

IDEAL UNITED BINTANG BERHAD (44676-M)

Interim report for the second quarter ended 30th June 2017

(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 2016.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2016.

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 2016. 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:

MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to MFRS 10, MFRS 12 and MFRS 128	Investment Entities: Applying the Consolidation Exception
Amendments to MFRS 101	Disclosure Initiative
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 116 and MFRS 141	Agriculture: Bearer Plants
Amendments to MFRS 127	Equity Method in Separate Financial Statements
Annual Improvements to MFRSs 2012 – 2014 Cycle	

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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 2016 were not subject to any qualification.

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 Machinery Segment.

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-----3 months ended 30-06-2017-----

Business segments	Property Development	Machinery	Adjustments & Eliminations	Total
	RM'000	RM'000	RM'000	RM'000
Revenue:				
External customers	47,214	-	-	47,214
Inter-segment	-	-	-	-
	47,214	-	-	47,214
Results:				
Segment results (external)	8,802	(12)	-	8,790
Unallocated expenses				-
Profit before tax				8,790

-----6 months ended 30-06-2017-----

Business segments	Property Development	Machinery	Adjustments and Eliminations	Total
	RM'000	RM'000	RM'000	RM'000
Revenue:				
External customers	93,288	-	-	93,288
Inter-segment	-	-	-	-
	93,288	-	-	93,288
Results:				
Segment results (external)	15,586	(15)	-	15,571
Unallocated expenses				-
Profit before tax				15,571

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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

On 18 January 2017, the Board of Directors of IDEALUBB has announced that IDEALUBB and its subsidiaries (“the Group” or “IDEALUBB Group”) proposes to undertake an internal reorganisation by way of a members’ scheme arrangement under Section 176 of the Companies Act, 1965 (“Act”) (“Proposed Internal Reorganisation”) comprising the following proposals:

1. Proposed exchange of:-
 - all existing ordinary shares of RM1.00 each in IDEALUBB (“IDEALUBB Shares”) with new ordinary shares of RM1.00 each in a new investment holding company, Ideal United Bintang International Berhad (“Newco”) (“Newco Shares”) on a one-for-one basis; and
 - all outstanding warrants 2016/2021 (“Newco Warrants”) with new warrants to be issued by Newco on a one-for-one basis;

as at an entitlement date to be determined and announced by the Board (“Entitlement Date”) (“Proposed Securities Exchange);

2. Proposed transfer of IDEALUBB’s listing status to Newco, followed by the admission of Newco to and withdrawal of IDEALUBB from the Official List of Bursa Malaysia Securities Berhad, and the listing of and quotation for the new Newco Shares and Newco Warrants on the Main Market of Bursa Securities; and
3. Proposed transfer of IDEALUBB’s entire shareholdings in its subsidiaries to Newco. Following the Proposed Securities Exchange, all of IDEALUBB’s shareholdings in United Bintang Machinery Sdn Bhd, Platinum Manifest Sdn Bhd and I-Platinum Sdn Bhd will be transferred to Newco. The transfer will be done in the form of a distribution of assets in specie, by way of a reduction in IDEALUBB’s capital under Section 64 of the Act.

The Company has today entered into a conditional scheme agreement with Newco for the Proposed Internal Reorganisation. Further updates will be announced accordingly.

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The Internal Reorganisation was approved at the extraordinary general meeting and court convened meeting of the Company as well as the court convened meeting of the holders of IDEALUBB Warrants, all of which were duly held on 22 June 2017. The Internal Reorganisation is expected to be completed by the end of the third quarter of 2017. Further updates will be announced accordingly.

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 2016.

A14. Capital Commitments

There were no material capital commitments not recognised in the interim financial statements save and except for:-

	As at 30/06/17 RM'000	As at 31/12/16 RM'000
Share of joint venture commitment	80,000	140,000

The balance consideration payable to UDA Holding Berhad (“the Landowner”) pursuant to the Joint Venture Agreement dated 26 March 2014 is as follow:-

- (a) Balance of cash consideration of RM80,000,000; and
- (b) Construction cost of one block of residential building for the Landowner, actual cost of which is yet to be ascertained.

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

With the continuous steady take up rate from I-Santorini, the Group recorded total revenue of RM47.213 million for the current quarter under review compared to

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RM19.643 million in the corresponding preceding quarter. There were no sales from the machinery segment for the current quarter.

The group achieved a profit before tax of RM8.790 million as compared to profit before tax of RM3.658 million in the corresponding preceding quarter due to the progress of I-Santorini contributing to the profit of the Group.

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

	Current Quarter Ended 30.06.17 RM '000	Preceding Quarter Ended 31.03.17 RM '000
Revenue	47,213	46,074
Profit/ (Loss) before Tax	8,790	6,782

For the current quarter under review, the revenue had increase by approximately 2.5% from RM46.074 million in the immediate preceding quarter to RM47.213 million while the profit before tax had increase by approximately 30% from RM6.782 million to RM8.790 million mainly due to the progress of construction of I-Santorini. Gross property sales of I-Santorini amounts to RM972.725 million with unbilled sales of RM538.833 million. Percentage of completion for I-Santorini commercial is 24% and residential is 20%.

B3. Prospects

Barring unforeseen circumstances, the Board is expecting the property development sector to contribute to the revenue and profit of the Group for the financial year ending 31 December 2017.

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 3 months ended		Cumulative quarter 6 months ended	
	30.06.2017 RM'000	30.06.2016 RM'000	30.06.2017 RM'000	30.06.2016 RM'000
Current year	2,205	910	3,937	948

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 17 August 2017, subject to the completion of the implementation of its internal reorganisation scheme by way of a member's scheme of arrangement between the Company, its shareholders and holders of its warrants 2016/2021 ("IDEALUBB Warrants") ("Internal Reorganisation"), Ideal United Bintang International Berhad ("IDEAL") and its subsidiaries ("the Group" or "IDEAL Group") proposes to undertake the following proposals:

1. Proposed subscription by IDEAL of 5,100,000 new ordinary shares in I-Global Property Network Sdn Bhd ("I-Global") ("I-Global Shares"), representing approximately 50.5% of the enlarged issued share capital of I-Global ("Subscription Shares") for a cash consideration of RM77,000,000 ("Subscription Consideration") ("Proposed Subscription");
2. Proposed issuance of up to 136,350,000 new redeemable convertible preference shares in IDEAL ("RCPS") at an issue price of RM0.57 per RCPS to third party investor(s) to be identified ("Proposed Issuance of RCPS");
3. Proposed amendment to the Constitution of IDEAL to facilitate the creation of the RCPS ("Proposed Amendment"); and
4. Proposed establishment of an employees' share option scheme ("ESOS") of up to 15% of the total number of issued shares of IDEAL (excluding treasury shares) at any point in time during the duration of the ESOS ("Proposed ESOS"), for the entitled employees and Directors of IDEAL Group who are eligible to participate in the Proposed ESOS.

B8. Group Borrowings and Debt Securities

	As at 2nd quarter ended 30.06.2017		
	Long Term RM'000	Short Term RM'000	Total Borrowings RM'000
Secured			
Hire Purchase	101	27	128

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B8. Group Borrowings and Debt Securities (cont'd)

	As at 2nd quarter ended 30.06.2016		
	Long Term	Short Term	Total Borrowings
	RM'000	RM'000	RM'000
Secured			
Hire Purchase	-	-	-

B9. Other Income

Other income consists mainly of administrative charges and late payment interest.

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	Current Quarter 30/06/2017 RM'000	Cumulative 6 months ended 30/06/2017 RM'000
a) Interest Income	117	125
b) Other income including investment income	5	26
c) Interest expense	n/a	n/a
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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B10. Changes in Material Litigations

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

B11. Dividend

The board of directors have not proposed any dividend for the current financial period ended 30 June 2017.

B12. Earnings Per Share

	3 months ended		Cumulative 6 months ended	
	30-06-2017	30-06-2016	30-06-2017	30-06-2016
(a) Basic earnings per share				
Profit/(Loss) for the period attributable to owners of the Company (RM'000)	3,097	1,255	5,405	941
Number of ordinary shares in issued ('000)	110,468	110,468	110,468	110,468
Basic Earnings/(Loss) per share (sen)	2.80	1.14	4.89	0.85

(b) Diluted earnings per share

Diluted earnings per share are not applicable as the exercise price for warrant is higher than the average market price of the Company's ordinary shares for the period under review.

B13. Realised and Unrealised Losses

	As at 30-06-2017 RM'000	As at 30-06-2016 RM'000
Total accumulated losses of the Company and its subsidiary		
- Realised	(29,865)	(42,638)
- Unrealised	2,294	2,294
Total group accumulated losses as per consolidated accounts	(27,571)	(40,344)

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By Order of the Board

GUNN CHIT GEOK
(MAICSA 0673097)

CHEW SIEW CHENG
(MAICSA 7019191)
Company Secretaries

Penang
Date: 30th August 2017

c.c Securities Commission