IPMUDA BERHAD (22146-T)

Interim Financial Statements for the Fourth Quarter Ended 30 June 2019

Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income for the Fourth Quarter Ended 30 June 2019

(Unaudited)

	INDIVIDUAL QUARTER 30-06-2019 RM'000	CUMULATIVE QUARTER 30-06-2019 RM'000
Revenue	34,371	113,127
Operating expenses	(51,759)	(143,544)
Impairment of financial assets	(16,746)	(23,066)
Other operating income	2,847	19,371
Loss from operations	(31,287)	(34,112)
Finance costs	(1,123)	(3,968)
Finance Income	1,266	3,079
Loss before taxation	(31,144)	(35,001)
Taxation	(2,031)	(2,473)
Loss after taxation from continued operations	**(33,175)**	**(37,474)**
Profit after taxation from discontinued operations	791	696
Loss after taxation	**(32,384)**	**(36,778)**
Other comprehensive expenses		
Items that may be reclassified subsequently to profit or loss:		
Available-for-sale financial assets	6	(16)
Currency translation differences	(611)	(599)
Other comprehensive expenses, net of tax	(605)	(615)
Total comprehensive expenses	**(32,989)**	**(37,393)**
Loss for the year attributable to:		
Owners of the parent	(32,472)	(36,957)
Non-controlling interests	88	179
	(32,384)	(36,778)
Total comprehensive (expenses)/income for the year attributable to:		
Owners of the parent	(33,077)	(37,572)
Non-controlling interests	88	179
	(32,989)	(37,393)
Basic/Diluted loss per ordinary share (sen)		
- from continued operations	(0.46)	(0.52)
- from discontinued operations	-	-
	(0.46)	(0.52)

The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the audited Annual Financial Statements for the financial period ended 30 June 2018.

IPMUDA BERHAD (22146-T)

Interim Financial Statements for the Fourth Quarter Ended 30 June 2019

Condensed Consolidated Statements of Financial Position as at 30 June 2019

	AS AT END OF CURRENT QUARTER 30-06-2019 Unaudited RM'000	AS AT PRECEDING FINANCIAL PERIOD ENDED 30-06-2018 Audited RM'000
Non-current Assets		
Property, plant and equipment	16,491	16,366
Investment properties	52,700	53,055
Land held for property development	7,427	7,250
Investments in associated companies	7	7
Other investments	601	637
Goodwill	-	99
Deferred tax assets	150	178
	77,376	77,592
Current Assets		
Inventories	5,035	14,726
Trade and other receivables	63,965	125,934
Taxation recoverable	1,752	2,591
Cash and cash equivalents	11,193	5,331
Assets classified as held for sale	48,799	59,023
	130,744	207,605
Current Liabilities		
Trade and other payables	23,646	53,891
Hire purchase payables	18	111
Overdraft and short term borrowings	59,182	59,699
Taxation	182	89
Liabilities classified as held for sale	30,404	26,881
	113,432	140,671
NET CURRENT ASSETS	17,312	66,934
	94,688	144,526
FINANCED BY:		
Total Equity		
Share capital	75,926	75,926
Reserves	(1,998)	43,568
Equity attributable to owners of the parent	73,928	119,494
Non-controlling interests	8,206	8,027
	82,134	127,521
Non-current Liabilities		
Term Financing/Loan	9,336	15,492
Hire purchase payables	-	248
Deferred tax liabilities	3,218	1,265
	12,554	17,005
	94,688	144,526

The Condensed Consolidated Statements of Financial Position should be read in conjunction with the audited Annual Financial Statements for the financial period ended 30 June 2018.

IPMUDA BERHAD (22146-T)

Interim Financial Statements for the Fourth Quarter Ended 30 June 2019

Condensed Consolidated Statements of Changes in Equity for the Fourth Quarter Ended 30 June 2019

(Unaudited)

	Attributable to Owners of the Parent					
	Non-Distributable		Distributable			
	Share * Capital RM'000	Other Reserves RM'000	Retained Profits RM'000	Total RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
At 1 July 2019						
As previously stated	75,926	653	42,915	119,494	8,027	127,521
Effect on initial adoption of MFRS 9 net of tax			(7,994)	(7,994)	-	(7,994)
At 1 July 2018, as restated	75,926	653	34,921	111,500	8,027	119,527
Loss after taxation for the financial year	-		(36,957)	(36,957)	179	(36,778)
Other comprehensive expenses for the financial year, net of tax						
- Fair value changes of available-for-sale financial assets	-	(16)	-	(16)	-	(16)
- Foreign currency translation	-	(599)	-	(599)	-	(599)
Total comprehensive expenses for the financial year	-	(615)	(36,957)	(37,572)	179	(37,393)
At 30 June 2019	75,926	38	(2,036)	73,928	8,206	82,134

Note *

The Group had adopted MFRS 9 on 1 July 2018. As permitted by the transitional provisions of MFRS 9, the cumulative impacts arising from the adoption of this standard were adjusted to the retained earnings of the Group as at 1 July 2018.

The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

Condensed Consolidated Statements of Cash Flows for the Fourth Quarter Ended 30 June 2019
(Unaudited)

	1.7.2018 to 30.06.2019 RM'000
Cash flows for operating activities	
Profit/(loss) before tax from	
- continuing operations	(37,475)
- discontinued operations	696
Adjustments for:-	
Non-cash items	1,852
Non-operating items	(538)
Operating loss before working capital changes	(35,465)
Net change in current assets	57,316
Net change in current liabilities	(24,061)
Cash flows from operations	(2,210)
Taxation refund	574
Net cash from operating activities	(1,636)
Cash flows from investing activities	
Equity investments	5
Other investments	26,828
Net cash from investing activities	26,833
Cash flows for financing activities	
Deposits pledged with a licensed bank	(14)
Term financing/loan	(7,593)
Hire purchase financing	(388)
Short term bank borrowings	1,283
Net cash for financing activities	(6,712)
Net decrease in cash and cash equivalents	18,485
Cash and cash equivalents at beginning of financial period	(12,852)
Cash and cash equivalents at end of financial year	5,633

Cash and cash equivalent at the end of the financial year comprise of:

	30.06.2019 RM'000
Cash and bank balances	12,643
Bank overdrafts	(7,011)
	5,633

The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the audited Annual Financial Statements for the financial period ended 30 June 2018.

A EXPLANATORY NOTES AS PER MFRS 134

A1. Accounting Policies

The interim financial report has been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") 134 Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial report is unaudited and should be read in conjunction with the audited financial statements of the Group for the financial period ended 30 June 2018 and the accompanying explanatory notes attached to the interim financial report.

The financial statements of the Group for the three months ended 30 September 2018 are the first set of interim financial statements prepared in accordance with MFRS Framework, hence MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards has been applied. The Group has adopted the MFRS Framework with effective 1 July 2018.

As provided in MFRS 1, first-time adopter of MFRS Framework can elect optional exemptions from full retrospective application of MFRSs. The Group has elected not to apply MFRS 3 Business Combinations and MFRS 10 Consolidated Financial Statements retrospectively, that is not to restate any of its business combinations that occurred before the date of transition to MFRS Framework.

The adoption of the above did not have significant effects on the interim financial report upon their initial application other than the following.

MFRS 9 Financial instruments

Classification and measurements

MFRS 9 introduces new requirements for classification and measurements, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. With the exemption provided under MFRS 1, the Company elected to apply MFRS 9 prospectively, with an initial application date of 1 July 2018 and comparative information will be continued to report under FRS 139.

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. The new standard contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

The classification and measurement requirements of MFRS 9 did not have a significant impact to the Group. It expects to continue measuring at fair value all financial assets currently held at fair value. Quoted equity shares and club membership classified as available-for-sale ("AFS") will continue to record gains and losses in other comprehensive income ("OCI"). Loans and receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest.

A1 Accounting Policies (Cont'd)

MFRS 9 Financial instruments (Cont'd)

Classification and measurements (Cont'd)

The Group has analysed the contractual cash flow characteristics of these instruments and concluded that they meet the criteria for amortised cost measurement under MFRS 9.

Impairment

Under MFRS 9, the Group is required to record expected credit loss on its trade and other receivables either on a 12-month or lifetime basis. The Group will apply the simplified approach and record lifetime expected credit losses on its trade receivables. The impact of adoption of MFRS 9 has been reflected on the statements of changes in equity.

MFRS 15 Revenue from contract with customers

MFRS 15 established a new five-step model that will apply to revenue arising from contracts with customers. The core principle of MFRS 15 is that an entity should recognise revenue which depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e when control of the goods or services underlying the particular performance obligation is transferred to the customer.

The Group has adopted the new standard on the required effective date using the full retrospective method and has applied all the practical expedients available for full retrospective approach.

The Group had reassessed the total financial impact on the Group's financial statements upon adoption of MFRS 9 and MFRS 15 on 1 July 2018 which have been summarised in the table below.

The Group evaluated and concluded that there is no element of financing present as the Group's sale of goods and services are either on cash terms or on credit terms of up to 120 days.

Financial impact

Impact on statements of changes in equity	Decrease 1 July 2018 RM'000
Retained earnings brought forward	7,994

Standard issued but not yet effective

At the date of this announcement, certain new standards, amendments and interpretations to existing standards have been published by the Malaysian Accounting Standards Board ("MASB") which are not yet effective and have not been early adopted by the Group.

A1 Accounting Policies (Cont'd)

MFRS 15 Revenue from contract with customers (Cont'd)

Standard issued but not yet effective

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first year beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have material impact on the Group's financial statements other than the following:-

MFRS 16

MFRS 16 replaces MFRS 117 Leases. MFRS 16 eliminates the distinction between finance and operating leases for lessees. As off-balance sheet will no longer be allowed except for some limited practical exemptions, all leases will be brought onto the statement of financial position by recognising a "right-of-use" asset and a lease liability. In other words, for a lessee that has material operating leases, the assets and liabilities reported on its statement of financial position are expected to increase substantially.

MFRS 16 also:-

- Changes the definition of a lease;
- Sets requirements on how to account for the asset and liability, including complexities such as non- lease elements, variable lease payments and option periods;
- Changes the accounting for sale and leaseback arrangements;
- Largely retains MFRS 117's approach to lessor accounting; and
- Introduces new disclosure requirement

The Group is currently assessing the impact of MFRS 16 and plans to adopt the new standard on the required effective date.

A2. Comparative Figure

The Company has changed its financial year end from 31 December 2017 to 30 June 2018. As such, the last financial period is an 18-month financial period ended 30 June 2018. This current quarter ended 30 June 2019 is the fourth quarter of the financial year ended 30 June 2019. There are no comparatives figures presented for the quarter under review and cumulative period ended in the current quarter for the Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income, Condensed Consolidated Statement of Changes in equity and Condensed Consolidated Statement of Cash Flows as there are no comparable interim periods in the immediate preceding financial period.

A3. Audit Report

The audit report of the most recent annual financial statements was not subject to any qualification.

A4. Seasonal or Cyclical Factors

There is no major seasonality or cyclicality in the Group's operations.

A5. Unusual Items

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group during the current interim period.

A6. Changes in Estimates

There were no changes in estimates of amounts reported in prior financial years that have a material effect in the current interim period.

A7. Debt and Equity Securities

There were no share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current interim period.

A8. Payment of Dividend

There was no payment of dividend for the quarter under review.

A9. Segmental Reporting

Segment information for the fourth 4th quarter ended 30 June 2019 is as follows: -

	Trading	Contract (exclude discontinuing operations)	Property Development	Property and Investment Holding	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	32,481	1,863	-	27	-	34,371
Loss from Operations	(25,702)	(622)	(1,087)	(2,586)	(24)	(30,021)
Finance costs						(1,123)
Loss before taxation						(31,144)
Income tax expenses						(2,031)
Loss after tax from continuing operations						(33,175)
Result from discontinuing operations						791
Loss after taxation						32,384

A9. Segmental Reporting (Cont'd)

Segment information for the financial year ended 30 June 2019 is as follows: -

	Trading	Contract (exclude discontinuing operations)	Property Development	Property and Investment Holding	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	108,549	1,873	2,465	240	-	113,127
Profit/(Loss) from Operations	(42,472)	(735)	(1,421)	13,626	(31)	(31,033)
Finance costs						(3,968)
Loss before taxation						(35,001)
Income tax expenses						(2,473)
Loss after tax from continuing operations						(37,474)
Result from discontinuing operations						696
Loss after taxation						36,778

A10. Property, Plant and Equipment

Property, plant and equipment, other than freehold land are stated at cost less accumulated depreciation and any impairment losses. Freehold land is stated at cost less any impairment losses and is not depreciated.

A11. Disposal Group Classified as Held for Sale

At the end of the current reporting period, the operating segment for the constructing and assembling industrial control instruments is presented as a disposal group classified as held for sale following the Group's plan to divest its investment in this business segment to focus on its core business of trading in construction materials. Efforts to sell the disposal group have commenced and as at 30 June 2019, its after tax loss of RM 0.7 million is presented separately on the consolidated statement of profit and loss and other comprehensive income as "loss after taxation from discontinuing operations". The assets and liabilities of the disposal group are as follows:

	RM'000
Assets classified as held for sale	
Property, plant and equipment	8,868
Inventories	1,239
Receivables	34,260
Tax assets	5
Cash and bank balances	3,254
	47,626
Liabilities classified as held for sale	
Payables and accruals	22,521
Bank borrowings	7,821
Deferred tax liabilities	61
	30,403

Included within assets classified as held for sale are also land and buildings and investment properties with total value of RM1.173 milion as Sale and Purchase Agreements for these properties have been executed or are in progress.

A12. Material Subsequent Events

There are no material events subsequent to the end of the current interim period that have not been reflected in these interim financial statements.

A13. Changes in Composition of the Group

On 13 June 2019, Modular Equity Sdn Bhd, a wholly-owned subsidiary of the Company entered into a Share Sales Agreement with Sunwell Engineering Sdn Bhd for the disposal of its entire shareholding interest of 100% in the capital of Johnson Pacific Pte Ltd at a total consideration of SGD1.00. (equivalent to RM3).

On 23 August 2019, the Company entered into a Share Sales Agreement with Makin Juta Steel Industries Sdn Bhd (Company No. 1211805-A) for the disposal of 695,408 ordinary shares, being the Company's 68.15% equity interest in the issued and paid up share capital of its subsidiary, Control Instruments (M) Sdn Bhd for a cash consideration of RM9.5 million.

A14. Contingent Liabilities

There are no material changes in contingent liabilities and contingent assets since the last financial reporting period.

B. ADDITIONAL INFORMATION REQUIRED BY BMSB'S LISTING REQUIREMENTS

B1. Review of Performance

The Group recorded a turnover of RM113 million with a pre-tax loss of RM35 million for its continuing operation. The decline in property market, delay in commencement of residential projects coupled with the financial institution reservation in financing purchase of residential units was the main cause of the decrease in turnover. Drop in average gross margin and high impairment in receivables lead the Group reported loss after tax of RM36.8 million for the financial year under review.

B2. Comparison with Preceding Quarter's Result

In the quarter under review, the Group's turnover of RM34 million is higher by 36% compared to the preceding quarter's RM25 million.

B3. Current Year Prospects

The Directors expect the Group's performance to be challenging and is currently consolidating and rationalising its operation to be more efficient especially in view of its high operation cost. Measures are being taken to trim areas of operation which are draining the Group's resources to enable the Group to be more cost effective in running its operations.

B4. Variances from Profit Forecast and Profit Guarantee

The Company did not make a profit forecast and therefore comments on variances with forecast profit are not applicable.

B5. Profit Before Taxation

The profit before taxation is stated after charging/(crediting):

	Individual Quarter 30/6/2019 RM'000	Cumulative Quarter 30/6/2019 RM'000
Interest income	(1,266)	(3,079)
Interest expenses	1,123	3,968
Depreciation and amortisation	216	1,002
Gain on disposal of property, plant & equipment	(26)	(15,503)
Gain on disposal of investment properties	-	(197)
Gain on disposal of subsidiary	(273)	(273)
Impairment of inventories	3,300	3,708
Impairment of receivables	11,311	15,444
Impairment of subsidiary	6,600	6,600
Foreign exchange loss	1	15

Save as disclosed above, the other items as required under paragraph 16 of Part A of Appendix 9B of the Main Market Listing Requirement of Bursa Securities are not applicable.

B6. Taxation

Taxation comprises the following:

	Individual Quarter 30/6/2019	Cumulative Quarter 30/6/2019
	RM'000	RM'000
Malaysian income tax:		
Current year tax	(22)	(418)
Deferred taxation	(2,037)	(2,028)
Prior years	28	(27)
Total income tax expense	(2,031)	(2,473)

B7. Sale of Investments and Properties

a) On 19 February 2019, the Company entered into a Sale and Purchase Agreement for the disposal of freehold apartment for a total consideration RM160,000. The transaction has yet to be completed.

b) On 11 June 2019, a subsidiary entered into a Sale and Purchase Agreement for the disposal of a single storey corner terrace house for sale consideration of RM65,000. The transaction has yet to be completed.

c) On 11 June 2019, a subsidiary entered into a Sale and Purchase Agreement for the disposal of (2) two single mid terrace house for sale consideration of RM49,000 each. The transaction has yet to be completed.

d) On 1 August 2019, a subsidiary entered into a Sale and Purchase Agreement for the disposal of a double storey shop lot for sale consideration of RM300,000. The transaction has yet to be completed.

e) On 23 August 2019, a subsidiary entered into a Sale and Purchase Agreement for the disposal of a unit freehold condominium for sale consideration of RM550,000. The transaction has yet to be completed.

B8. Purchase or Disposal of Quoted Securities

There is no purchase or disposal of quoted securities for the current interim period.
Total investments in quoted shares as at 30 June 2019 are at carrying value/ market value of RM153,314.

B9. Status of Corporate Proposals

a) On 27 August 2018, the Company announced that it proposed to establish and implement an Employees' Share Option Scheme ("ESOS") of up to 15% of the total number of issued shares of the Company, (excluding treasury shares, if any) ("Proposed ESOS") at any point in time during the duration of the Proposed ESOS. The Proposed ESOS, when implemented, shall be in force for a period of five (5) years from the effective date of its implementation.

   However, on 26 October 2018 the Board had, after careful deliberation, decided not to proceed with the Proposed ESOS. The Company is evaluating incentive schemes for its employees before deciding on the most suitable scheme to be implemented.

B10. Group Borrowings and Debt Securities

The Group borrowings and debt securities which are denominated in Ringgit Malaysia as at 30 June are as below:

	As at 30/6/2019 RM'000
Secured	29,809
Unsecured	29,391
Total short term borrowings	59,200
Secured long term borrowings	9,336
Total borrowings	68,536

B11. Off Balance Sheet Financial Instruments

There are no financial instruments with off balance sheet risk as at the date of this report.

B12. Material Litigation

There is no pending material litigation as at the date of this report.

B13. Dividend

No dividend has been recommended by the Board of Directors.

B14. Earnings Per Share

The basic earnings per share for the financial period have been calculated by dividing the Group's losses by the weighted average number of ordinary shares issued.

	Individual Quarter 30/6/2019	Cumulative Quarter 30/6/2019
Losses attributable to owners of the parent (RM'000)		
- from continuing operations	(33,200)	(37,687)
- from discontinued operations	728	730
	(32,472)	(36,957)
Weighted average number of shares outstanding ('000)	72,469	72,469
Basic loss per ordinary share (sen)		
- from continuing operations	(0.46)	(0.52)
- from discontinued operations	-	-
	(0.46)	(0.52)

The Company has not issued any dilutive potential ordinary shares and hence, the diluted earnings per share is equal to the basic earnings per share.

BY ORDER OF THE BOARD
Chan Lai Choon
Secretary

Kuala Lumpur
30 August 2019