

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 2018
(UNAUDITED)

This Report is dated 25 February 2019

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 2018**

(The figures have not been audited)

	As at 31 DEC 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	6,050	5,356	2,308
Investment properties	94,760	94,760	90,051
Land held for property development	186,310	192,195	167,513
TOTAL NON-CURRENT ASSETS	<u>287,120</u>	<u>292,311</u>	<u>259,872</u>
Current Assets			
Biological assets	20	15	-
Inventories	72,706	69,746	24,664
Land and development expenditure	28,298	22,264	73,311
Receivables	9,619	15,601	15,362
Current tax assets	2,096	1,314	701
Cash and bank balances	43,421	35,748	47,292
TOTAL CURRENT ASSETS	<u>156,160</u>	<u>144,688</u>	<u>161,330</u>
TOTAL ASSETS	<u>443,280</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	162,318	158,214	145,624
TOTAL EQUITY	<u>350,122</u>	<u>346,018</u>	<u>333,428</u>
Non-current liabilities			
Borrowings	17,505	13,644	10,867
Deferred tax liabilities	5,763	5,447	5,317
TOTAL NON-CURRENT LIABILITIES	<u>23,268</u>	<u>19,091</u>	<u>16,184</u>
Current Liabilities			
Payables	17,502	19,507	24,713
Borrowings	51,916	51,198	44,495
Current tax payables	472	1,185	2,382
TOTAL CURRENT LIABILITIES	<u>69,890</u>	<u>71,890</u>	<u>71,590</u>
TOTAL LIABILITIES	<u>93,158</u>	<u>90,981</u>	<u>87,774</u>
TOTAL EQUITY AND LIABILITIES	<u>443,280</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.

GROMUTUAL BERHAD

(Company No. 625034 X)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 31 DECEMBER 2018**

(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31 DEC 2018 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31 DEC 2017 (Restated) RM'000	CURRENT YEAR 31 DEC 2018 RM'000	PRECEDING YEAR 31 DEC 2017 (Restated) RM'000
Revenue	12,283	17,004	50,778	65,850
Cost of sales	(4,353)	(9,410)	(22,648)	(32,499)
Gross Profit	7,930	7,594	28,130	33,351
Investment revenue	80	1,048	270	1,398
Other income	194	6,534	1,516	7,030
Administrative expenses	(4,184)	(4,178)	(16,384)	(15,258)
Finance costs	(215)	(234)	(943)	(941)
Other expenses	(2,688)	-	(2,703)	(4)
Profit before tax	1,117	10,764	9,886	25,576
Income tax expense	(1,219)	(938)	(3,904)	(5,474)
(Loss) Profit for the year	(102)	9,826	5,982	20,102
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive (loss) income for the year	(102)	9,826	5,982	20,102
(Loss) Profit attributable to: Owners of the Company	(102)	9,826	5,982	20,102
(Loss) Earnings per share (sen)				
- Basic	(0.03)	2.62	1.59	5.35
- 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
 (Company No. 625034 X)
 (Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 31 DECEMBER 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 year	-	5,982	5,982
Interim dividend - Year Ended 31 December 2018	-	(1,878)	(1,878)
Balance as at 31 December 2018	187,804	162,318	350,122
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 BERTHAD

(Company No. 625034 X)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE QUARTER ENDED 31 DECEMBER 2018**

(The figures have not been audited)

	31 DEC 2018 (Unaudited) RM'000	31 DEC 2017 (Restated) RM'000
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Receipts from customers	58,048	64,251
Payments to suppliers and employees	<u>(32,875)</u>	<u>(39,331)</u>
Cash From Operations	25,173	24,920
Finance costs paid	(2,835)	(2,527)
Income taxes paid	(5,194)	(8,238)
Income taxes refunded	<u>110</u>	<u>692</u>
Net Cash From Working Capital	17,254	14,847
Additions to Land held for property development	<u>(10,021)</u>	<u>(28,739)</u>
Net Cash From (Used In) Operating Activities	<u>7,233</u>	<u>(13,892)</u>
CASH FLOWS USED IN INVESTING ACTIVITIES		
Proceeds from disposal of PPE	255	75
Other investments	270	1,398
Additions to property, plant and equipment	(1,925)	(851)
Additions to investment properties	-	(1,131)
Net Cash Used In Investing Activities	<u>(1,400)</u>	<u>(509)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank borrowings	9,920	14,738
Repayment of bank borrowings	(3,645)	(5,152)
Dividend paid	(1,878)	(7,512)
Net Cash From Financing Activities	<u>4,397</u>	<u>2,074</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	10,230	(12,327)
CASH AND CASH EQUIVALENTS AS OF BEGINNING OF YEAR	<u>4,166</u>	<u>16,493</u>
CASH AND CASH EQUIVALENTS AS OF END OF YEAR	<u>14,396</u>	<u>4,166</u>
Cash and cash equivalents comprise of:		
Fixed deposits with licenced bank	1,491	2,200
Cash and bank balances	41,930	33,548
Bank overdraft	(27,784)	(29,479)
Less : Fixed deposits pledged to banks	(1,241)	(1,200)
Less : Amount held on behalf of Joint Management Body	<u>-</u>	<u>(903)</u>
	<u>14,396</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 FOURTH QUARTER ENDED 31 DECEMBER 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 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 MFRS and IC Interpretation (“IC Int.”) in issue but not yet effective

The Group and the Company have not adopted the following new and amendments to MFRS and IC Int. which have been issued but not yet effective:

		Effective for annual periods beginning on or after
MFRS 16	Leases	1 January 2019
MFRS 17	Insurance Contracts	1 January 2021
Amendments to MFRS 3	Definition of a Business	1 January 2020
Amendments to MFRS 9	Financial Instruments - Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

A1. Basis of Preparation (continued)

Amendments to MFRS 101 and MFRS 108	Definition of Material	1 January 2020
MFRS 119	Employees Benefits - Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128	Long-term interests in Associates and Joint Ventures	1 January 2019
Amendments to MFRS	Annual Improvements to MFRS 2015 - 2017 Cycle: Amendments to MFRS 3 <i>Business Combination</i> , MFRS 11 <i>Joint Arrangement</i> , MFRS 112 <i>Income Taxes</i> and MFRS 123 <i>Borrowing Costs</i>	1 January 2019
Amendments to MFRS	References to the Conceptual Framework in MFRS Standards	1 January 2020
IC Int. 23	Uncertainty over Income Tax Payments	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.

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

At Board of Directors' meeting held on 30 August 2018, the Board of Directors 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.

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 2018 is as follow:

	Property development RM	Property management RM	Others RM	Elimination RM	Consolidated RM
Revenue					
External sales	43,281,817	6,803,754	692,751	-	50,778,322
Inter-segment income	-	515,700	7,855,300	(8,371,000)	-
Total revenue	<u>43,281,817</u>	<u>7,319,454</u>	<u>8,548,051</u>	<u>(8,371,000)</u>	<u>50,778,322</u>
Results					
Investment revenue	237,295	14,667	854,581	(836,256)	270,287
Finance costs	147,179	815,492	88,623	(108,213)	943,081
Depreciation	276,174	376,067	199,625	72,434	924,300
Unallocated corporate expenses	-	-	646,618	-	646,618
Profit before tax	<u>8,633,211</u>	<u>1,326,688</u>	<u>6,657,584</u>	<u>(6,731,319)</u>	<u>9,886,164</u>
Assets					
Addition to property, plant and equipment	<u>188,361</u>	<u>1,098,723</u>	<u>403,787</u>	<u>-</u>	<u>1,690,871</u>
Segment assets	320,142,980	111,002,603	17,085,187	(9,106,211)	439,124,559
Unallocated corporate assets					4,155,446
Consolidated assets					<u>443,280,005</u>
Liabilities					
Segment liabilities	77,259,069	25,616,120	14,103,854	(24,129,932)	92,849,111
Unallocated liabilities					308,786
Consolidated liabilities					<u>93,157,897</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

The Group had the following transactions during the financial year-to-date with a person connected to directors:

	Year to Date 31 December 2018 RM'000
Purchase of lands	<u>3,213</u>

The above transaction has been entered into in the normal course of business of a subsidiary company and has been established under commercial terms on willing buyer and willing seller basis that are not materially different from those obtainable in transactions with independent parties.

B EXPLANATORY NOTES IN COMPLIANCE WITH LISTING REQUIREMENTS OF THE BURSA SECURITIES**B1. Review of the Performance**

	Individual Quarter Current Year Quarter 31.12.2018 RM'000	Preceding Year Corresponding Quarter (Restated) 31.12.2017 RM'000	Change %	Cumulative Quarter Current Year 31.12.2018 RM'000	Preceding Year (Restated) 31.12.2017 RM'000	Change %
Revenue						
Property Development	10,371	14,815	(30.0)	43,282	55,818	(22.5)
Property Management	1,767	1,902	(7.1)	6,804	8,568	(20.6)
Others	145	287	(49.5)	692	1,464	(52.7)
	<u>12,283</u>	<u>17,004</u>		<u>50,778</u>	<u>65,850</u>	
Profit (Loss) before tax						
Property Development	1,610	3,372	(52.3)	10,542	16,103	(34.5)
Property Management	296	6,624	(95.5)	1,213	9,228	(86.9)
Others	(789)	768	202.7	(1,869)	245	(862.8)
	<u>1,117</u>	<u>10,764</u>		<u>9,886</u>	<u>25,576</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 RM12.283 million and RM1.117 million respectively, representing a 27.8% decline from previous year's corresponding quarter revenue of RM17.004 million and a 89.6% decline in profit before tax from RM10.764 million.

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

Property Development

The property development segment registered a 30.0% decrease in revenue to RM10.371 million compared to RM14.815 million previously due to the weak market sentiment in the property sector and certain residential projects undertaken in the manner of build then sell. The Group recognises an impairment loss for certain land held for development of RM2.600 million which resulted in the segment's profit before tax declined by 52.3% to RM1.610 million, compared to RM3.372 million previously.

Property Management

The property management segment saw a 7.1% decrease in rental revenue to RM1.767 million during the quarter under review, compared to previous corresponding quarter's RM1.902 million; whilst the segment's profit before tax declined by 95.5% from RM6.624 million previously to RM0.296 million. The decrease was mainly due to the fair value gain on investment properties of RM6.209 million recognised in previous corresponding quarter.

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

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 22.5% to RM43.282 million from RM55.818 million previously. The Group recognises an impairment loss for certain land held for development of RM2.600 million which resulted profit before tax declined 34.5% to RM10.542 million, compared to previous financial year of RM16.103 million.

Property Management

The lower occupancy rate of student accommodation had led to the property management segment to register a 20.6% lower rental revenue of RM6.804 million, compared to R8.568 million of the previous financial year. In tandem with this and the higher administrative and refurbishment expenses in current year as well as the recognition of fair value gain on investment properties of RM6.209 million in previous year, profit before tax declined by 86.9% to RM1.213 million, as compared to previous year of RM9.228 million.

B2. Comparison with Immediate Preceding Quarter's Results

	Current Quarter 31.12.2018 RM'000	Immediate Preceding Quarter 30.09.2018 RM'000	Change %
Revenue			
Property Development	10,371	10,840	(4.3)
Property Management	1,767	1,771	(0.2)
Others	145	215	(32.6)
	<u>12,283</u>	<u>12,826</u>	(4.2)
Profit before tax			
Property Development	1,610	2,766	(41.8)
Property Management	296	855	(65.4)
Others	(789)	(311)	(153.7)
	<u>1,117</u>	<u>3,310</u>	(66.3)

Compared to the preceding quarter's results ended 30 September 2018, the Group's revenue recorded 4.2% lower revenue to RM12.283 million from RM12.826 million, as a result of overall soft demand of property market. The Group recognises an impairment loss for certain land held for development of RM2.600 million which resulted the profit before tax declined by 66.3% to RM1.117 million from RM3.310 million.

B3. Prospects

The property sector is anticipated to be still challenging for 2019. 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 2019.

B4. Profit for the year

	Current Quarter 31.12.2018 RM'000	Year to Date 31.12.2018 RM'000
Profit for the year is arrived at after crediting/(charging):-		
Interest income	80	270
Other income including investment income	194	1,516
Interest expense	(215)	(943)
Impairment loss of land held for property development	(2,600)	(2,600)
Depreciation and amortization	<u>(240)</u>	<u>(924)</u>

Other than the above items, there were no other 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 31.12.2018 RM'000	Year to Date 31.12.2018 RM'000
Income Tax		
- Current Year	(853)	(3,589)
Deferred Tax		
- Current Year	(168)	(117)
- Underprovision in prior year	(198)	(198)
	<u>(1,219)</u>	<u>(3,904)</u>
Profit Before Tax	1,117	9,886
Effective tax rate	91.4%	37.5%

The effective rate of the Group for the current quarter and financial year 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 are as follows:

	As at 31.12.2018 RM'000	As at 31.12.2017 RM'000
Short term -Secured		
Hire purchase payables	224	256
Term loans	2,910	2,440
Revolving credits	3,000	-
Bank overdrafts	45,782	48,502
	<u>51,916</u>	<u>51,198</u>
Long term -Secured		
Hire purchase payables	165	389
Term loans	17,340	13,255
	<u>17,505</u>	<u>13,644</u>
Total	<u>69,421</u>	<u>64,842</u>

All borrowings are denominated in Ringgit Malaysia.

As at 31 December 2018, the Group's borrowings increased by 7.1% to RM69.421 million as compared to RM64.842 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 7.95% (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 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 31.12.2018	Year to Date 31.12.2018
(Loss) Profit for the year	(RM 101,549)	RM 5,982,083
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 (loss) earnings per share (sen)	(0.03) sen	1.59 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.