

Company No. 200301022614 (625034 X)

GROMUTUAL BERHAD
(Company No. 200301022614 (625034 X))
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

QUARTERLY REPORT
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2019
(UNAUDITED)

This Report is dated 28 February 2020

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 2019**

(The figures have not been audited)

	As at 31 DEC 2019 (Unaudited) RM'000	As at 31 DEC 2018 (Restated) RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	5,503	6,050
Investment properties	94,905	94,760
Land held for property development	193,323	186,310
TOTAL NON-CURRENT ASSETS	293,731	287,120
Current Assets		
Biological assets	26	20
Inventories	53,866	70,920
Land and development expenditure	54,832	28,252
Receivables	13,212	9,619
Current tax assets	819	2,096
Cash and bank balances	33,223	43,421
TOTAL CURRENT ASSETS	155,978	154,328
TOTAL ASSETS	449,709	441,448
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	187,804	187,804
Retained earnings	170,057	160,486
TOTAL EQUITY	357,861	348,290
Non-current liabilities		
Borrowings	13,512	17,505
Deferred tax liabilities	5,745	5,763
TOTAL NON-CURRENT LIABILITIES	19,257	23,268
Current Liabilities		
Payables	18,280	17,502
Borrowings	53,616	51,916
Current tax payables	695	472
TOTAL CURRENT LIABILITIES	72,591	69,890
TOTAL LIABILITIES	91,848	93,158
TOTAL EQUITY AND LIABILITIES	449,709	441,448
Net Assets (NA) per share (RM)	0.95	0.93

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 31 DECEMBER 2019**

(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31 DEC 2019 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31 DEC 2018 (Restated) RM'000	CURRENT YEAR 31 DEC 2019 RM'000	PRECEDING YEAR 31 DEC 2018 (Restated) RM'000
Revenue	14,309	12,283	58,886	50,778
Cost of sales	(5,938)	(4,457)	(28,702)	(22,752)
Gross Profit	8,371	7,826	30,184	28,026
Investment revenue	48	80	229	270
Other income	1,397	194	2,062	1,516
Administrative expenses	(3,941)	(4,184)	(16,172)	(16,384)
Finance costs	(439)	(541)	(1,256)	(1,269)
Other expenses	(1)	(2,688)	(4)	(2,703)
Profit before tax	5,435	687	15,043	9,456
Income tax expense	(850)	(1,219)	(3,594)	(3,904)
Profit (Loss) for the year	4,585	(532)	11,449	5,552
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income (loss) for the year	4,585	(532)	11,449	5,552
Profit attributable to: Owners of the Company	4,585	(532)	11,449	5,552
Earnings per share (sen)				
- Basic	1.22	(0.14)	3.05	1.48
- 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. 200301022614 (625034 X))
 (Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 31 DECEMBER 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			
As previously reported	187,804	162,318	350,122
Effect of adoption of IFRIC's AD on IAS 23	-	(1,832)	(1,832)
As restated	187,804	160,486	348,290
Total comprehensive income for the year	-	11,449	11,449
Interim dividend - Year Ended 31 December 2019	-	(1,878)	(1,878)
Balance as at 31 December 2019	187,804	170,057	357,861
Balance as at 1 January 2018			
As previously reported	187,804	158,214	346,018
Effect of adoption of IFRIC's AD on IAS 23	-	(1,402)	(1,402)
As restated	187,804	156,812	344,616
Total comprehensive income for the year			
As previously reported	-	5,982	5,982
Effect of adoption of IFRIC's AD on IAS 23	-	(430)	(430)
As restated	-	5,552	5,552
Interim dividend - Year Ended 31 December 2018	-	(1,878)	(1,878)
Balance as at 31 December 2018	187,804	160,486	348,290

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. 200301022614 (625034 X))

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE QUARTER ENDED 31 DECEMBER 2019**

(The figures have not been audited)

	31 DEC 2019 (Unaudited) RM'000	31 DEC 2018 (Audited) RM'000
CASH FLOWS (USED IN) FROM OPERATING ACTIVITIES		
Receipts from customers	57,862	58,048
Payments to suppliers and employees	<u>(48,909)</u>	<u>(32,875)</u>
Cash From Operations	8,953	25,173
Finance costs paid	(2,666)	(2,835)
Income taxes paid	(4,194)	(5,194)
Income taxes refunded	<u>2,082</u>	<u>110</u>
Net Cash From Working Capital	4,175	17,254
Additions to Land held for property development	(10,032)	(10,021)
Net Cash (Used In) From Operating Activities	<u>(5,857)</u>	<u>7,233</u>
CASH FLOWS USED IN INVESTING ACTIVITIES		
Proceeds from disposal of PPE	35	255
Other investments	229	270
Additions to property, plant and equipment	(130)	(1,925)
Additions to investment properties	(145)	-
Net Cash Used In Investing Activities	<u>(11)</u>	<u>(1,400)</u>
CASH FLOWS (USED IN) FROM FINANCING ACTIVITIES		
Proceeds from bank borrowings	1,282	9,920
Repayment of bank borrowings	(3,145)	(3,645)
Dividend paid	(1,878)	(1,878)
Net Cash (Used In) From Financing Activities	<u>(3,741)</u>	<u>4,397</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(9,609)	10,230
CASH AND CASH EQUIVALENTS AS OF BEGINNING OF YEAR	<u>14,396</u>	<u>4,166</u>
CASH AND CASH EQUIVALENTS AS OF END OF YEAR	<u><u>4,787</u></u>	<u><u>14,396</u></u>
Cash and cash equivalents comprise of:		
Fixed deposits with licenced bank	1,482	1,491
Cash and bank balances	31,741	41,930
Bank overdraft	(27,154)	(27,784)
Less : Fixed deposits pledged to banks	<u>(1,282)</u>	<u>(1,241)</u>
	<u><u>4,787</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 FOURTH QUARTER ENDED 31 DECEMBER 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 <u>after</u>
MFRS 17	Insurance Contracts	1 January 2021
Amendments to MFRS 3	Definition of a Business	1 January 2020
Amendments to MFRS 9, 139 and	Interest Rate Benchmark Reform	1 January 2020

A1. **Basis of Preparation (continued)**

		Effective for annual periods beginning on or after
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
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.

In the fourth quarter ended 31 December 2019, the Group has elected to early adopt the AD on IAS 23 *Borrowing Costs* and the reconciliation of the said effects on the financial statements for the financial year ended 31 December 2018 are as disclosed below:

a. Effects on statement of financial position

	As previously reported RM’000	Effect of AD on IA 23 RM’000	As restated RM’000
Inventories	72,706	(1,786)	70,920
Land and development expenditure	28,298	(46)	28,252
Retained earnings	162,318	(1,832)	160,486

b. Reconciliation of retained earnings

	1.1.2018 RM'000	31.12.2018 RM'000
As previously reported	158,214	162,318
Effect of AD on IA 23	<u>(1,402)</u>	<u>(1,832)</u>
As restated	<u>156,812</u>	<u>160,486</u>

c. Effects on statement of profit or loss and comprehensive income

	Individual Quarter 4th Quarter ended 31.12.2018			Cumulative Quarter Year ended 31.12.2018		
	As previously reported RM'000	Effect of AD on IA 23 RM'000	As restated RM'000	As previously reported RM'000	Effect of AD on IA 23 RM'000	As restated RM'000
Cost of sales	4,353	104	4,457	22,648	104	22,752
Finance costs	215	326	541	943	326	1,269
Profit before tax	1,117	(430)	687	9,886	(430)	9,456
Profit (Loss) for the year	(102)	(430)	(532)	5,982	(430)	5,552
Total comprehensive income (loss) for the year	(102)	(430)	(532)	5,982	(430)	5,552

d. No effects on statement of cash flow for the year ended 31 December 2018.

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 28 August 2019, 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 2019. The dividend had been paid on 17 October 2019 to shareholders whose name appears in the Record of Depositors at the close of business on 25 September 2019.

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 2019 is as follow:

	Property development RM	Property management RM	Others RM	Elimination RM	Consolidated RM
Revenue					
External sales	51,532,529	6,754,486	598,598	-	58,885,613
Inter-segment income	-	528,000	8,668,000	(9,196,000)	-
Total revenue	<u>51,532,529</u>	<u>7,282,486</u>	<u>9,266,598</u>	<u>(9,196,000)</u>	<u>58,885,613</u>
Results					
Investment revenue	200,745	7,500	935,298	(914,940)	228,603
Finance costs	884,883	790,708	44,394	(464,466)	1,255,519
Depreciation	244,052	404,869	170,245	57,736	876,902
Reversal of impairment loss on land held for property development	1,140,000	-	-	-	1,140,000
Unallocated corporate expenses	-	-	633,776	-	633,776
Profit before tax	<u>14,098,174</u>	<u>991,341</u>	<u>7,101,981</u>	<u>(7,148,316)</u>	<u>15,043,180</u>
Assets					
Addition to property, plant and equipment	<u>254,342</u>	<u>51,348</u>	<u>24,114</u>	-	<u>329,804</u>
Segment assets	335,522,453	108,551,711	14,043,445	(8,821,041)	449,296,568
Unallocated corporate assets					412,844
Consolidated assets					<u>449,709,412</u>
Liabilities					
Segment liabilities	90,478,678	24,796,955	14,302,389	(38,108,866)	91,469,156
Unallocated liabilities					379,646
Consolidated liabilities					<u>91,848,802</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		Quarter	Quarter	
	31.12.2019	Quarter		31.12.2019	31.12.2018	
		(Restated)			(Restated)	
	RM'000	RM'000		RM'000	RM'000	
Revenue						
Property Development	12,387	10,371	19.4	51,533	43,282	19.1
Property Management	1,738	1,767	(1.6)	6,754	6,804	(0.7)
Others	184	145	26.9	599	692	(13.4)
	<u>14,309</u>	<u>12,283</u>		<u>58,886</u>	<u>50,778</u>	
Profit (Loss) before tax						
Property Development	5,669	1,180	380.4	16,163	10,112	59.8
Property Management	512	296	72.9	935	1,213	(22.9)
Others	(746)	(789)	5.4	(2,055)	(1,869)	(9.9)
	<u>5,435</u>	<u>687</u>		<u>15,043</u>	<u>9,456</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 RM14.309 million and RM5.435 million respectively, representing a 16.5% increase in revenue and 691.1% increase in profit before tax over the previous year's corresponding quarter of RM12.283 million and RM0.687 million.

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

Property Development

The property development segment registered a 19.4% increase in revenue to RM12.387 million compared to RM10.371 million previously; whilst the segment's profit before tax increased by 380.4% to RM5.669 million, from RM1.180 million previously. The higher profit was mainly due to positive buyer response from completed industrial and residential projects as well as reversal of an impairment loss on land held for property development of RM1.140 million during the current quarter.

Property Management

The property management segment saw a marginal 1.6% decrease in rental revenue to RM1.738 million during the quarter under review, compared to previous corresponding quarter's RM1.767 million; Nevertheless, the segment's profit before tax increased by 72.9% to RM0.512 million, from RM0.296 million previously due to the lower administrative and refurbishment expenses incurred in current quarter.

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

For the current year, the Group recorded a revenue of RM58.886 million and profit before tax of RM15.043 million, versus revenue of RM50.778 million and profit before tax of RM9.456 million of the preceding year.

Property Development

The higher recognition for sales of completed industrial and residential projects led the property development segment registered a 19.1% increase in revenue to RM51.533 million compared to RM43.282 million previously. In addition, reversal of an impairment loss on land held for property development of RM1.140 million by year end resulted the segment's profit before tax increased by 59.8% to RM16.163 million, from RM10.2112 million previously.

Property Management

The lower occupancy rate of leased out industrial buildings in third quarter led the property management segment register 0.7% lower rental revenue of RM6.754 million, compared to RM6.804 million of the previous year. In tandem with this and higher repair and refurbishment expenses, profit before tax declined by 22.9% to RM0.935 million, as compared to previous year of RM1.213 million.

B2. Comparison with Immediate Preceding Quarter's Results

	Current Quarter 31.12.2019 RM'000	Immediate Preceding Quarter 30.09.2019 RM'000	Change %
Revenue			
Property Development	12,387	16,296	(23.9)
Property Management	1,738	1,693	2.6
Others	184	154	19.5
	14,309	18,143	(21.1)
Profit (Loss) before tax			
Property Development	5,669	5,049	12.3
Property Management	512	(126)	506.3
Others	(746)	(403)	(85.1)
	5,435	4,520	20.2

Compared to the preceding quarter's results ended 30 September 2019, the Group's revenue recorded 21.1% lower revenue to RM14.309 million from RM18.143 million as a result of the lower sales of completed industrial and residential projects. Nevertheless, the profit before tax increased by 20.2% to RM5.435 million from RM4.520 million due to reversal of an impairment loss on land held for property development of RM1.140 million by year end.

B3. Prospects

The property sector is anticipated to be still challenging for 2020. 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 2020.

B4. Profit for the period

	Current Quarter 31.12.2019 RM'000	Year to Date 31.12.2019 RM'000
Profit for the period is arrived at after crediting/(charging):-		
Interest income	48	229
Other income including investment income	257	922
Reversal of impairment loss on land held for property development	1,140	1,140
Interest expense	(439)	(1,256)
Depreciation and amortization	(196)	(877)
	(196)	(877)

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 31.12.2019 RM'000	Year to Date 31.12.2019 RM'000
Income Tax		
- Current Year	(839)	(3,576)
Deferred Tax		
- Current Year	(11)	18
	<u>(850)</u>	<u>(3,594)</u>
Profit Before Tax	5,435	15,043
Effective tax rate	15.6%	23.9%

The effective rate of the Group for the current quarter and financial year is lower than the statutory tax rate as certain income of the subsidiary companies are not assessable for tax purposes.

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 31.12.2019 RM'000	As at 31.12.2018 RM'000
Short term -Secured		
Hire purchase payables	169	224
Term loans	4,013	2,910
Revolving credits	3,000	3,000
Bank overdrafts	46,434	45,782
	<u>53,616</u>	<u>51,916</u>
Long term -Secured		
Hire purchase payables	186	165
Term loans	13,326	17,340
	<u>13,512</u>	<u>17,505</u>
Total	<u>67,128</u>	<u>69,421</u>

All borrowings are denominated in Ringgit Malaysia.

As at 31 December 2019, the Group's borrowings declined by 3.3% to RM67.128 million as compared to RM69.421 million previously mainly due to repayment of term loans.

The interest rates for the Group's borrowings range from 2.42% to 7.95% (2.35% to 7.95% in 2018).

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 31.12.2019	Year to Date 31.12.2019
Profit for the period	RM 4,585,372	RM 11,448,842
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)	1.22 sen	3.05 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.