

Company No. 625034 X

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

QUARTERLY REPORT
FOR THE SECOND QUARTER ENDED 30 JUNE 2018
(UNAUDITED)

This Report is dated 30 August 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 30 JUNE 2018
(The figures have not been audited)

	As at 30 JUN 2018 (Unaudited) RM'000	As at 31 DEC 2017 (Restated) RM'000	As at 1 JAN 2017 (Restated) RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	6,337	5,356	2,308
Investment properties	94,760	94,760	90,051
Land held for property development	197,090	192,195	167,513
TOTAL NON-CURRENT ASSETS	<u>298,187</u>	<u>292,311</u>	<u>259,872</u>
Current Assets			
Biological assets	19	15	-
Inventories	71,371	69,746	24,664
Land and development expenditure	20,781	22,264	73,311
Receivables	15,814	15,601	15,362
Current tax assets	1,406	1,314	701
Cash and bank balances	42,383	35,748	47,292
TOTAL CURRENT ASSETS	<u>151,774</u>	<u>144,688</u>	<u>161,330</u>
TOTAL ASSETS	<u>449,961</u>	<u>436,999</u>	<u>421,202</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	187,804	187,804	187,804
Retained earnings	161,872	158,214	145,624
TOTAL EQUITY	<u>349,676</u>	<u>346,018</u>	<u>333,428</u>
Non-current liabilities			
Borrowings	19,195	13,644	10,867
Deferred tax liabilities	5,361	5,447	5,317
TOTAL NON-CURRENT LIABILITIES	<u>24,556</u>	<u>19,091</u>	<u>16,184</u>
Current Liabilities			
Payables	16,234	19,507	24,713
Borrowings	58,767	51,198	44,495
Current tax payables	728	1,185	2,382
TOTAL CURRENT LIABILITIES	<u>75,729</u>	<u>71,890</u>	<u>71,590</u>
TOTAL LIABILITIES	<u>100,285</u>	<u>90,981</u>	<u>87,774</u>
TOTAL EQUITY AND LIABILITIES	<u>449,961</u>	<u>436,999</u>	<u>421,202</u>
Net Assets (NA) per share (RM)	<u>0.93</u>	<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 2017 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 30 JUNE 2018**
 (The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30 JUN 2018 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30 JUN 2017 RM'000	CURRENT YEAR TO DATE 30 JUN 2018 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30 JUN 2017 RM'000
Revenue	16,821	12,275	25,669	28,404
Cost of sales	(7,941)	(5,184)	(11,971)	(13,722)
Gross Profit	8,880	7,091	13,698	14,682
Investment revenue	64	122	132	263
Other income	270	351	646	408
Administrative expenses	(4,899)	(3,198)	(8,528)	(6,101)
Finance costs	(244)	(220)	(485)	(467)
Other expenses	(3)	(2)	(4)	(72)
Profit before tax	4,068	4,144	5,459	8,713
Income tax expense	(1,042)	(1,339)	(1,801)	(2,551)
Profit for the period	3,026	2,805	3,658	6,162
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income for the period	3,026	2,805	3,658	6,162
Profit attributable to: Owners of the Company	3,026	2,805	3,658	6,162
Earnings per share (sen)				
- Basic	0.81	0.75	0.97	1.64
- 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 2017 and the accompanying explanatory notes attached to the interim financial statement.

GROMUTUAL BERHAD
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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 30 JUNE 2018
 (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 2018	187,804	158,214	346,018	
Total comprehensive income for the period	-	3,658	3,658	
Balance as at 30 June 2018	<u>187,804</u>	<u>161,872</u>	<u>349,676</u>	
Balance as at 1 January 2017	187,804	145,341	333,145	
Effect of first-time adoption of MFRS	-	283	283	
Balance as at 1 January 2017 (restated)	<u>187,804</u>	<u>145,624</u>	<u>333,428</u>	
Total comprehensive income for the year	-	19,859	19,859	
Effect of transition to MFRSs (4th Quarter)	-	243	243	
Total comprehensive income for the year (restated)	-	20,102	20,102	
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 (restated)	<u>187,804</u>	<u>158,214</u>	<u>346,018</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 2017 and the accompanying explanatory notes attached to the interim financial statement.

GROMUTUAL BERHAD
 (Company No. 625034 X)
 (Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE QUARTER ENDED 30 JUNE 2018
 (The figures have not been audited)

	30 JUN 2018 (Unaudited)	31 DEC 2017 (Restated)
	RM'000	RM'000
CASH FLOWS USED IN OPERATING ACTIVITIES		
Receipts from customers	24,256	64,251
Payments to suppliers and employees	<u>(15,843)</u>	<u>(39,331)</u>
Cash From Operations	8,413	24,920
Finance costs paid	(1,465)	(2,527)
Income taxes paid	(2,501)	(8,238)
Income taxes refunded	<u>63</u>	<u>692</u>
Net Cash From Working Capital	4,510	14,847
Additions to Land held for property development	(9,136)	(28,739)
Net Cash Used In Operating Activities	<u>(4,626)</u>	<u>(13,892)</u>
CASH FLOWS USED IN INVESTING ACTIVITIES		
Proceeds from disposal of investment properties	-	-
Proceeds from disposal of PPE	255	75
Other investments	132	1,398
Additions to property, plant and equipment	(1,731)	(851)
Additions to investment properties	-	(1,131)
Net Cash Used In Investing Activities	<u>(1,344)</u>	<u>(509)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank borrowings	8,659	14,738
Repayment of bank borrowings	(1,377)	(5,152)
Dividend paid	-	(7,512)
Net Cash From Financing Activities	<u>7,282</u>	<u>2,074</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	1,312	(12,327)
CASH AND CASH EQUIVALENTS AS OF BEGINNING OF YEAR	4,166	16,493
CASH AND CASH EQUIVALENTS AS OF END OF PERIOD/YEAR	<u>5,478</u>	<u>4,166</u>
Cash and cash equivalents comprise of:		
Fixed deposits with licenced bank	1,764	2,200
Cash and bank balances	40,619	33,548
Bank overdraft	(35,280)	(29,479)
Less : Fixed deposits pledged to banks	(1,214)	(1,200)
Less : Amount held on behalf of Joint Management Body	<u>(411)</u>	<u>(903)</u>
	<u>5,478</u>	<u>4,166</u>

The condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2017 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 SECOND QUARTER ENDED 30 JUNE 2018

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 Malaysian Financial Reporting Standards (“MFRS”) 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 2017 which were prepared under Financial Reporting Standards (“FRS”).

This is the Group’s interim financial statements under MFRS framework and MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* has been applied. Comparative figures, where applicable, have been restated as result of transition to MFRS framework. The transition to MFRSs does not have significant impact on the financial statements of the Group and of the Company.

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 2017, except for the recognition of bearer plants (Oil palm tree) as property, plant and equipment, which are initially measured at the replanting cost and depreciation commences when the bearer plants mature after 3 year’s planting based on the estimated useful lives under MFRS 116 *Property, plant and equipment* and biological assets (agriculture produce-matured oil palm fresh fruit branch) (“FFB”) be valued at market value minus incidental cost direct attributable to FFB in accordance to MFRS 141 *Agriculture*.

New and amendments to MFRSs

In the current financial year, the Group and the Company have adopted the following new and amendments to MFRS and IC Interpretation (“IC Int.”) that are effective for annual periods beginning on or after 1 January 2018 as follows:

MFRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers (and the related Clarifications)
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to MFRS 4	Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
Amendments to MFRS 140	Transfer of Investment Property
IC Int.22	Foreign Currency Transactions and Advance Consideration

The adoption of abovementioned new and amendments to MFRS and IC Int. do not have significant financial impact on the financial statements of the Group and of the Company.

A1. Basis of Preparation (continued)

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 <u>after</u>
MFRS 16	Leases	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
Amendments to MFRS 128	Long-term interests in Associates and Joint Ventures	1 January 2019
Amendments to MFRS 9	Prepayment Features with Negative Compensation	1 January 2019
IC Int. 23	Uncertainty over Income Tax Treatment	1 January 2019
Amendments to MFRSs	Annual Improvements to MFRSs 2015 – 2017 Cycle	1 January 2019

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

There are no dividends paid during the current quarter and the financial year to date.

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 period ended 30 June 2018 is as follow:

	Property development RM	Property management RM	Others RM	Elimination RM	Consolidated RM
Revenue					
External sales	22,071,192	3,265,797	331,708	-	25,558,697
Inter-segment income	-	251,700	1,778,800	(2,030,500)	-
Total revenue	22,071,192	3,517,497	2,110,508	(2,030,500)	25,668,697
Results					
Investment revenue	116,601	8,219	351,776	(344,345)	132,251
Finance costs	56,257	402,039	54,596	(28,060)	484,832
Depreciation	140,534	170,862	98,404	38,634	448,434
Unallocated corporate expenses	-	-	214,607	-	214,607
Profit before tax	5,265,456	139,301	1,269,916	(1,215,357)	5,459,316
Assets					
Addition to property, plant and equipment	144,813	972,073	614,194	-	1,731,080
Segment assets	326,942,873	112,747,297	20,330,747	(11,190,262)	448,830,655
Unallocated corporate assets					1,130,498
Consolidated assets					449,961,153
Liabilities					
Segment liabilities	77,036,790	31,174,169	15,003,886	(22,957,919)	100,256,926
Unallocated liabilities					28,352
Consolidated liabilities					100,285,278

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		Change	Cumulative Quarter		Change
	Current	Preceding	%	Current	Preceding	%
	Year	Year		Year	Year	
	Quarter	Corresponding		To Date	Corresponding	
	30.06.2018	Quarter		30.06.2018	Period	
	RM'000	30.06.2017		RM'000	30.06.2017	
		RM'000			RM'000	
Revenue						
Property Development	15,126	9,750	55.1	22,071	23,242	(5.0)
Property Management	1,530	2,154	(29.0)	3,266	4,355	(25.0)
Others	165	371	(55.5)	332	807	(58.9)
	<u>16,821</u>	<u>12,275</u>		<u>25,669</u>	<u>28,404</u>	
Profit (Loss) before tax						
Property Development	5,015	3,278	53.0	6,166	6,742	(8.5)
Property Management	(449)	770	(158.3)	62	1,745	(96.5)
Others	(498)	96	(618.8)	(769)	226	(440.3)
	<u>4,068</u>	<u>4,144</u>		<u>5,459</u>	<u>8,713</u>	

B1. Review of the Performance (continued)

(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 RM16.821 million and RM4.068 million respectively, representing a 37.0% increase in revenue and 1.8% decrease in profit before tax over the previous year's corresponding quarter revenue of RM12.275 million and RM4.144 million.

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

Property Development

The property development segment registered a 55.1% increase in revenue to RM15.126 million compared to RM9.750 million previously; whilst the segment's profit before tax increased by 53.0% to RM5.015 million, from RM3.278 million previously. The higher profit was mainly due to sales of industrial project and completed residential project.

Property Management

The property management segment saw a 29.0% decrease in rental revenue to RM1.530 million during the quarter under review, compared to previous corresponding quarter's RM2.154 million; whilst the segment's profit before tax declined by 153.8% from RM0.770 million previously to loss before tax of RM0.449 million. The decrease was mainly due to lower occupancy rate and higher administrative and refurbishment expenses.

(b) Performance of the current period against the preceding corresponding period

Property Development

The property development segment saw a decrease of 5.0% in revenue to RM22.071 million compared to RM23.242 million previously; whilst the segment's profit before tax declined by 8.5% to RM6.166 million, from RM6.742 million previously. The decrease was because of the weak market sentiment in the property sector and certain residential projects undertaken in the manner of build then sell.

Property Management

The lower occupancy rate of student accommodation had led to the property management segment to register a 25.0% lower rental revenue of RM3.266 million, compared to RM4.355 million of the previous corresponding financial period. In tandem with this and higher administrative and refurbishment expenses, profit before tax declined by 96.5% to RM0.062 million, as compared to previous corresponding financial period of RM1.745 million.

B2. Comparison with Immediate Preceding Quarter's Results

	Current Quarter 30.06.2018 RM'000	Immediate Preceding Quarter 31.03.2018 RM'000	Change %
Revenue			
Property Development	15,126	6,945	117.8
Property Management	1,530	1,736	(11.9)
Others	165	167	(1.2)
	<u>16,821</u>	<u>8,848</u>	90.1
Profit before tax			
Property Development	5,015	1,151	335.7
Property Management	(449)	511	(187.9)
Others	(498)	(271)	(83.8)
	<u>4,068</u>	<u>1,391</u>	192.5

Compared to the preceding quarter's results ended 31 March 2018, the Group's revenue recorded 90.1% higher revenue to RM16.821 million from RM8.848 million, as a result of the sales of industrial project and completed residential project. In tandem with this, profit before tax increased by 192.5% to RM4.068 million from RM1.391 million.

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 should achieve satisfactory performance for the financial year ending 31 December 2018.

B4. Profit for the year

	Current Quarter 30.06.2018 RM'000	Year to Date 30.06.2018 RM'000
Profit for the year is arrived at after crediting/(charging):-		
Interest income	64	132
Other income including investment income	270	646
Interest expense	(244)	(485)
Depreciation and amortization	<u>(234)</u>	<u>(448)</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 30.06.2018 RM'000	Year to Date 30.06.2018 RM'000
Income Tax		
- Current Year	(1,075)	(1,888)
Deferred Tax		
- Current Year	33	87
	<u>(1,042)</u>	<u>(1,801)</u>
Profit Before Tax	4,068	5,459
Effective tax rate	25.6%	34.0%

The effective rate of the Group for the current quarter and period to date is higher than the statutory tax rate as certain expense of the subsidiary companies are not deductible for tax purposes and losses incurred by certain subsidiary companies.

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 reporting quarter and preceding year corresponding quarter are as follows:

	As at 30.06.2018 RM'000	As at 30.06.2017 RM'000
Short term -Secured		
Hire purchase payables	263	260
Term loans	2,462	2,393
Revolving credits	-	2,558
Bank overdrafts	56,042	54,836
	<u>58,767</u>	<u>60,047</u>
Long term -Secured		
Hire purchase payables	256	467
Term loans	18,939	10,074
	<u>19,195</u>	<u>10,541</u>
Total	<u>77,962</u>	<u>70,588</u>

All borrowings are denominated in Ringgit Malaysia.

As at 30 June 2018, the Group's borrowings increased by 10.5% to RM78.0 million as compared to RM70.6 million mainly due to new term loans for acquisition of new land banks.

The interest rates for the Group's borrowings range from 2.35% to 7.50% (2.35% to 7.25% in 2017).

B9. Material Claims

There was no material litigation as of the date of this announcement.

B10. Proposed Dividend

The Board of Directors has declared an interim single tier dividend of 0.50 sen per share, amounting to RM1,878,040 for the financial year ending 31 December 2018. The dividend is to be paid on 18 October 2018 to shareholders whose name appears in the Record of Depositors at the close of business on 25 September 2018.

B11. Earnings Per Share

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

	Current Quarter 30.06.2018	Year to Date 30.06.2018
Profit for the year	RM 3,025,810	RM 3,657,810
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)	0.81 sen	0.97 sen

B12. Audit Qualification

The audited financial statements of the Group for the financial year ended 31 December 2017 were not subject to any audit qualifications.