

Company No. 625034 X

GROMUTUAL BERHAD
(Company No. 625034 X)
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

QUARTERLY REPORT
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2017
(UNAUDITED)

This Report is dated 28 February 2018

Company No. 625034 X

GROMUTUAL BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

QUARTERLY REPORT

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CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017
 (The figures have not been audited)

	As at 31 DEC 2017 (Unaudited)	As at 31 DEC 2016 (Audited)
	RM'000	RM'000
Assets		
Non-current assets		
Property, plant and equipment	4,944	2,080
Investment properties	94,760	90,051
Land held for property development	192,195	167,513
TOTAL NON-CURRENT ASSETS	<u>291,899</u>	<u>259,644</u>
Current Assets		
Inventories	69,746	24,664
Land and development expenditure	22,264	73,311
Receivables	15,601	16,164
Current tax assets	1,314	580
Cash and bank balances	35,748	47,292
TOTAL CURRENT ASSETS	<u>144,673</u>	<u>162,011</u>
TOTAL ASSETS	<u>436,572</u>	<u>421,655</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	187,804	187,804
Retained earnings	157,688	145,341
TOTAL EQUITY	<u>345,492</u>	<u>333,145</u>
Non-current liabilities		
Borrowings	13,644	10,867
Deferred tax liabilities	5,546	5,372
TOTAL NON-CURRENT LIABILITIES	<u>19,190</u>	<u>16,239</u>
Current Liabilities		
Payables	19,507	25,122
Borrowings	51,198	44,495
Current tax payables	1,185	2,654
TOTAL CURRENT LIABILITIES	<u>71,890</u>	<u>72,271</u>
TOTAL LIABILITIES	<u>91,080</u>	<u>88,510</u>
TOTAL EQUITY AND LIABILITIES	<u>436,572</u>	<u>421,655</u>
Net Assets (NA) per share (RM)	<u>0.92</u>	<u>0.89</u>

The condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statement.

**CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
 FOR THE QUARTER ENDED 31 DECEMBER 2017**
 (The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31 DEC 2017 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31 DEC 2016 RM'000	CURRENT YEAR 31 DEC 2017 RM'000	PRECEDING YEAR 31 DEC 2016 RM'000
Revenue	17,004	15,316	65,850	91,535
Cost of sales	(9,620)	(7,107)	(32,709)	(45,853)
Gross Profit	7,384	8,209	33,141	45,682
Investment revenue	1,048	169	1,398	754
Other income	6,534	920	7,030	1,053
Administrative expenses	(4,167)	(3,745)	(15,247)	(14,475)
Finance costs	(234)	(217)	(941)	(900)
Other expenses	-	-	(4)	(34)
Profit before tax	10,565	5,336	25,377	32,080
Income tax expense	(982)	(976)	(5,518)	(8,859)
Profit for the period/year	9,583	4,360	19,859	23,221
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income for the period/year	9,583	4,360	19,859	23,221
Profit attributable to: Owners of the Company	9,583	4,360	19,859	23,221
Earnings per share (sen)				
- Basic	2.55	1.16	5.29	6.18
- Diluted	N/A	N/A	N/A	N/A

The condensed consolidated statements of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statement.

GROMUTUAL BERHAD
 (Company No. 625034 X)
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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 31 DECEMBER 2017
 (The figures have not been audited)

	← Attributable to owners of the Company →		
	Share Capital RM'000	Distributable Reserve Retained Earnings RM'000	Total/Net Equity RM'000
Balance as at 1 January 2017	187,804	145,341	333,145
Total comprehensive income for the year	-	19,859	19,859
Final dividend - Year Ended 31 December 2016	-	(3,756)	(3,756)
Interim dividend - Year Ended 31 December 2017	-	(3,756)	(3,756)
Balance as at 31 December 2017	<u>187,804</u>	<u>157,688</u>	<u>345,492</u>
Balance as at 1 January 2016	187,804	125,876	313,680
Total comprehensive income for the year	-	23,221	23,221
Interim dividend - Year Ended 31 December 2016	-	(3,756)	(3,756)
Balance as at 31 December 2016	<u>187,804</u>	<u>145,341</u>	<u>333,145</u>

The condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statement.

GROMUTUAL BERHAD
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**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE QUARTER ENDED 31 DECEMBER 2017**

(The figures have not been audited)

	31 DEC 2017 (Unaudited)	31 DEC 2016 (Audited)
	RM'000	RM'000
CASH FLOWS (USED IN) FROM OPERATING ACTIVITIES		
Receipts from customers	64,251	90,583
Payments to suppliers and employees	<u>(39,527)</u>	<u>(67,546)</u>
Cash From Operations	24,724	23,037
Finance costs paid	(2,527)	(2,274)
Income taxes paid	(8,238)	(8,157)
Income taxes refund	<u>692</u>	<u>319</u>
Net Cash From Working Capital	14,651	12,925
Additions to Land held for property development	(28,739)	(2,877)
Net Cash (Used In) From Operating Activities	<u>(14,088)</u>	<u>10,048</u>
CASH FLOWS (USED IN) FROM INVESTING ACTIVITIES		
Proceeds from disposal of investment properties	-	7,200
Proceeds from disposal of PPE	75	83
Other investments	1,398	754
Additions to property, plant and equipment	(655)	(254)
Additions to investment properties	(1,131)	(4,269)
Net Cash (Used In) From Investing Activities	<u>(313)</u>	<u>3,514</u>
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Proceeds from bank borrowings	14,738	9,449
Repayment of bank borrowings	(5,152)	(12,100)
Dividend paid	(7,512)	(3,756)
Net Cash From (Used In) Financing Activities	<u>2,074</u>	<u>(6,407)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(12,327)	7,155
CASH AND CASH EQUIVALENTS AS OF BEGINNING OF YEAR	<u>16,493</u>	<u>9,338</u>
CASH AND CASH EQUIVALENTS AS OF END OF YEAR	<u><u>4,166</u></u>	<u><u>16,493</u></u>
Cash and cash equivalents comprise of:		
Fixed deposits with licenced bank	2,200	1,705
Cash and bank balances	33,548	45,587
Bank overdraft	(29,479)	(29,646)
Less : Fixed deposits pledged to banks	(1,200)	(1,153)
Less : Amount held on behalf of Joint Management Body	(903)	-
	<u><u>4,166</u></u>	<u><u>16,493</u></u>

The condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statement.

GROMUTUAL BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

**UNAUDITED QUARTERLY REPORT
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2017**

**A EXPLANATORY NOTES IN COMPLIANCE WITH FINANCIAL REPORTING
STANDARD (“FRS”) 134: INTERIM FINANCIAL REPORTING**

A1. Basis of Preparation

This interim financial statement is unaudited and is prepared in accordance with FRS 134: Interim Financial Reporting and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia") and should be read in conjunction with the Group's annual audited financial statements for the financial year ended 31 December 2016. Certain comparative figures have been reclassified to conform with current year's presentation.

The accounting policies and presentation adopted by the Group in this financial statement are consistent with those adopted in the latest audited financial statements of the Group for the financial year ended 31 December 2016, except for the following revised and amendments to Financial Reporting Standards (“FRSs”) that are effective for annual periods beginning on or after 1 January 2017:

Adoption of new and revised FRSs

Amendments to FRS 107	Disclosure Initiative
Amendments to FRS 112	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to FRSs	Annual Improvements to FRSs 2014 – 2016 Cycle

The adoption of abovementioned Standards do not have significant financial impact on the financial statements of the Group and of the Company.

Malaysian Financial Reporting Standards

On 19 November 2011, MASB has issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards Framework (“MFRS Framework”), a fully-IFRS compliant framework. Entities other than private entities shall apply the MFRS Framework for annual periods beginning on or after 1 January 2012, with the exception of Transitioning Entities (“TEs”).

TEs, being entities within the scope of MFRS 141 *Agriculture* and/or IC Interpretation 15: *Agreements for the Construction of Real Estate*, including its parents, significant investors and venturers were allowed to defer the adoption of MFRS Framework until such time as mandated by MASB. On 2 September 2014, MASB issued the MFRS 15 *Revenue from Contracts with Customers* and Amendments to MFRS 116 and MFRS 141 *Agriculture: Bearer Plants* and announced that TEs which have chosen to continue with FRS Framework are required to adopt the MFRS Framework latest by 1 January 2017. However, following the announcement by MASB on 8 September 2015, the effective date of MFRS 15 is now deferred to annual periods beginning on or after 1 January 2018.

The Group and the Company being TEs have availed themselves of this transitional arrangement and will continue to apply FRSs in the preparation of its financial statements. Accordingly, the Group and the Company will be required to prepare its first set of MFRS financial statements for the financial year ending 31 December 2018. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained earnings.

New and Revised MFRSs in issue but not yet effective

The Group and the Company have not adopted the following revised and amendments to MFRSs which have been issued but not yet effective:

		Effective for annual periods beginning on or after
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 4	Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018
MFRS 9	Financial Instruments	1 January 2018
MFRS 15	Revenue from Contracts with Customers	Effective date of MFRS 15
MFRS 15	Clarification to MFRS 15 Revenue from Contracts with Customers	1 January 2018
Amendments to MFRS 140	Transfer of Investment Property	1 January 2018
IC Int.22	Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to MFRSs	Annual Improvements to MFRSs 2014 – 2016 Cycle	1 January 2018
MFRS 16	Leases	1 January 2019
IC Int. 23	Uncertainty over Income Tax Treatment	1 January 2019
MFRS 17	Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128	Sale of Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The directors anticipate that the adoption of the MFRSs will have no material impact on the financial statements in the period of initial application except as discussed below:

MFRS 16 Leases

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are optional exemptions for short-term leases or leases of low value items. Lessor accounting remains similar to the current standard.

The directors of the Group and of the Company are currently assessing the impact on adoption of MFRS 16 on the amount reported and disclosures in the financial statements. However, it is not practical to provide a reasonable estimate of the effect of MFRS 16 until the Group and the Company had completed the detailed review.

A2. Seasonal or Cyclical Factors

The Group's operations are not significantly affected by any seasonal or cyclical factors.

A3. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flow

There were no unusual items affecting assets, liabilities, equity, net income or cash flow of the Group for the current quarter and financial year to date results.

A4. Significant Changes in Accounting Estimates

There were no changes in estimates that have any material effect on the current quarter and financial year to date results.

A5. Issuance and Repayment of Debts and Equity Securities

There are no issuance and repayment of debts and equity securities during the current quarter and the financial year to date.

A6. Dividend Paid

For the financial year ended 31 December 2016

The final single tier dividend of 1 sen per share, amounting to RM3,756,080 in respect of the financial year ended 31 December 2016 which was approved by shareholders at the 14th Annual General Meeting held on 31 May 2017 had been paid on 13 July 2017 to shareholders whose names appeared in the Record of Depositors at the close of business on 19 June 2017.

For the financial year ended 31 December 2017

At Board of Directors' meeting held on 27 November 2017, the Board of Directors declared an interim single tier dividend of 1 sen per share, amounting to RM3,756,079 for the financial year ending 31 December 2017. The dividend had been paid on 28 December 2017 to shareholders whose name appears in the Record of Depositors at the close of business on 13 December 2017.

A7. Segmental Reporting

For management purposes, the Group is organised into the following reportable operating segments based on their products and services and same similar economic characteristics:

- Property development (include construction contracts)
- Property management (include rental of properties)
- Others (includes small plantation business and Group-level corporate services and treasury functions)

Segment information in respect of the Group's business segments for the financial year ended 31 December 2017 is as follow:

	Property development RM	Property management RM	Others RM	Elimination RM	Consolidated RM
Revenue					
External sales	55,818,105	8,567,748	1,464,528	-	65,850,381
Inter-segment income	4,081,889	199,500	6,100,680	(10,382,069)	-
Total revenue	<u>59,899,994</u>	<u>8,767,248</u>	<u>7,565,208</u>	<u>(10,382,069)</u>	<u>65,850,381</u>

	Property development RM	Property management RM	Others RM	Elimination RM	Consolidated RM
Results					
Investment revenue	440,383	33,237	1,704,834	(780,126)	1,398,328
Finance costs	146,730	767,532	171,846	(145,507)	940,601
Depreciation	269,753	243,291	186,666	41,296	741,006
Unallocated corporate expenses	-	-	719,820	-	719,820
Profit before tax	<u>16,773,642</u>	<u>5,117,673</u>	<u>6,001,099</u>	<u>(2,515,063)</u>	<u>25,377,351</u>
Assets					
Addition to property, plant and equipment	146,484	4,249	800,016	(1,768)	948,981
Addition to investment properties	-	1,886,376	-	(755,846)	1,130,530
Segment assets	318,681,757	108,263,560	19,326,179	(10,970,653)	435,300,843
Unallocated corporate assets					1,271,140
Consolidated assets					<u>436,571,983</u>
Liabilities					
Segment liabilities	72,683,930	26,027,914	14,195,489	(22,231,016)	90,676,317
Unallocated liabilities					403,240
Consolidated liabilities					<u>91,079,557</u>

A8. Subsequent Material Events

There were no material events subsequent to the end of the current quarter.

A9. Changes in the Composition of the Group

There is no change in the composition of the Group for the current quarter and financial year to date.

A10. Commitment for Expenditure

There is no outstanding capital commitment as at the end of the current quarter.

A11. Significant Related Party Transactions

There were no related party transactions for the current quarter and financial year to date.

B EXPLANATORY NOTES IN COMPLIANCE WITH LISTING REQUIREMENTS OF THE BURSA SECURITIES

B1. Review of the Performance

	Individual Quarter Current Year Quarter 31.12.2017 RM'000	Preceding Year Corresponding Quarter 31.12.2016 RM'000	Change %	Cumulative Quarter Current Year To Date 31.12.2017 RM'000	Preceding Year Corresponding Period 31.12.2016 RM'000	Change %
Revenue						
Property Development	14,815	12,582	17.7	55,818	80,959	(31.1)
Property Management	1,902	2,329	(18.3)	8,568	9,200	(6.9)
Others	287	405	(29.1)	1,464	1,376	6.4
	17,004	15,316		65,850	91,535	
Profit before tax						
Property Development	3,372	3,639	(7.3)	16,103	28,104	(42.7)
Property Management	6,624	1,684	293.3	9,228	4,296	114.8
Others	569	13	4276.9	46	(320)	114.4
	10,565	5,336		25,377	32,080	

(a) Performance of the current quarter against the preceding year corresponding quarter

For the current quarter under review, the Group recorded revenue and profit before tax of RM17.004 million and RM10.565 million respectively, representing a 11.0% increase in revenue and 98.0% increase in profit before tax over the previous year's corresponding quarter of RM15.316 million and RM5.336 million.

The performance of the Group's operating segments was as follows:

Property Development

The higher recognition for sales of completed residential properties led the property development segment registered a 17.7% increase in revenue to RM14.815 million compared to RM12.582 million previously. Nevertheless, the segment's profit before tax saw a marginal 7.3% decrease to RM3.372 million, from RM3.639 million previously due to the higher administrative expenses.

Property Management

The property management segment saw a decrease of 18.3% in rental revenue to RM1.902 million during the quarter under review, compared to previous corresponding quarter's RM2.329 million due to the lower occupancy rate. Nevertheless, the segment's profit before tax increased by 293.3% to RM6.624 million, compared to RM1.684 million previously as a result of the recognition of fair value gain on the investment properties of RM6.209 million in the current quarter.

(b) Performance of the current year against the preceding year

For the current financial year ended 31 December 2017, the Group recorded a revenue of RM65.850 million and profit before tax of RM25.377 million, versus revenue of RM91.535 million and profit before tax of RM32.080 million of the preceding year.

Property Development

The property development segment saw a 31.1% decrease in revenue to RM55.818 million compared to RM80.959 million previously; whilst the segment's profit before tax declined by 42.7% to RM16.103 million, from RM28.104 million previously. The decrease was mainly due to the weak market sentiment in the property sector and fewer new launches.

Property Management

The lower occupancy rate of student accommodation led the property management segment registered 6.9% lower rental revenue of RM8.568 million, compared to RM9.200 million of the previous financial year. However, profit before tax increased by 114.8% to RM9.228 million, as compared to previous financial year of RM4.296 million. The higher profit was due to fair value gain on the investment properties of RM6.209 million recognised in the current year.

B2. Comparison with Immediate Preceding Quarter's Results

	Current Quarter 31.12.2017 RM'000	Immediate Preceding Quarter 30.09.2017 RM'000	Change %
Revenue			
Property Development	14,815	17,761	(16.6)
Property Management	1,902	2,311	(17.7)
Others	287	370	(22.2)
	17,004	20,442	(16.8)
Profit before tax			
Property Development	3,372	5,989	(43.7)
Property Management	6,624	859	671.1
Others	569	(749)	176.0
	10,565	6,099	73.2

Compared to the preceding quarter's results ended 30 September 2017, the Group's revenue recorded 16.8% lower revenue to RM17.004 million from RM20.442 million. Nevertheless, profit before tax increased 73.2% from RM6.099 million to RM10.565 million. The increase was mainly due to recognition of fair value gain on investment properties.

B3. Prospects

The property sector is anticipated to be still challenging for 2018. Nonetheless, the Group will continue to time its launches appropriately and align its property development offerings to market demand.

At the same time, the Group will continue to explore the necessary measures to further enhance the scope of property management services in order to meet the demand. In addition, the Group will look for the alternative sources of tenants and other favourable-yielding investment portfolio to build up additional sustainable recurring rental income.

Overall, the Group is expected to achieve satisfactory performance for the financial year ending 31 December 2018.

B4. Profit for the year

	Current Quarter 31.12.2017 RM'000	Year to Date 31.12.2017 RM'000
Profit for the year is arrived at after crediting/(charging):-		
Interest income	1,048	1,398
Other income including investment income	325	821
Interest expense	(234)	(941)
Depreciation and amortization	(185)	(741)
Fair value gain on investment properties	<u>6,209</u>	<u>6,209</u>

Other than the above items, there were no allowance for impairment and write off of receivables, allowance for impairment and write off of inventories, gain or loss on disposal of quoted or unquoted investments or properties, impairment of assets, foreign exchange gain or loss, gain or loss on derivatives for the current quarter and financial year to date.

B5. Profit forecast or profit guarantee

No profit forecast or profit guarantee was issued for the financial year.

B6. Taxation

	Current Quarter 31.12.2017 RM'000	Year to Date 31.12.2017 RM'000
Income Tax		
- Current Year	(845)	(5,384)
Deferred Tax		
- Current Year	<u>(137)</u>	<u>(175)</u>
	<u>(982)</u>	<u>(5,518)</u>
Profit Before Tax	10,565	25,377
Effective tax rate	9.3%	21.7%

The effective rate of the Group for the current quarter and financial year is lower than the statutory tax rate as certain income of the subsidiary companies are not assessable for tax purposes.

B7. Status of Corporate Proposals

There is no corporate proposal announced and not completed as of the date of this announcement.

B8. Borrowings

The Group's borrowings as of the end of the current year and preceding year are as follows:

	As at 31.12.2017 RM'000	As at 31.12.2016 RM'000
Short term -Secured		
Hire purchase payables	256	297
Term loans	2,440	2,161
Bank overdrafts	48,502	42,037
	<u>51,198</u>	<u>44,495</u>
Long term -Secured		
Hire purchase payables	389	588
Term loans	13,255	10,279
	<u>13,644</u>	<u>10,867</u>
Total	<u>64,842</u>	<u>55,362</u>

All borrowings are denominated in Ringgit Malaysia.

As at 31 December 2017, the Group's borrowings increased by 17.1% to RM64.8 million as compared to RM55.3 million due to increased utilisation of bank overdraft or new term loans for on-going property development projects and acquisition of new land banks.

The interest rates for the Group's borrowings range from 2.35% to 7.25% (2.35% to 7.35% in 2016).

B9. Material Claims

The Court of Appeal had on 24 August 2017 dismissed the Company's claim against a vendor for specific performance as per the Sales and Purchase Agreement dated 7 June 2011 in respect to the Company's purchase of land. The deposits of RM4.4 million together with the interest income of RM905,382.93 was refunded to the Company on 7 November 2017. The costs ordered in High Court and Court of Appeal to the respondents was RM50,000.00 and RM40,000.00 respectively.

B10. Proposed Dividend

The Board of Directors do not propose any payment of dividend during the current quarter and the financial year to date.

B11. Earnings Per Share

The number of ordinary shares used in the computation of EPS is as follows:

	Current Quarter 31.12.2017	Year to Date 31.12.2017
Profit for the year	RM 9,583,893	RM 19,859,836
Issued and paid up share capital	RM 187,803,980	RM 187,803,980
Weighted average number of ordinary shares in issue	375,607,960	375,607,960
Basic earnings per share (sen)	2.55 sen	5.29 sen

B12. Audit Qualification

The audited financial statements of the Group for the financial year ended 31 December 2016 were not subject to any audit qualifications.