

IPMUDA BERHAD (“IPMUDA” OR “THE COMPANY”)

DISPOSAL OF TWO PIECES OF FREEHOLD PROPERTY TO KENYIN HARDWARE SDN BHD

1. INTRODUCTION

The Board of Directors of Ipmuda Berhad ("Ipmuda" or "the Company") wishes to announce that the Company (“the Company or "the Vendor"), had on 18 May 2018, entered into two (2) Sale and Purchase Agreements with Kenyin Hardware Sdn Bhd (Co. No.: 148322-V) of 65A, Jalan Harimau Tarum, Century Garden, 80250 Johor Bahru, Johor (“the Purchaser”) (“the LOT 1618 SPA” and “the LOT 1619 SPA”) for the disposal of the following pieces of freehold property for an aggregate consideration of Ringgit Malaysia Eleven Million Three Hundred Thousand (RM11,300,000.00) only (“the Total Consideration Sum” or “the Total Purchase Price”) which details of the respective property and consideration are set out below:

- a. The LOT 1618 SPA is for the disposal of one (1) piece of freehold property held under Geran 83778 Lot 1618 Mukim Tebrau, Daerah Johor Bahru, Negeri Johor and measuring approximately 0.3753 hectare and bearing postal address at Lot 1618 (4), Jalan Dewani, Kawasan Perindustrian Temenggong, 81100 Johor Bahru, Johor upon which a single storey warehouse with an annexed two and a half storey office building and guard house are erected thereon (“the LOT 1618 Property”) for a total consideration of Ringgit Malaysia Five Million and Seven Hundred Thousand (RM5,700,000.00) only (“the LOT 1618 Consideration Sum” or “the LOT 1618 Purchase Price”) (“Disposal 1”); and
- b. The LOT 1619 SPA is for the disposal of one (1) piece of freehold property held under Geran 83780 Lot 1619 Mukim Tebrau, Daerah Johor Bahru, Negeri Johor and measuring approximately 4,771.2405 square metres and bearing postal address at Lot 1619, Jalan Dewani, Kawasan Perindustrian Temenggong, 81100 Johor Bahru, Johor upon which a single storey open sided structure with an annexed single storey office building are erected thereon (“the LOT 1619 Property”) for a consideration of Ringgit Malaysia Five Million and Six Hundred Thousand (RM5,600,000.00) only (“the LOT 1619 Consideration Sum” or “the LOT 1619 Purchase Price”) (“Disposal 2”).

(the LOT 1618 Property and the LOT 1619 Property collectively hereinafter referred to as “the Properties” and the Disposal 1 and Disposal 2 collectively hereinafter referred to as “the Disposal”).

2. INFORMATION ON DISPOSAL

2.1 Information on the Vendor

The Vendor was incorporated in Malaysia under the Companies Act, 1965 under the name of Ipmuda Trading Sdn Bhd on 19 April 1975. It subsequently changed its name to Ipmuda (Malaysia) Sdn Bhd and Ipmuda Sdn Bhd on 15 September 1992 and 01 April 1993 respectively and on 13 April 1993 was converted to Ipmuda Berhad. The total number of issued ordinary shares of the Company is 72,469,500. The Vendor is principally engaged in the trading and distribution of building materials.

2.2 Information on the Purchaser

The Purchaser was incorporated in Malaysia under the Companies Act, 1965 on 11 December 1985. The Purchaser's registered address is at 65A, Jalan Harimau Tarum, Century Garden, 80250 Johor Bahru, Johor. Its issued share capital is RM1,000,000.00 consisting of 1,000,000 ordinary shares. The nature of business of the Purchaser is trading in hardware, piping, cement, building materials and related products.

2.3. Information of the Properties

I. LOT 1618 Property

- a. The Vendor is the registered and beneficial owner of LOT 1618 Property.
- b. Details of the LOT 1618 Property is as follows:

i.	Title No	:	Geran 83778 Lot 1618 Mukim Tebrau, Daerah Johor Bahru, Negeri Johor
ii.	Tenure	:	Freehold
iii.	Area	:	Approximately 0.3753 hectares (40,396 sq. ft.)
iv.	Category of land use	:	Industry
v.	Building	:	A single storey warehouse (approximately 14,000 sq.ft/ 1,300.60 sq. metres) with an annexed two and a half storey office building (approximately 8,446 sq.ft/784.63 sq. metres) and a guard house (approximately 126 sq.ft/11.71 sq. metres)
vi.	Approximate Building age	:	25 years
vii.	Postal Address	:	Lot 1618 (4), Jalan Dewani, Kawasan Perindustrian Temenggong, 81100 Johor Bahru, Johor
viii.	Purchase Price	:	Ringgit Malaysia Five Million and Seven Hundred Thousand (RM5,700,000-00) only; + GST thereon @ the prevailing rate [currently @ 6%] of Ringgit Malaysia Three Hundred and Forty Two thousand (RM342,000-00) only.
ix.	Restrictive Condition	:	Not applicable
x.	Existing Charge	:	Not applicable
xi.	Existing Chargee	:	Not applicable

xii.	Date of acquisition	:	March 1991
xiii.	Cost of LOT 1618 Property	:	RM1,760,261.00
xiv.	Net Book Value as at 31.12.2016 based on the latest audited financial statements for the year ended 31.12.2016	:	RM1,232,728.00
xv.	Valuation Report	:	Valuation conducted by Messrs Raine & Horne International Zaki + Partners Sdn Bhd on 28 November 2014 and subsequently updated (via desktop valuation) on 30 November 2017 was at RM5,600,000.00 using the sales comparison method of valuation. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size.
xvi.	Estimated Net Gain to Ipmuda Group on Disposal 1	:	RM4,093,572.00
xvii.	Estimated Net Loss to the Vendor on Disposal 1	:	RM273,700.00

II. LOT 1619 Property

- a. The Vendor is the registered and beneficial owner of the LOT 1619 Property.
- b. Details of the LOT 1619 Property is as follows;

i.	Title No	:	Geran 83780 Lot 1619 Mukim Tebrau, Daerah Johor Bahru, Negeri Johor
ii.	Tenure	:	Freehold
iii.	Area	:	Approximately 4,771.2405 square metres
iv.	Category of land use	:	Nil
v.	Building/Cultivation	:	Single storey open sided structure (approximately 8,400 sq.ft. / 780.36 sq. metres) with an annexed single storey office building (approximately 2,400 sq. ft. / 222.96 sq.metres)
vi.	Approximate Building Age	:	9 years
vii.	Postal Address	:	Lot 1619, Jalan Dewani, Kawasan Perindustrian Temenggong, 81100 Johor Bahru, Johor

viii.	Purchase Price	:	Ringgit Malaysia Five Million and Six Hundred Thousand (RM5,600,000-00) only; + GST thereon @ the prevailing rate [currently @ 6%] of Ringgit Malaysia Three Hundred and Thirty Six Thousand (RM336,000-00) only.
ix.	Restrictive Condition	:	Not applicable
x.	Existing Charge	:	Not applicable
xi.	Existing Chargee	:	Not applicable
xii.	Date of acquisition	:	March 1991
xiii.	Cost of LOT 1619 Property	:	RM1,231,124.00
xiv.	Net Book Value as at 31.12.2016 based on the latest audited financial statements for the year ended 31.12.2016	:	RM1,029,293.00
xv.	Valuation Report	:	Valuation conducted by Messrs Raine & Horne International Zaki + Partners Sdn Bhd on 28 November 2014 and subsequently updated (via desktop valuation) on 30 November 2017 was at RM5,750,000.00 using the sales comparison method of valuation. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size.
xvi.	Estimated Net Gain to Ipmuda Group on Disposal 2	:	RM4,178,407.00
xvii.	Estimated Net Loss to the Vendor on Disposal 2	:	RM542,300.00

2.3.1. Estimated net gain/net loss on the Disposal

The total estimated net gain to Ipmuda Group on the Disposal is approximately RM8,271,979.00 while the Vendor is expected to recognise a net loss of RM816,000.00.

2.3.2 Previous usage of the Properties

The Properties were previously occupied by Ipmuda Selatan Sdn Bhd, the Vendor's subsidiary, for the Southern region trading operations which are now operating from Kuala Lumpur.

2.4. Basis of Total Consideration Sum

The Total Consideration Sum was arrived based on negotiations between the parties on a willing buyer willing seller basis after taking into consideration the original cost of the Properties and the overall property market condition. The management is of the view that the Total Consideration Sum is fair and reasonable.

2.5. Salient Terms of the LOT 1618 SPA and LOT 1619 SPA

a. Salient Terms of the LOT 1618 SPA

i. Payment of the Lot 1618 Purchase Price

The LOT 1618 Purchase Price of RM5,700,000.00 only shall be paid by the Purchaser in the following manner:-

- a) The sum of RM570,000.00 only (“the Deposit”) shall be paid by the Purchaser to the Vendor and/or the Vendor’s Solicitors as Stakeholders upon execution of the LOT 1618 SPA as part payment of the Purchase Price.
- b) The balance of the LOT 1618 Purchase Price of RM5,130,000.00 (“the LOT 1618 Balance Purchase Price”) shall be paid by the Purchaser within 3 months from the date of the LOT 1618 SPA (“the Completion Period”).
- c) In the event the Purchaser fails to pay the LOT 1618 Balance Purchase Price or any part thereof by the expiry of the Completion Period, the Vendor shall grant the Purchaser an automatic extension of 2 months from the day next after the expiry of the Completion Period (“the Extended Completion Period”) for payment of the LOT 1618 Balance Purchase Price subject to the Purchaser paying interest at the prescribed rate of 8% per annum on the LOT 1618 Balance Purchase Price or such part thereof which is outstanding to be calculated on a daily basis (“the Late Payment Interest”) from the commencement of the Extended Completion Period until the day of full settlement.
- d) The date of the Vendor’s or the Vendor’s Solicitors’ receipt of the full LOT 1618 Balance Purchase Price, whichever shall be the earlier, shall hereinafter be referred to as “the Completion Date”.

ii. Special Conditions in the LOT 1618 SPA

The LOT 1618 SPA shall be subject to amongst others the following special conditions of the LOT 1618 SPA. In the event of any inconsistency between the terms of the preceding clauses in the LOT 1618 SPA and the terms of the special conditions mentioned therein, the terms of the latter shall prevail.

- a) The Purchaser has prior to the execution of the LOT 1618 SPA paid to the Vendor the sum of RM114,000.00 only towards part of the Deposit payable hereunder. The balance of the Deposit in the sum of RM456,000.00 only shall be paid by the Purchaser upon the execution of the LOT 1618 SPA in the following manner:-
 - i. the sum of RM285,000.00 only to the Vendor and/or the Vendor’s Solicitors as Stakeholders; and

- ii. the sum of RM171,000.00 only to the Purchaser's Solicitors as Stakeholders towards the Retention Sum of RM171,000.00 (for the purpose of remitting the same to the Inland Revenue within 60 days from the date of the LOT 1618 SPA towards payment of such real property gains tax to be assessed by the Inland Revenue [if any]) and who are authorised to deal with the same in accordance therewith.
- b) Subject to the Purchaser's and/or the Purchaser's Solicitors' prior receipt of the Vendor's tax invoice for the Deposit, the Purchaser shall further pay the GST on the Deposit at the prevailing rate [currently @ 6%] of RM34,200.00 only to the Vendor and/or the Vendor's Solicitors as Stakeholders upon the execution of the LOT 1618 SPA.
- c) Upon execution of the LOT 1618 SPA, the Vendor shall also deliver to the Purchaser's Solicitors as Stakeholders a copy of the Certificate of Fitness for Occupation for the building erected on the LOT 1618 Property.
- d) The LOT 1618 SPA and the LOT 1619 SPA are both entered into and completed as an '*en-bloc*' transaction. Consequently, in the event that the LOT 1619 SPA shall be terminated for any reason whatsoever, the LOT 1618 SPA shall also automatically be terminated, without prejudice to the rights of action by the non-defaulting party against the defaulting party for any antecedent breaches.

An event of default by the Purchaser under the LOT 1619 SPA entitling the Vendor to determine the LOT 1619 SPA shall be deemed an event of default by the Purchaser under the LOT 1618 SPA entitling the Vendor to determine the LOT 1618 SPA and vice versa. Likewise, an event of default by the Vendor under the LOT 1619 SPA entitling the Purchaser to determine the LOT 1619 SPA shall be deemed to an event of default under the LOT 1618 SPA entitling the Vendor to determine the LOT 1618 SPA and vice versa.

b. Salient terms of the LOT 1619 SPA

i. Payment of the LOT 1619 Purchase Price

The LOT 1619 Purchase Price of RM5,600,000.00 only shall be paid by the Purchaser in the following manner:-

- a) The sum of RM560,000.00 only ("the Deposit") shall be paid by the Purchaser to the Vendor and/or the Vendor's Solicitors as Stakeholders upon execution of the LOT 1619 SPA as part payment of the Purchase Price.
- b) The balance of the Purchase Price of RM5,040,000.00 ("the LOT 1619 Balance Purchase Price") shall be paid by the Purchaser within 3 months from the date of the LOT 1619 SPA ("the Completion Period").

- c) In the event the Purchaser fails to pay the LOT 1619 Balance Purchase Price or any part thereof by the expiry of the Completion Period, the Vendor shall grant the Purchaser an automatic extension of 2 months from the day next after the expiry of the Completion Period (“the Extended Completion Period”) for payment of the LOT 1619 Balance Purchase Price subject to the Purchaser paying interest at the prescribed rate of 8% per annum on the LOT 1619 Balance Purchase Price or such part thereof which is outstanding to be calculated on a daily basis (hereinafter referred to as “the Late Payment Interest”) from the commencement of the Extended Completion Period until the day of full settlement.
- d) The date of the Vendor’s or the Vendor’s Solicitors’ receipt of the full LOT 1619 Balance Purchase Price, whichever shall be the earlier, shall hereinafter be referred to as “the Completion Date”.

ii. Special Conditions to the LOT 1619 SPA

The LOT 1619 shall be subject to amongst others to the following special conditions of LOT 1619 SPA. In the event of any inconsistency between the terms of the clauses in the LOT 1619 SPA and the terms of the special conditions mentioned therein, the terms of the latter shall prevail.

- a) The Purchaser has prior to the execution of the LOT 1619 SPA paid to the Vendor the sum of RM116,000.00 only towards part of the Deposit payable hereunder. The balance of the Deposit in the sum of RM444,000.00 only shall be paid by the Purchaser upon the execution of the LOT 1619 SPA in the following manner:-
 - i. the sum of RM276,000.00 only to the Vendor and/or the Vendor’s Solicitors as Stakeholders; and
 - ii. the sum of RM168,000.00 only to the Purchaser’s Solicitors as Stakeholders towards the Retention Sum of RM168,000.00 (for the purpose of remitting the same to the Inland Revenue within 60 days from the date of the LOT 1619 SPA towards payment of such real property gains tax to be assessed by the Inland Revenue [if any]) and who are authorised to deal with the same in accordance therewith.
- b) Subject to the Purchaser’s and/or the Purchaser’s Solicitors’ prior receipt of the Vendor’s tax invoice for the Deposit, the Purchaser shall further pay the GST on the Deposit at the prevailing rate [currently @ 6%] of RM33,600-00 only to the Vendor and/or the Vendor’s Solicitors as Stakeholders upon the execution of the LOT 1619 SPA.
- c) The LOT 1619 SPA and the LOT 1618 SPA are both entered into and completed as an ‘*en-bloc*’ transaction. Consequently, in the event that the LOT 1618 SPA shall be terminated for any reason whatsoever, the LOT 1619 SPA shall also automatically be terminated, without prejudice to the rights of action by the non-defaulting party against the defaulting party for any antecedent breaches.

- d) An event of default by the Purchaser under the LOT 1618 SPA entitling the Vendor to determine the LOT 1618 SPA shall be deemed an event of default by the Purchaser under the LOT 1619 SPA entitling the Vendor to determine the LOT 1619 SPA and vice versa. Likewise, an event of default by the Vendor under the LOT 1618 SPA entitling the Purchaser to determine the LOT 1618 SPA shall be deemed to an event of default under the LOT 1619 SPA entitling the Vendor to determine the LOT 1619 SPA and vice versa.

2.6. On Liabilities assumed by the Purchaser

There are no liabilities to be assumed by the Purchaser pursuant to the Disposal.

2.7. Utilisation of Proceeds

The Consideration Sum is expected to be utilised by the Ipmuda Group in the following manner:

Particulars of utilisation	Amount to be utilised (RM)	Timeframe for full utilisation of proceeds
Repayment of bank borrowings	4,300,000	Within 6 months
Estimated real property gains tax	397,000	Within 6 months
Estimated incidental expenses related to the Disposal	369,000	Within 6 months
Working capital for the Ipmuda Group (payment to suppliers for purchase of building materials)	6,234,000	Within 6 months
Total:	11,300,000	

3. Rationale

The Disposal is in the best interest of the Company as it represents an opportunity for the Ipmuda Group to unlock the value of the Properties, strengthen its financial position and for working capital requirements.

4. Effect of the Disposal

a. Share Capital and Substantial Shareholders' Shareholdings

There is no effect on the share capital and the substantial shareholders' shareholdings of the Company as the Disposal does not involve any issuance of new ordinary shares or other securities convertible into ordinary shares in the Company.

b. Net Assets ("NA") and Earning

The Disposal is expected to contribute positively to the NA and earnings of the Ipmuda Group upon the completion of the Disposal.

c. Gearing

The Disposal is not expected to have any material effect on the gearing ratio of Ipmuda Group.

5. Risk Factors

The Board of Directors of Ipmuda is not aware of any material risk arising from the Disposal other than the normal and market risks associated with a transaction of similar nature as the Disposal.

6. Highest Percentage Ratio Applicable

The highest percentage ratio applicable to the Disposal under Paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad is 7.05%.

7. Approvals Required

The Disposal is not subject to the regulatory approval of any government authority or the approval of the shareholders of the Company.

8. Interest of Directors, Major Shareholders and/or Persons Connected

None of the Directors and/or major shareholders of the Company and/or persons connected with them have any interest, direct or indirect, in the Disposal.

9. Directors' Statement

The Board of Directors of the Company, having considered all aspects of the Disposal, is of the opinion that the Disposal is in the best interest of the Ipmuda Group.

10. Estimated Timeframe for Completion

Barring any unforeseen circumstances, the Disposal is expected to be completed within 90 days from the date of the LOT 1618 SPA and the LOT 1619 SPA.

11. Documents Available For Inspection

Copies of the LOT 1618 SPA, the LOT 1619 SPA, the valuation reports for the Properties and the updated desktop valuations are available for inspection at the registered office of the Company at Bangunan Ipmuda, No.12 Jalan Datoh, 30000 Ipoh, Perak Darul Ridzuan during normal business hours (8.30 am to 6.00 pm) on Mondays to Fridays (except public holidays) for a period of three (3) months from the date of this announcement.

This announcement is dated 21 May 2018.