

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 2019**  
**(UNAUDITED)**

This Report is dated 28 August 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 30 JUNE 2019**  
(The figures have not been audited)

	<b>As at 30 JUN 2019 (Unaudited) RM'000</b>	<b>As at 31 DEC 2018 (Audited) RM'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	5,633	6,050
Investment properties	94,760	94,760
Land held for property development	188,875	186,310
<b>TOTAL NON-CURRENT ASSETS</b>	<u>289,268</u>	<u>287,120</u>
<b>Current Assets</b>		
Biological assets	20	20
Inventories	66,332	72,706
Land and development expenditure	39,002	28,298
Receivables	8,403	9,619
Current tax assets	1,497	2,096
Cash and bank balances	37,916	43,421
<b>TOTAL CURRENT ASSETS</b>	<u>153,170</u>	<u>156,160</u>
<b>TOTAL ASSETS</b>	<u>442,438</u>	<u>443,280</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to owners of the Company</b>		
Share capital	187,804	187,804
Retained earnings	165,863	162,318
<b>TOTAL EQUITY</b>	<u>353,667</u>	<u>350,122</u>
<b>Non-current liabilities</b>		
Borrowings	15,309	17,505
Deferred tax liabilities	5,677	5,763
<b>TOTAL NON-CURRENT LIABILITIES</b>	<u>20,986</u>	<u>23,268</u>
<b>Current Liabilities</b>		
Payables	16,119	17,502
Borrowings	50,988	51,916
Current tax payables	678	472
<b>TOTAL CURRENT LIABILITIES</b>	<u>67,785</u>	<u>69,890</u>
<b>TOTAL LIABILITIES</b>	<u>88,771</u>	<u>93,158</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>442,438</u>	<u>443,280</u>
Net Assets (NA) per share (RM)	<u>0.94</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.

**CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE QUARTER ENDED 30 JUNE 2019**  
 (The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30 JUN 2019 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30 JUN 2018 RM'000	CURRENT YEAR TO DATE 30 JUN 2019 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30 JUN 2018 RM'000
Revenue	15,380	16,821	26,434	25,669
Cost of sales	(7,822)	(7,941)	(13,603)	(11,971)
Gross Profit	7,558	8,880	12,831	13,698
Investment revenue	57	64	122	132
Other income	240	270	451	646
Administrative expenses	(4,082)	(4,899)	(7,780)	(8,528)
Finance costs	(282)	(244)	(534)	(485)
Other expenses	(2)	(3)	(2)	(4)
<b>Profit before tax</b>	3,489	4,068	5,088	5,459
Income tax expense	(981)	(1,042)	(1,543)	(1,801)
<b>Profit for the period</b>	2,508	3,026	3,545	3,658
<b>Other comprehensive income, net of tax</b>	-	-	-	-
<b>Total comprehensive income for the period</b>	2,508	3,026	3,545	3,658
<b>Profit attributable to: Owners of the Company</b>	2,508	3,026	3,545	3,658
<b>Earnings per share (sen)</b>				
- Basic	0.67	0.81	0.94	0.97
- 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 BERHAD**

(Company No. 625034 X)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE QUARTER ENDED 30 JUNE 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	-	3,545	3,545
Balance as at 30 June 2019	<u>187,804</u>	<u>165,863</u>	<u>353,667</u>
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	<u>187,804</u>	<u>162,318</u>	<u>350,122</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 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 30 JUNE 2019**  
 (The figures have not been audited)

	<b>30 JUN 2019</b> <b>(Unaudited)</b> <b>RM'000</b>	<b>31 DEC 2018</b> <b>(Audited)</b> <b>RM'000</b>
<b>CASH FLOWS (USED IN) FROM OPERATING ACTIVITIES</b>		
Receipts from customers	27,864	58,048
Payments to suppliers and employees	<u>(22,671)</u>	<u>(32,875)</u>
Cash From Operations	5,193	25,173
Finance costs paid	(1,391)	(2,835)
Income taxes paid	(2,029)	(5,194)
Income taxes refunded	<u>1,205</u>	<u>110</u>
Net Cash From Working Capital	2,978	17,254
Additions to Land held for property development	(5,407)	(10,021)
Net Cash (Used In) From Operating Activities	<u>(2,429)</u>	<u>7,233</u>
<b>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES</b>		
Proceeds from disposal of PPE	-	255
Other investments	122	270
Additions to property, plant and equipment	(56)	(1,925)
Net Cash From (Used In) Investing Activities	<u>66</u>	<u>(1,400)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from bank borrowings	-	9,920
Repayment of bank borrowings	(2,405)	(3,645)
Dividend paid	-	(1,878)
Net Cash (Used In) From Financing Activities	<u>(2,405)</u>	<u>4,397</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(4,768)	10,230
<b>CASH AND CASH EQUIVALENTS AS OF BEGINNING OF YEAR</b>	<u>14,396</u>	<u>4,166</u>
<b>CASH AND CASH EQUIVALENTS AS OF END OF PERIOD</b>	<u><u>9,628</u></u>	<u><u>14,396</u></u>
Cash and cash equivalents comprise of:		
Fixed deposits with licenced bank	1,459	1,491
Cash and bank balances	36,457	41,930
Bank overdraft	(27,029)	(27,784)
Less : Fixed deposits pledged to banks	(1,259)	(1,241)
	<u><u>9,628</u></u>	<u><u>14,396</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 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 SECOND QUARTER ENDED 30 JUNE 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 <u>after</u>
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 30 June 2019 is as follow:

	<b>Property development RM</b>	<b>Property management RM</b>	<b>Others RM</b>	<b>Elimination RM</b>	<b>Consolidated RM</b>
<b>Revenue</b>					
External sales	22,850,402	3,323,141	260,251	-	26,433,794
Inter-segment income	-	264,000	4,934,800	(5,198,800)	-
<b>Total revenue</b>	<b>22,850,402</b>	<b>3,587,141</b>	<b>5,195,051</b>	<b>(5,198,800)</b>	<b>26,433,794</b>
<b>Results</b>					
Investment revenue	103,502	7,108	350,119	(338,929)	121,800
Finance costs	219,600	379,960	27,525	(92,991)	534,094
Depreciation	136,037	202,642	100,368	33,800	472,847
Unallocated corporate expenses	-	-	180,405	-	180,405
<b>Profit before tax</b>	<b>4,465,175</b>	<b>614,851</b>	<b>4,299,800</b>	<b>(4,291,949)</b>	<b>5,087,877</b>
<b>Assets</b>					
Addition to property, plant and equipment	3,234	41,801	10,669	-	55,704
Segment assets	327,615,654	109,144,244	17,355,223	(12,711,021)	441,404,100
Unallocated corporate assets					1,033,695
<b>Consolidated assets</b>					<b>442,437,795</b>
<b>Liabilities</b>					
Segment liabilities	79,713,850	27,966,865	12,214,218	(31,143,994)	88,750,939
Unallocated liabilities					20,012
<b>Consolidated liabilities</b>					<b>88,770,951</b>

**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	
	30.06.2019	Quarter		30.06.2019	Period	
	RM'000	30.06.2018		RM'000	30.06.2018	
		RM'000			RM'000	
<b>Revenue</b>						
Property Development	13,662	15,126	(9.7)	22,850	22,071	3.5
Property Management	1,584	1,530	3.5	3,323	3,266	1.7
Others	134	165	(18.8)	261	332	(21.4)
	<u>15,380</u>	<u>16,821</u>		<u>26,434</u>	<u>25,669</u>	
<b>Profit before tax</b>						
Property Development	3,750	5,015	(25.2)	5,445	6,166	(11.7)
Property Management	204	(449)	145.4	549	62	785.5
Others	(465)	(498)	6.6	(906)	(769)	(17.8)
	<u>3,489</u>	<u>4,068</u>		<u>5,088</u>	<u>5,459</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 RM15.380 million and RM3.489 million respectively, representing a 8.6% decline from previous year's corresponding quarter revenue of RM16.821 million and a 14.2% decline in profit before tax from RM4.068 million.

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

Property Development

The property development segment registered a 9.7% decrease in revenue to RM13.662 million compared to RM15.126 million previously; whilst the segment's profit before tax declined by 25.2% to RM3.750 million, from RM5.015 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 marginal increase 3.5% in rental revenue to RM1.584 million during the quarter under review, compared to previous corresponding quarter's RM1.530 million; whilst the segment's profit before tax increased by 145.4% to RM0.204 million from loss before tax of RM0.449 million previously due to the lower administrative and refurbishment expenses.

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

For the current financial period to date, the Group recorded a revenue of RM26.434 million and profit before tax of RM5.088 million, versus revenue of RM25.669 million and profit before tax of RM5.459 million of the preceding corresponding financial period.

Property Development

The property development segment registered a 3.5% increase in revenue to RM22.850 million compared to RM22.071 million previously. Nevertheless, the segment's profit before tax declined by 11.7% to RM5.445 million, from RM6.166 million previously due to the lower gross profit margin from residential projects.

Property Management

The improved occupancy rate enabled the property management segment to register 1.7% higher rental revenue of RM3.323 million, compared to RM3.266 million of the previous corresponding financial period. In tandem with this and lower administrative and refurbishment expenses, profit before tax increased by 785.5% to RM0.549 million, as compared to previous corresponding financial period of RM0.062 million.

**B2. Comparison with Immediate Preceding Quarter's Results**

	<b>Current Quarter 30.06.2019 RM'000</b>	<b>Immediate Preceding Quarter 31.03.2019 RM'000</b>	<b>Change %</b>
<b>Revenue</b>			
Property Development	13,662	9,188	48.7
Property Management	1,584	1,739	(8.9)
Others	134	127	5.5
	15,380	11,054	39.1
<b>Profit before tax</b>			
Property Development	3,750	1,695	121.2
Property Management	204	345	(40.9)
Others	(465)	(441)	(5.4)
	3,489	1,599	118.2

Compared to the preceding quarter's results ended 31 March 2019, the Group's revenue recorded 39.1% higher revenue to RM15.380 million from RM11.054 million as a result of the sales of completed industrial and residential projects. In tandem with this, profit before tax increased by 118.2% to RM3.489 million from RM1.599 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 period**

	<b>Current Quarter 30.06.2019 RM'000</b>	<b>Year to Date 30.06.2019 RM'000</b>
Profit for the period is arrived at after crediting/(charging):-		
Interest income	57	122
Other income including investment income	240	451
Interest expense	(282)	(534)
Depreciation and amortization	(237)	(473)

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**

	<b>Current Quarter 30.06.2019 RM'000</b>	<b>Year to Date 30.06.2019 RM'000</b>
Income Tax		
- Current Year	(1,031)	(1,628)
Deferred Tax		
- Current Year	50	85
	<u>(981)</u>	<u>(1,543)</u>
Profit Before Tax	3,489	5,088
Effective tax rate	28.1%	30.3%

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:

	<b>As at 30.06.2019 RM'000</b>	<b>As at 30.06.2018 RM'000</b>
<b>Short term -Secured</b>		
Hire purchase payables	157	263
Term loans	3,840	2,462
Revolving credits	3,000	-
Bank overdrafts	43,991	56,042
	<u>50,988</u>	<u>58,767</u>
<b>Long term -Secured</b>		
Hire purchase payables	-	256
Term loans	15,309	18,939
	<u>15,309</u>	<u>19,195</u>
Total	<u>66,297</u>	<u>77,962</u>

All borrowings are denominated in Ringgit Malaysia.

As at 30 June 2019, the Group's borrowings declined by 15.0% to RM66.297 million as compared to RM77.962 million previously mainly due to lower utilisation of bank overdrafts for on-going projects developments.

The interest rates for the Group's borrowings range from 2.35% to 7.70% (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 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 2019. The dividend is to be paid on 17 October 2019 to shareholders whose name appears in the Record of Depositors at the close of business on 25 September 2019.

**B11. Earnings Per Share**

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

	<b>Current Quarter</b> <b>30.06.2019</b>	<b>Year to Date</b> <b>30.06.2019</b>
Profit for the period	RM 2,507,630	RM 3,544,736
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)	0.67 sen	0.94 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.