	
	30.09.2015 RM'000	30.09.2014 RM'000	30.09.2015 RM'000	30.09.2014 RM'000
Current year	114	-	185	-
Under /(Over) provision in prior year	-	-	-	-
Deferred tax	-	-	-	-
	<u>114</u>	<u>-</u>	<u>185</u>	<u>-</u>

The current tax expenses approximate the statutory tax rate.

B7. Status of Corporate Proposals

Below are corporate proposals announced but not yet completed as at the date of issuance of this announcement:

- 1) On 11th August 2015, M&A Securities Sdn Bhd announced on behalf of the Board of Directors of IDEALUBB ("Board"), that IDEALUBB and its subsidiaries ("the Group" or "IDEALUBB Group") proposed to undertake the following proposals:

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- i) Proposed private placement of up to 21,061,900 new ordinary shares of RM1.00 each in IDEALUBB (“IDEALUBB Shares”) to independent third party investor(s) to be identified at a later date (“Proposed Private Placement”);
- ii) Proposed acquisition by Platinum Manifest Sdn Bhd, a wholly-owned subsidiary of IDEALUBB (“PMSB” or “Purchaser”) from Bumimaju Gaya Sdn Bhd (formerly known as Meridian Atlantic Sdn Bhd) (“BGSB” or the “Vendor”) of thirteen (13) units/parcels of commercial/office space numbered 4, 5B, 5C, 6, 7, 8, 9, 10, 11, 12, 13, 14 and 25 including sixty (60) designated car park bays of the building complex known as Menara LA (formerly known as Menara Liang Court) (“Menara LA”) erected on Lot No. 1243, Seksyen 13, Bandar Georgetown, Daerah Timur Laut, Pulau Pinang held under Geran No. 116617 (formerly known as Lot Nos. 1235 & 1236, Seksyen 13, Bandar Georgetown, Daerah Timur Laut, Pulau Pinang held under Geran Nos. 60552 & 60553) (“Land”) located at No. 37, Jalan Sultan Ahmad Shah, 10050 Penang (“Property”) for a purchase consideration of RM19,200,000.00 (“Purchase Consideration”) (“Proposed Acquisition”);
- iii) Proposed bonus issue of up to 55,234,200 Warrants in IDEALUBB (“Warrant(s)”) on the basis of one (1) Warrant for every two (2) existing ordinary shares of RM1.00 each in IDEALUBB (“IDEALUBB Share(s)”) on an entitlement date to be determined later (“Proposed Bonus Issue of Warrants”);
- iv) Proposed increase in the authorised share capital of the Company from RM100,000,000 comprising 100,000,000 IDEALUBB Shares to RM500,000,000 comprising 500,000,000 IDEALUBB Shares (“Proposed IASC”); and
- v) Proposed amendment to the Company’s Memorandum of Association to facilitate the implementation of the Proposed IASC (“Proposed Amendment”),

(collectively referred to as the “Proposals”).

- 2) The Proposed Acquisition is related party transaction pursuant to the provisions of Chapter 10 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”), (“MMLR”). Therefore, on 17th August 2015, on behalf of the Board, M&A Securities Sdn Bhd had announced that the Valuation Report in relation to the Proposed Acquisition has been submitted to Bursa Securities.
- 3) On 28th September 2015, M&A Securities Sdn Bhd had announced on behalf of the Board, that the listing application in relation to the Proposed Private Placement, Proposed Acquisition and Proposed Bonus Issue of Warrants and the draft circular to shareholders in relation to the Proposals have been submitted to Bursa Malaysia Securities Berhad.
- 4) On 22nd October 2015, on behalf of the Board of Directors of UBB, M&A Securities Sdn Bhd (“M&A Securities”) is pleased to announce that Bursa Malaysia Securities

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Berhad (“Bursa Securities”) had, vide its letter dated 22 October 2015 approved the following:

- i) Listing of and quotation for up to 21,061,900 new IDEALUBB Shares to be issued pursuant to the Proposed Private Placement;
- ii) Listing of and quotation for 19,200,000 new IDEALUBB Shares to be issued as the purchase consideration pursuant to the Proposed Acquisition;
- iii) Admission to the Official List and the listing and quotation of up to 55,234,200 Warrants to be issued pursuant to the Proposed Bonus Issue of Warrants; and
- iv) Listing of and quotation for up to 55,234,200 new IDEALUBB Shares to be issued pursuant to the exercise of the Warrants.

The approval by Bursa Securities is subject to the following conditions:

- i) IDEALUBB and M&A Securities must fully comply with the relevant provisions under the Bursa Securities Main Market Listing Requirements pertaining to the implementation of the Proposals;
- ii) IDEALUBB and M&A Securities to inform Bursa Securities upon the completion of the Proposals;
- iii) IDEALUBB to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities’ approval once the Proposals are completed;
- iv) IDEALUBB is required to furnish Bursa Securities on a quarterly basis a summary of the total number of shares listed pursuant to the exercise of Warrants as at the end of each quarter together with a detailed computation of listing fees payable; and
- v) Incorporation of Bursa Securities’ comments in the circular to shareholders.

B8. Group Borrowings and Debt Securities

The Group does not have any borrowings nor debt securities.

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	Current Quarter 30/09/2015 RM'000	Cumulative 9 months ended 30/09/2015 RM'000
a) Interest Income	Neg.	1
b) Other income including investment income	Neg.	10
c) Interest expense	n/a	n/a
d) Depreciation and amortization	6	25
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

There was no pending material litigation within the 7 days before the date of issue of this report. 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 September 2015.

B12. Basic Loss Per Share

	3 months ended		Cumulative 9 months ended	
	30-09-2015	30-09-2014	30-09-2015	30-09-2014
Profit/(Loss) for the period attributable to owners of the Company (RM'000)	196	(778)	(1,289)	(1,961)
<i>Number of ordinary shares ('000)</i>	<i>70,207</i>	<i>54,005</i>	<i>70,207</i>	<i>54,005</i>
Basic Profit/(Loss) per share (sen)	0.28	(1.44)	(1.84)	(3.63)

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B13. Realised and Unrealised Losses

	As at 30-09-2015 RM'000	As at 30-09-2014 RM'000
Total accumulated losses of the Company and its subsidiary		
- Realised	(42,771)	(40,028)
- Unrealised	2,294	2,244
	<hr/>	<hr/>
Total group accumulated losses as per consolidated accounts	<u>(40,477)</u>	<u>(37,784)</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: 17 November 2015

c.c Securities Commission