

IDEAL UNITED BINTANG BERHAD (44676-M)

Interim report for the fourth quarter ended 31st December 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 Auditor’s Report on Preceding Annual Financial Statements

The Financial Statements of the Group for the preceding financial year ended 31 December 2014 were not subject to any qualification.

A3. 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.

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A4. 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.

A5. Changes in Estimates

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

A6. Issuance, Cancellation, Repurchase, Resale and Repayment of Debts and Equity Securities

The authorised share capital increased from RM100,000,000 comprising 100,000,00 shares to RM500,000,000 comprising 500,000,000 shares. The issued and paid up capital increase from RM70,206,500 to RM110,468,400.00 as follow:-

(a) Private placement of 21,061,900 new ordinary shares of RM1.00 each has been successfully completed during the current financial quarter; and

(b) Issuance of 19,200,000 new ordinary shares of RM1.00 each to Bumimaju Gaya Sdn. Bhd. as the purchase consideration for acquisition 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

A7. Dividends Paid

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

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A8. 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 31-12-2015 -----					
	Local Machinery	Local Property Development	Overseas Machinery	Adjustments and Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue:					
External customers	-	539	-	-	539
Inter-segment	-	-	-	-	-
	-	539	-	-	539
Results:					
Profit/(Loss) Before Tax	(872)	53	-	-	(819)

----- Cumulative 12 months ended 31-12-2015 -----					
	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	2,051	-	-	11,327
Inter-segment	9,009	-	-	(9,009)	-
	18,285	2,051	-	(9,009)	11,327
Results:					
Profit/(Loss) Before Tax	(2,316)	571	-	-	(1,745)

A9. Valuation of Property, Plant and Equipment

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

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A10. 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.

A11. 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.

A12. 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.

A13. Capital Commitments

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

A14. Related Party Transactions

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

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

B1 (a) Review of Performance

The Group posted a revenue of RM0.539 mil for the current quarter representing an increase of 56.2% compared to the corresponding quarter in the previous year. The main contribution of the revenue mainly from the property development segment. Details of the performance by sector as below:-

(i) Sales of Machinery and Motor Vehicle

As a result of the company direction in scaling down the local and overseas machinery business and embarked into property segment, there were no revenue recorded from local as well as overseas segment compared with the preceding year corresponding quarter of RM0.056 million and RM0.289 million respectively.

Loss before tax for current quarter was RM0.872 million against the preceding year corresponding quarter loss before tax of RM0.816 million in local segment and RM0.581 in overseas segment mainly due to lower operating expenses incurred in the current quarter compared to preceding corresponding quarter.

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(ii) Local Property Development

In the current period, property development division had recorded a revenue and profit before tax of RM0.538 million and RM0.053 million respectively resulting from the steady progress of construction work for I-Santorini project.

(b) Consolidated profit before tax

The Group recorded lower loss before tax for the current quarter of RM0.819 million as compared with the preceding year corresponding quarter loss before tax of RM1.404 million mainly attributable to the profit contribution from property development segment and lower operating cost incurred.

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

	Current Quarter Ended 31.12.15 RM '000	Preceding Quarter Ended 30.09.15 RM '000
Revenue	539	1,512
Profit/ (Loss) before Tax	(819)	489

For the quarter under review, the Group recorded a loss before tax of RM0.819 million against profit before tax of RM0.489 million in the immediate preceding quarter mainly due to expenses incurred on the corporate proposals as disclosed in note B7.

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 Sdn Bhd 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 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		12 months ended	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	RM'000	RM'000	RM'000	RM'000
Current year	(39)	-	146	-

Provision of taxation written back in the current quarter was due to the utilisation of unabsorbed business losses brought forward. For the financial year, the tax is approximate the statutory tax rate for the profitable subsidiary which cannot be set off against the business losses brought forward from other subsidiaries.

B7. Status of Corporate Proposals

- a) On 10 December 2015, the Board of Directors of Ideal United Bintang Berhad has announced that the shareholders of the Company at Extraordinary General Meeting on the event date had approved the following corporate proposals:-
- 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

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- v) Proposed amendment to the Company's Memorandum of Association to facilitate the implementation of the Proposed IASC ("Proposed Amendment"),

On 11 December 2015, the Board of Directors of IDEALUBB has announced that the Company has fixed the issue price at RM1.00 per Placement Share to be issued pursuant to the Private Placement. The issue price of RM1.00 per Placement Share represents a premium of approximately 10.01% or RM0.091 from the five (5)-day weighted average market price of IDEALUBB from 4 December 2015 to 10 December 2015 of approximately RM0.909 per share.

On 22 December 2015, the Board of Directors of IDEALUBB has announced the following:

- i) all conditions precedent as set out in the SPA has been met as at 22 December 2015;
- ii) the Consideration Shares has been credited as fully paid by IDEALUBB to the Vendor of the Property pursuant to the terms and conditions of the SPA for the Acquisition; and
- iii) the listing of and quotation for 19,200,000 Consideration Shares and 21,061,900 Placement Shares on the Main Market of Bursa Malaysia Securities Berhad with effect from 9.00 a.m., 22 December 2015.

In relation hereto, the proposals are deemed completed and giving the latest issued and paid up capital of 110,468,400 units of ordinary shares at RM110,468,400.00 listed on Bursa Malaysia on 22 December 2015.

- b) The status of utilisation:-

The company received proceeds of RM21,061,900 from issuance of 21,061,900 placement shares at the issue price of RM1.00 per ordinary share, and the proceed have been utilised in the following manner as at 31st December 2015:-

Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000	Balance Unutilised RM'000
a) Initial Cost for redevelopment of Menara LA	13,000	10,335	2,665
b) General working capital for the Tanjong Tokong project	7,462	7,112	350
c) Expenses for the proposal	600	600	-
	21,062	18,047	3,015

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B8. Group Borrowings and Debt Securities

The Group does not have any borrowings nor debt securities.

B9. Notes to the Statement of Comprehensive Income

	Current Quarter 31/12/2015 RM'000	Cumulative 12 months ended 31/12/2015 RM'000
a) Interest Income	11	12
b) Other income including investment income	Neg.	10
c) Interest expense	n/a	n/a
d) Depreciation and amortization	5	30
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

The board of directors has not proposed any dividend for the financial year ended 31 December 2015.

B12. Basic Loss Per Share

	3 months ended		Cumulative 12 months ended	
	31-12-2015	31-12-2014	31-12-2015	31-12-2014
Profit/(Loss) for the period attributable to owners of the Company (RM’000)	(808)	(1,404)	(2,098)	(3,365)
<i>Number of ordinary shares (’000)</i>	<i>110,468</i>	<i>70,207</i>	<i>110,468</i>	<i>70,207</i>
Basic Profit/(Loss) per share (sen)	(0.73)	(2.00)	(1.90)	(4.79)

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B13. Realised and Unrealised Losses

	As at 31-12-2015 RM'000	As at 31-12-2014 RM'000
Total accumulated losses of the Company and its subsidiary		
- Realised	(43,580)	(41,482)
- Unrealised	2,294	2,294
	<hr/>	<hr/>
Total group accumulated losses as per consolidated accounts	<u>(41,286)</u>	<u>(39,188)</u>

By Order of the Board

GUNN CHIT GEOK
(MAICSA 0673097)

CHEW SIEW CHENG
(MAICSA 7019191)
Company Secretaries

Penang
Date: 29 February 2016

c.c Securities Commission