

Company No. 625034 X

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

QUARTERLY REPORT
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018
(UNAUDITED)

This Report is dated 26 November 2018

GROMUTUAL BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

QUARTERLY REPORT

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CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2018
(The figures have not been audited)

	As at 30 SEP 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	6,279	5,356	2,308
Investment properties	94,760	94,760	90,051
Land held for property development	191,763	192,195	167,513
TOTAL NON-CURRENT ASSETS	<u>292,802</u>	<u>292,311</u>	<u>259,872</u>
Current Assets			
Biological assets	32	15	-
Inventories	68,661	69,746	24,664
Land and development expenditure	25,604	22,264	73,311
Receivables	11,942	15,601	15,362
Current tax assets	1,589	1,314	701
Cash and bank balances	44,118	35,748	47,292
TOTAL CURRENT ASSETS	<u>151,946</u>	<u>144,688</u>	<u>161,330</u>
TOTAL ASSETS	<u>444,748</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	164,298	158,214	145,624
TOTAL EQUITY	<u>352,102</u>	<u>346,018</u>	<u>333,428</u>
Non-current liabilities			
Borrowings	18,298	13,644	10,867
Deferred tax liabilities	5,397	5,447	5,317
TOTAL NON-CURRENT LIABILITIES	<u>23,695</u>	<u>19,091</u>	<u>16,184</u>
Current Liabilities			
Payables	13,088	19,507	24,713
Borrowings	55,523	51,198	44,495
Current tax payables	340	1,185	2,382
TOTAL CURRENT LIABILITIES	<u>68,951</u>	<u>71,890</u>	<u>71,590</u>
TOTAL LIABILITIES	<u>92,646</u>	<u>90,981</u>	<u>87,774</u>
TOTAL EQUITY AND LIABILITIES	<u>444,748</u>	<u>436,999</u>	<u>421,202</u>
Net Assets (NA) per share (RM)	<u>0.94</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 SEPTEMBER 2018**

(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30 SEP 2018 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30 SEP 2017 RM'000	CURRENT YEAR TO DATE 30 SEP 2018 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30 SEP 2017 RM'000
Revenue	12,826	20,442	38,495	48,846
Cost of sales	(6,324)	(9,367)	(18,295)	(23,089)
Gross Profit	6,502	11,075	20,200	25,757
Investment revenue	58	87	190	350
Other income	676	156	1,322	496
Administrative expenses	(3,672)	(4,979)	(12,200)	(11,080)
Finance costs	(243)	(240)	(728)	(707)
Other expenses	(11)	-	(15)	(4)
Profit before tax	3,310	6,099	8,769	14,812
Income tax expense	(884)	(1,985)	(2,685)	(4,536)
Profit for the period	2,426	4,114	6,084	10,276
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income for the period	2,426	4,114	6,084	10,276
Profit attributable to: Owners of the Company	2,426	4,114	6,084	10,276
Earnings per share (sen)				
- Basic	0.65	1.10	1.62	2.74
- 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 SEPTEMBER 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	-	6,084	6,084
Balance as at 30 September 2018	187,804	164,298	352,102
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)	187,804	145,624	333,428
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)	187,804	158,214	346,018

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)
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**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 FOR THE QUARTER ENDED 30 SEPTEMBER 2018**

(The figures have not been audited)

	30 SEP 2018 (Unaudited)	31 DEC 2017 (Restated)
	RM'000	RM'000
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Receipts from customers	41,703	64,251
Payments to suppliers and employees	<u>(24,495)</u>	<u>(39,331)</u>
Cash From Operations	17,208	24,920
Finance costs paid	(2,149)	(2,527)
Income taxes paid	(3,948)	(8,238)
Income taxes refunded	<u>92</u>	<u>692</u>
Net Cash From Working Capital	11,203	14,847
Additions to Land held for property development	(9,425)	(28,739)
Net Cash From (Used In) Operating Activities	<u>1,778</u>	<u>(13,892)</u>
CASH FLOWS USED IN INVESTING ACTIVITIES		
Proceeds from disposal of PPE	255	75
Other investments	190	1,398
Additions to property, plant and equipment	(1,910)	(851)
Additions to investment properties	-	(1,131)
Net Cash Used In Investing Activities	<u>(1,465)</u>	<u>(509)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank borrowings	9,920	14,738
Repayment of bank borrowings	(3,203)	(5,152)
Dividend paid	-	(7,512)
Net Cash From Financing Activities	<u>6,717</u>	<u>2,074</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7,030	(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>11,196</u>	<u>4,166</u>
Cash and cash equivalents comprise of:		
Fixed deposits with licenced bank	1,467	2,200
Cash and bank balances	42,651	33,548
Bank overdraft	(31,705)	(29,479)
Less : Fixed deposits pledged to banks	(1,217)	(1,200)
Less : Amount held on behalf of Joint Management Body	-	(903)
	<u>11,196</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 THIRD QUARTER ENDED 30 SEPTEMBER 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 amortisation commences when the bearer plants deemed matured 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 September 2018 is as follow:

	Property development RM	Property management RM	Others RM	Elimination RM	Consolidated RM
Revenue					
External sales	32,911,417	5,036,840	546,860	-	38,495,117
Inter-segment income	-	383,700	7,479,600	(7,863,300)	-
Total revenue	<u>32,911,417</u>	<u>5,420,540</u>	<u>8,026,460</u>	<u>(7,863,300)</u>	<u>38,495,117</u>
Results					
Investment revenue	164,207	12,126	578,919	(565,797)	189,455
Finance costs	94,838	611,810	83,643	(62,626)	727,665
Depreciation	208,277	271,654	148,968	55,534	684,433
Unallocated corporate expenses	-	-	277,754	-	277,754
Profit before tax	<u>7,574,558</u>	<u>994,862</u>	<u>6,744,895</u>	<u>(6,545,589)</u>	<u>8,768,726</u>
Assets					
Addition to property, plant and equipment	<u>181,713</u>	<u>1,090,174</u>	<u>403,787</u>	<u>-</u>	<u>1,675,674</u>
Segment assets	321,224,622	110,233,522	21,557,705	(13,885,148)	439,130,701
Unallocated corporate assets					5,617,187
Consolidated assets					<u>444,747,888</u>
Liabilities					
Segment liabilities	78,956,582	24,946,074	14,469,703	(25,726,168)	92,646,191
Unallocated liabilities					-
Consolidated liabilities					<u>92,646,191</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		Change	Cumulative Quarter		Change
	Current	Preceding	%	Current	Preceding	%
	Year	Year		Year	Year	
	Quarter	Corresponding		To Date	Corresponding	
	30.09.2018	Quarter		30.09.2018	Period	
	RM'000	30.09.2017		RM'000	30.09.2017	
		RM'000			RM'000	
Revenue						
Property Development	10,840	17,761	(38.9)	32,911	41,003	(19.7)
Property Management	1,771	2,311	(23.4)	5,037	6,666	(24.4)
Others	215	370	(41.9)	547	1,177	(53.5)
	<u>12,826</u>	<u>20,442</u>		<u>38,495</u>	<u>48,846</u>	
Profit (Loss) before tax						
Property Development	2,766	5,989	(53.8)	8,932	12,731	(29.8)
Property Management	855	859	(0.5)	917	2,604	(64.8)
Others	(311)	(749)	58.5	(1,080)	(523)	(106.5)
	<u>3,310</u>	<u>6,099</u>		<u>8,769</u>	<u>14,812</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 RM12.826 million and RM3.310 million respectively, representing a 37.3% decline from previous year's corresponding quarter revenue of RM20.442 million and a 45.7% decline in profit before tax from RM6.099 million.

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

Property Development

The property development segment registered a 38.9% decrease in revenue to RM10.840 million compared to RM17.761 million previously; whilst the segment's profit before tax declined by 53.8% to RM2.766 million, from RM5.989 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 property management segment saw a 29.0% decrease in rental revenue to RM1.771 million during the quarter under review, compared to previous corresponding quarter's RM2.311 million; whilst the segment's profit before tax declined by 0.5% from RM0.859 million previously to RM0.855 million. The marginal decrease was mainly due to the higher miscellaneous income reimbursed by the tenants and lower administrative expenses in the quarter under review.

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

Property Development

The weak market sentiment and certain residential projects undertaken on the "build then sell" manner led to the property development segment's revenue to decrease by 19.7% to RM32.911 million from RM41.003 million previously. In tandem with this, profit before tax declined 29.8% to RM8.932 million, compared to previous corresponding financial period's RM12.731 million.

Property Management

The lower occupancy rate of student accommodation had led to the property management segment to register a 24.4% lower rental revenue of RM5.037 million, compared to RM6.666 million of the previous corresponding financial period. In tandem with this and higher administrative and refurbishment expenses, profit before tax declined by 64.8% to RM0.917 million, as compared to previous corresponding financial period of RM2.604 million.

B2. Comparison with Immediate Preceding Quarter's Results

	Current Quarter 30.09.2018 RM'000	Immediate Preceding Quarter 30.06.2018 RM'000	Change %
Revenue			
Property Development	10,840	15,126	(28.3)
Property Management	1,771	1,530	15.8
Others	215	165	30.3
	12,826	16,821	(23.8)
Profit before tax			
Property Development	2,766	5,015	(44.8)
Property Management	855	(449)	290.4
Others	(311)	(498)	37.6
	3,310	4,068	(18.6)

Compared to the preceding quarter's results ended 30 June 2018, the Group's revenue recorded 23.8% lower revenue to RM12.82 million from RM16.821 million, as a result of overall soft demand of property market. In tandem with this, profit before tax declined by 18.6% to RM3.310 million from RM4.068 million.

B3. Prospects

The property sector is anticipated to be still challenging for the remaining months of 2018. Going forward, 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 30.09.2018 RM'000	Year to Date 30.09.2018 RM'000
Profit for the year is arrived at after crediting/(charging):-		
Interest income	58	190
Other income including investment income	676	1,322
Interest expense	(243)	(728)
Depreciation and amortization	(236)	(684)

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 30.09.2018 RM'000	Year to Date 30.09.2018 RM'000
Income Tax		
- Current Year	(848)	(2,736)
Deferred Tax		
- Current Year	(36)	51
	<u>(884)</u>	<u>(2,685)</u>
Profit Before Tax	3,310	8,769
Effective tax rate	26.7%	30.6%

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 30.09.2018 RM'000	As at 30.09.2017 RM'000
Short term -Secured		
Hire purchase payables	254	260
Term loans	2,664	2,423
Revolving credits	3,000	-
Bank overdrafts	49,605	45,519
	<u>55,523</u>	<u>48,202</u>
Long term -Secured		
Hire purchase payables	200	454
Term loans	18,098	13,984
	<u>18,298</u>	<u>14,438</u>
Total	<u>73,821</u>	<u>62,640</u>

All borrowings are denominated in Ringgit Malaysia.

As at 30 September 2018, the Group's borrowings increased by 17.8% to RM73.8 million as compared to RM62.6 million mainly due to increased utilisation of bank overdrafts for on-going projects developments and 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. Dividend

At Board of Directors' meeting held on 30 August 2018, the Board of Directors had 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 had been 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 30.09.2018	Year to Date 30.09.2018
Profit for the year	RM 2,425,822	RM 6,083,632
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)	0.65 sen	1.62 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.