

Company No. 625034 X

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

QUARTERLY REPORT
FOR THE FIRST QUARTER ENDED 31 MARCH 2019
(UNAUDITED)

This Report is dated 27 May 2019

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 MARCH 2019
 (The figures have not been audited)

	As at 31 MAR 2019 (Unaudited) RM'000	As at 31 DEC 2018 (Audited) RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	5,833	6,050
Investment properties	94,760	94,760
Land held for property development	189,987	186,310
TOTAL NON-CURRENT ASSETS	<u>290,580</u>	<u>287,120</u>
Current Assets		
Biological assets	20	20
Inventories	68,284	72,706
Land and development expenditure	35,396	28,298
Receivables	9,102	9,619
Current tax assets	2,180	2,096
Cash and bank balances	37,207	43,421
TOTAL CURRENT ASSETS	<u>152,189</u>	<u>156,160</u>
TOTAL ASSETS	<u>442,769</u>	<u>443,280</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	187,804	187,804
Retained earnings	163,355	162,318
TOTAL EQUITY	<u>351,159</u>	<u>350,122</u>
Non-current liabilities		
Borrowings	16,467	17,505
Deferred tax liabilities	5,728	5,763
TOTAL NON-CURRENT LIABILITIES	<u>22,195</u>	<u>23,268</u>
Current Liabilities		
Payables	19,915	17,502
Borrowings	49,027	51,916
Current tax payables	473	472
TOTAL CURRENT LIABILITIES	<u>69,415</u>	<u>69,890</u>
TOTAL LIABILITIES	<u>91,610</u>	<u>93,158</u>
TOTAL EQUITY AND LIABILITIES	<u>442,769</u>	<u>443,280</u>
Net Assets (NA) per share (RM)	<u>0.93</u>	<u>0.93</u>

The condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2018 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 MARCH 2019**
(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31 MAR 2019 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31 MAR 2018 RM'000	CURRENT YEAR TO DATE 31 MAR 2019 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31 MAR 2018 RM'000
Revenue	11,054	8,848	11,054	8,848
Cost of sales	(5,781)	(4,030)	(5,781)	(4,030)
Gross Profit	5,273	4,818	5,273	4,818
Investment revenue	65	68	65	68
Other income	211	376	211	376
Administrative expenses	(3,698)	(3,629)	(3,698)	(3,629)
Finance costs	(252)	(241)	(252)	(241)
Other expenses	-	(1)	-	(1)
Profit before tax	1,599	1,391	1,599	1,391
Income tax expense	(562)	(759)	(562)	(759)
Profit for the period	1,037	632	1,037	632
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income for the period	1,037	632	1,037	632
Profit attributable to: Owners of the Company	1,037	632	1,037	632
Earnings per share (sen)				
- Basic	0.28	0.17	0.28	0.17
- 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 2018 and the accompanying explanatory notes attached to the interim financial statement.

GROMUTUAL BERTHAD
 (Company No. 625034 X)
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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 31 MARCH 2019
 (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 2019	187,804	162,318	350,122
Total comprehensive income for the period	-	1,037	1,037
Balance as at 31 March 2019	187,804	163,355	351,159
Balance as at 1 January 2018			
As previously reported	187,804	157,688	345,492
Effect of first time adoption of MFRS	-	526	526
As restated	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

The condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2018 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 31 MARCH 2019**
(The figures have not been audited)

	31 MAR 2019 (Unaudited) RM'000	31 DEC 2018 (Audited) RM'000
CASH FLOWS (USED IN) FROM OPERATING ACTIVITIES		
Receipts from customers	13,629	58,048
Payments to suppliers and employees	<u>(9,866)</u>	<u>(32,875)</u>
Cash From Operations	3,763	25,173
Finance costs paid	(657)	(2,835)
Income taxes paid	(1,121)	(5,194)
Income taxes refunded	<u>441</u>	<u>110</u>
Net Cash From Working Capital	2,426	17,254
Additions to Land held for property development	<u>(4,733)</u>	<u>(10,021)</u>
Net Cash (Used In) From Operating Activities	<u>(2,307)</u>	<u>7,233</u>
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Proceeds from disposal of PPE	-	255
Other investments	65	270
Additions to property, plant and equipment	<u>(18)</u>	<u>(1,925)</u>
Net Cash From (Used In) Investing Activities	<u>47</u>	<u>(1,400)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank borrowings	1,225	9,920
Repayment of bank borrowings	(682)	(3,645)
Dividend paid	-	(1,878)
Net Cash From Financing Activities	<u>543</u>	<u>4,397</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,717)	10,230
CASH AND CASH EQUIVALENTS AS OF BEGINNING OF YEAR	14,396	4,166
CASH AND CASH EQUIVALENTS AS OF END OF PERIOD	<u>12,679</u>	<u>14,396</u>
Cash and cash equivalents comprise of:		
Fixed deposits with licenced bank	1,453	1,491
Cash and bank balances	35,754	41,930
Bank overdraft	(23,275)	(27,784)
Less : Fixed deposits pledged to banks	<u>(1,253)</u>	<u>(1,241)</u>
	<u>12,679</u>	<u>14,396</u>

The condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2018 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 FIRST QUARTER ENDED 31 MARCH 2019

A EXPLANATORY NOTES IN COMPLIANCE WITH MALAYSIAN FINANCIAL REPORTING STANDARD ("MFRS") 134: INTERIM FINANCIAL REPORTING

A1. Basis of Preparation

This interim financial statement is unaudited and is prepared in accordance with 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 2018.

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 2018, except for the following new and amendments to MFRS and IC Interpretation ("IC Int.") that are effective for annual periods beginning on or after 1 January 2019:

Adoption of new and amendments to MFRS and IC Int.

MFRS 16	Leases
Amendments to MFRS 9	Financial Instruments - Prepayment Features with Negative Compensation
MFRS 119	Employees Benefits - Plan Amendment, Curtailment or Settlement
Amendments to MFRS 128	Long-term interests in Associates and Joint Ventures
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>
IC Int. 23	Uncertainty over Income Tax Payments

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

New and amendments to MFRS in issue but not yet effective

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

		Effective for annual periods beginning on or after
MFRS 17	Insurance Contracts	1 January 2021
Amendments to MFRS 3	Definition of a Business	1 January 2020
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)

		Effective for annual periods beginning on or after
Amendments to MFRS 101 and MFRS 108	Definition of Material	1 January 2020
Amendments to MFRS	References to the Conceptual Framework in MFRS Standards	1 January 2020

The directors anticipate that the adoption of the MFRSs will have no material impact on the financial statements in the period of initial application.

IFRS Interpretation Committee (“IFRIC”) Agenda Decisions (“AD”)

The Malaysian Accounting Standard Board (“MASB”) had on 20 March 2019 announced the IFRIC’s AD on IAS 23 *Borrowing Costs* relating to over time transfer of constructed good. The IFRIC concluded that for those projects which meets “ready for sale” is not a qualifying asset (an asset that necessary takes a substantial period of time to get ready for its intended use or sale) as defined in IAS 23 and, therefore, cannot capitalise any directly attributable borrowing costs as this asset is ready for its intended sale in its current location - i.e the entity intends to sell the part-constructed units as soon as it finds suitable customers and, on signing a contract with a customer, will transfer control of any work-in progress relating to that unit to the customer.

In ensuring consistent application of the MFRS, which are word-for-word the IFRS Standards, the MASB has decided that an entity shall apply the change in accounting policy as a result of the AD on IAS 23 *Borrowing Costs* to financial statements of annual periods beginning on or after 1 July 2020, with earlier application permitted. All borrowing costs subsequent to the date of ready for sales shall be identified and reversed in the opening balance of the earliest comparative period in the financial statements.

The directors of the Group and of the Company are currently assessing the impact on adoption of AD on IAS 23 on the amount reported and disclosures in the financial statements. However, it is not practical to provide a reasonable estimate of the impact of the capitalised borrowing costs 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 year ended 31 March 2019 is as follow:

	Property development RM	Property management RM	Others RM	Elimination RM	Consolidated RM
Revenue					
External sales	9,188,447	1,738,505	126,772	-	11,053,724
Inter-segment income	-	132,000	1,928,200	(2,060,200)	-
Total revenue	9,188,447	1,870,505	2,054,972	(2,060,200)	11,053,724
Results					
Investment revenue	53,487	4,633	136,394	(129,052)	65,462
Finance costs	88,612	173,770	14,270	(24,322)	252,330
Depreciation	68,005	100,775	50,056	16,900	235,736
Unallocated corporate expenses	-	-	84,121	-	84,121
Profit before tax	1,359,369	384,006	1,577,272	(1,721,511)	1,599,136
Assets					
Addition to property, plant and equipment	1,769	14,632	2,295	-	18,696
Segment assets	322,413,633	109,269,465	20,724,156	(13,805,529)	438,601,725
Unallocated corporate assets					4,167,080
Consolidated assets					442,768,805
Liabilities					
Segment liabilities	78,616,993	25,204,150	14,067,390	(26,570,301)	91,318,232
Unallocated liabilities					291,359
Consolidated liabilities					91,609,591

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 Year Quarter 31.03.2019 RM'000	Preceding Year Corresponding Quarter 31.03.2018 RM'000		Current Year To Date 31.03.2019 RM'000	Preceding Year Corresponding Period 31.03.2018 RM'000	
Revenue						
Property Development	9,188	6,945	32.3	9,188	6,945	32.3
Property Management	1,739	1,736	0.2	1,739	1,736	0.2
Others	127	167	(23.9)	127	167	(23.9)
	<u>11,054</u>	<u>8,848</u>		<u>11,054</u>	<u>8,848</u>	
Profit before tax						
Property Development	1,695	1,151	47.3	1,695	1,151	47.3
Property Management	345	511	(32.5)	345	511	(32.5)
Others	(441)	(271)	62.7	(441)	(271)	62.7
	<u>1,599</u>	<u>1,391</u>		<u>1,599</u>	<u>1,391</u>	

B1. Review of the Performance (continued)

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 RM11.054 million and RM1.599 million respectively, representing a 24.9% increase in revenue and a 14.9% increase in profit before tax over the previous year's corresponding quarter of RM8.848 million and RM1.391 million.

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

Property Development

The property development segment registered a 32.3% increase in revenue to RM9.188 million compared to RM6.945 million previously; whilst the segment's profit before tax increased by 47.3% to RM1.695 million, from RM1.151 million previously. The higher profit was mainly due to positive buyer response from on-going and completed residential projects.

Property Management

The property management segment saw a marginal increase 0.2% in rental revenue to RM1.739 million during the quarter under review, compared to previous corresponding quarter's RM1.736 million. Nevertheless, the segment's profit before tax declined by 32.5% from RM0.511 million previously to RM0.345 million as a result of the higher administrative expenses.

B2. Comparison with Immediate Preceding Quarter's Results

	Current Quarter 31.03.2019 RM'000	Immediate Preceding Quarter 31.12.2018 RM'000	Change %
Revenue			
Property Development	9,188	10,371	(12.9)
Property Management	1,739	1,767	(1.6)
Others	127	145	(12.4)
	11,054	12,283	(10.0)
Profit before tax			
Property Development	1,695	1,610	5.3
Property Management	345	296	16.6
Others	(441)	(789)	44.1
	1,599	1,117	43.2

Compared to the preceding quarter's results ended 31 December 2018, the Group's revenue recorded 10.0% lower revenue to RM11.054 million from RM12.283 million due to certain residential projects were completed in the immediate preceding quarter and the timing of new launches.

The Group recorded 43.2% higher overall profit before tax to RM1.599 million for the current quarter under review, compared to the preceding quarter's RM1.117 million due to an impairment loss for certain land held for development of RM2.600 million was recognised in the immediate preceding quarter.

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 31.03.2019 RM'000	Year to Date 31.03.2019 RM'000
Profit for the year is arrived at after crediting/(charging):-		
Interest income	65	65
Other income including investment income	211	211
Interest expense	(252)	(252)
Depreciation and amortization	<u>(236)</u>	<u>(236)</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 31.03.2019 RM'000	Year to Date 31.03.2019 RM'000
Income Tax		
- Current Year	(597)	(597)
Deferred Tax		
- Current Year	<u>35</u>	<u>35</u>
	<u>(562)</u>	<u>(562)</u>
Profit Before Tax	1,599	1,599
Effective tax rate	35.1%	35.1%

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 are as follows:

	As at 31.03.2019 RM'000	As at 31.03.2018 RM'000
Short term -Secured		
Hire purchase payables	193	259
Term loans	3,336	2,456
Revolving credits	3,000	-
Bank overdrafts	42,498	40,752
	<u>49,027</u>	<u>43,467</u>
Long term -Secured		
Hire purchase payables	130	323
Term loans	16,337	18,424
	<u>16,467</u>	<u>18,747</u>
Total	<u>65,494</u>	<u>62,214</u>

All borrowings are denominated in Ringgit Malaysia.

As at 31 March 2019, the Group's borrowings increased by 5.3% to RM65.494 million as compared to RM62.214 million mainly due to increased utilisation of bank overdrafts for on-going projects developments.

The interest rates for the Group's borrowings range from 2.35% to 7.95% (also 2.35% to 7.95% 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 31.03.2019	Year to Date 31.03.2019
Profit for the year	RM 1,037,106	RM 1,037,106
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)	0.28 sen	0.28 sen

B12. Audit Qualification

The audited financial statements of the Group for the financial year ended 31 December 2018 were not subject to any audit qualifications.