

IDEAL UNITED BINTANG BERHAD (44676-M)

Interim report for the fourth quarter ended 31st December 2016
(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 2015.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2015.

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 2015 except for the adoption of the following new MFRSs and amendments to MFRSs effective for financial periods beginning on or after 1 January 2016:-

MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations
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	
Amendments to MFRS 10, MFRS 12 and MFRS 128	Investment Entities: Applying the Consolidation Exception

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Adoption of the new standards and amendments did not have any effect on the financial performance or position 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 2015 were not subject to any qualification.

A4. Comments about the Seasonality or Cyclicalities 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 31-12-2016-----

Business segments	Property Development	Machinery	Adjustments & Eliminations	Total
	RM'000	RM'000	RM'000	RM'000
Revenue:				
External customers	94,494	-	-	94,494
Inter-segment	-	-	-	-
	<u>94,494</u>	<u>-</u>	<u>-</u>	<u>94,494</u>
Results:				
Segment results (external)	13,482	(102)	-	13,380
Unallocated expenses				<u>(300)</u>
Profit before tax				<u><u>13,080</u></u>

-----12 months ended 31-12-2016-----

Business segments	Property Development	Machinery	Adjustments and Eliminations	Total
	RM'000	RM'000	RM'000	RM'000
Revenue:				
External customers	153,127	220	-	153,347
Inter-segment	-	183	(183)	-
	<u>153,127</u>	<u>403</u>	<u>(183)</u>	<u>153,347</u>
Results:				
Segment results (external)	24,232	(133)	-	24,099
Unallocated expenses				<u>(1,242)</u>
Profit before tax				<u><u>22,857</u></u>

* Unallocated expenses relates to head-office general administrative expenses that arise at the Group level and relate to the Group as a whole. Previously, all the general expenses were group under local machinery segment due to holding company was principally dealing in trading of heavy machinery.

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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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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 2015.

A14. Capital Commitments

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

	As at 31/12/16 RM'000	As at 31/12/15 RM'000
Share of joint venture commitment	140,000	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 RM140,000,000; 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.

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

B1 Review of Performance

As a result of steady take up rate from I-Santorini, the Group achieved another milestone in recording the Group revenue of RM94.494 million for the current quarter under review compared to RM0.539 million in the corresponding preceding quarter. However, there were no sales being recorded from machinery segment for the current quarter.

The group successfully achieved an outstanding profit before tax of RM13.080 million as compared to loss before tax of RM0.819 million in the corresponding preceding quarter due to I-Santorini actively contributing to the profit of the Group.

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

	Current Quarter Ended 31.12.16 RM '000	Preceding Quarter Ended 30.09.16 RM '000
Revenue	94,494	38,487
Profit/ (Loss) before Tax	13,080	6,334

The progressive take up rate and consistent site progress from I-Santorini had further contributed to the revenue and pre-tax profit for the Group. For the current quarter under review, the revenue had risen by approximately 145.5% from RM38,487 million in the immediate preceding quarter to RM94,494 million while the profit before tax had risen by approximately 106.5% from RM6,334 million to RM12,987 million.

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.

B6. Income tax expense

	Current quarter 3 months ended		Cumulative quarter 12 months ended	
	31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
Current year	3,269	(39)	5,802	146

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.

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B7. Status of Corporate Proposals

There were no corporate proposals announced but not completed as at 21st February 2017 being the latest practicable date which is not earlier than seven (7) days from the date of issue of this quarterly report apart from the Proposed Internal Reorganisation.

B8. Group Borrowings and Debt Securities

The Group does not have any borrowings nor debt securities.

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B9. Notes to the Statement of Comprehensive Income

	Current Quarter 31/12/2016 RM'000	Cumulative 12 months ended 31/12/2016 RM'000
a) Interest Income	177	195
b) Other income including investment income	9	11
c) Interest expense	n/a	n/a
d) Depreciation and amortization	5	20
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	(1)
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. 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.

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.

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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.

As at 31st December 2016, UBMSB have fully settled the remaining instalment of RM200,000.00.

B11. Dividend

The board of directors have not proposed any dividend for the current financial period ended 30 September 2016.

B12. Earnings Per Share

	3 months ended		Cumulative 12 months ended	
	31-12-2016	31-12-2015	31-12-2016	31-12-2015
(a) Basic earnings per share				
Profit/(Loss) for the period attributable to owners of the Company (RM'000)	5,178	(808)	8,310	(2,098)
Number of ordinary shares in issued ('000)	110,468	70,207	110,468	70,207
Basic Earnings/(Loss) per share (sen)	4.69	(0.73)	7.52	(1.90)

(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.

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B13. Realised and Unrealised Losses

	As at 31-12-2016 RM'000	As at 31-12-2015 RM'000
Total accumulated losses of the Company and its subsidiary		
- Realised	(35,270)	(43,579)
- Unrealised	<u>2,294</u>	<u>2,294</u>
Total group accumulated losses as per consolidated accounts	<u>(32,976)</u>	<u>(41,285)</u>

By Order of the Board

GUNN CHIT GEOK
(MAICSA 0673097)

CHEW SIEW CHENG
(MAICSA 7019191)
Company Secretaries

Penang
Date: 28th February 2017

c.c Securities Commission