

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 2016
(UNAUDITED)

This Report is dated 29 August 2016

Company No. 625034 X

GROMUTUAL BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

QUARTERLY REPORT

CONTENTS	PAGE(S)
Condensed Consolidated Statements of Financial Position	1
Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income	2
Condensed Consolidated Statements of Changes in Equity	3
Condensed Consolidated Statements of Cash Flows	4
Notes to the Financial Information	5-11

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2016
 (The figures have not been audited)

	As at 30 JUN 2016 (Unaudited)	As at 31 DEC 2015 (Audited)
	RM'000	RM'000
Assets		
Non-current assets		
Property, plant and equipment	1,937	2,318
Investment properties	95,320	92,301
Land held for property development	166,559	173,952
TOTAL NON-CURRENT ASSETS	<u>263,816</u>	<u>268,571</u>
Current Assets		
Inventories	13,916	20,141
Land and development expenditure	78,597	67,406
Receivables	25,499	19,586
Current tax assets	875	932
Cash and bank balances	44,418	39,907
TOTAL CURRENT ASSETS	<u>163,305</u>	<u>147,972</u>
TOTAL ASSETS	<u>427,121</u>	<u>416,543</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	187,804	187,804
Retained earnings	138,686	125,876
TOTAL EQUITY	<u>326,490</u>	<u>313,680</u>
Non-current liabilities		
Borrowings	9,146	12,292
Deferred tax liabilities	5,767	5,825
TOTAL NON-CURRENT LIABILITIES	<u>14,913</u>	<u>18,117</u>
Current Liabilities		
Payables	29,033	37,975
Borrowings	52,549	45,227
Current tax payables	4,136	1,544
TOTAL CURRENT LIABILITIES	<u>85,718</u>	<u>84,746</u>
TOTAL LIABILITIES	<u>100,631</u>	<u>102,863</u>
TOTAL EQUITY AND LIABILITIES	<u>427,121</u>	<u>416,543</u>
Net Assets (NA) per share (RM)	<u>0.87</u>	<u>0.84</u>

The condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2015 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 2016**
 (The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30 JUN 2016 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30 JUN 2015 RM'000	CURRENT YEAR TO DATE 30 JUN 2016 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30 JUN 2015 RM'000
Revenue	26,278	18,887	54,996	39,124
Cost of sales	(14,534)	(9,505)	(29,120)	(20,172)
Gross Profit	11,744	9,382	25,876	18,952
Investment revenue	229	138	388	282
Other income	185	176	193	1,527
Administrative expenses	(2,868)	(3,891)	(7,265)	(7,462)
Finance costs	(234)	(190)	(444)	(388)
Other expenses	(79)	-	(261)	(8)
Profit before tax	8,977	5,615	18,487	12,903
Income tax expense	(2,818)	(1,742)	(5,677)	(3,498)
Profit for the period	6,159	3,873	12,810	9,405
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income for the period	6,159	3,873	12,810	9,405
Profit attributable to: Owners of the Company	6,159	3,873	12,810	9,405
Earnings per share (sen)				
- Basic	1.64	1.03	3.41	2.50
- 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 2015 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 CHANGES IN EQUITY
FOR THE QUARTER ENDED 30 JUNE 2016
 (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 2016	187,804	125,876	313,680
Total comprehensive income for the period	-	12,810	12,810
Balance as at 30 June 2016	<u>187,804</u>	<u>138,686</u>	<u>326,490</u>
Balance as at 1 January 2015	187,804	117,340	305,144
Total comprehensive income for the year	-	16,048	16,048
Final dividend - Year Ended 31 December 2014	-	(3,756)	(3,756)
Interim dividend - Year Ended 31 December 2015	-	(3,756)	(3,756)
Balance as at 31 December 2015	<u>187,804</u>	<u>125,876</u>	<u>313,680</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 2015 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 JUNE 2016
 (The figures have not been audited)

	30 JUN 2016 (Unaudited)	31 DEC 2015 (Audited)
	RM'000	RM'000
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Receipts from customers	47,700	83,049
Payments to suppliers and employees	<u>(38,109)</u>	<u>(61,020)</u>
Cash From Operations	9,591	22,029
Finance costs paid	(1,202)	(2,176)
Taxes paid	(3,814)	(8,515)
Taxes refund	<u>319</u>	<u>353</u>
Net Cash From Working Capital	4,894	11,691
Additions to Land held for property development	(1,918)	(21,601)
Net Cash From (Used In) Operating Activities	<u>2,976</u>	<u>(9,910)</u>
CASH FLOWS (USED IN) FROM INVESTING ACTIVITIES		
Proceeds from disposal of investment properties	-	6,580
Proceeds from disposal of PPE	-	60
Other investments	354	517
Additions to property, plant and equipment	(8)	(562)
Additions to investment properties	<u>(3,019)</u>	<u>(2,616)</u>
Net Cash (Used In) From Investing Activities	<u>(2,673)</u>	<u>3,979</u>
CASH FLOWS USED IN FINANCING ACTIVITIES		
Proceeds from bank borrowings	2,633	16,586
Repayment of bank borrowings	(3,868)	(13,317)
Dividend paid	-	(7,512)
Net Cash Used In Financing Activities	<u>(1,235)</u>	<u>(4,243)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(932)	(10,174)
CASH AND CASH EQUIVALENTS AS OF BEGINNING OF YEAR	<u>(3,525)</u>	<u>6,649</u>
CASH AND CASH EQUIVALENTS AS OF END OF PERIOD	<u>(4,457)</u>	<u>(3,525)</u>
Cash and cash equivalents comprise of:		
Fixed deposits with licenced bank	1,499	1,118
Cash and bank balances	42,919	38,789
Bank overdraft	(47,726)	(42,314)
Less : Fixed deposits pledged to banks	<u>(1,149)</u>	<u>(1,118)</u>
	<u>(4,457)</u>	<u>(3,525)</u>

The condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2015 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 2016

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 FRS 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 2015.

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 2015, except for the following revised and amendments to Financial Reporting Standards (“FRSs”) that are effective for annual periods beginning on or after 1 January 2016:

Adoption of new and revised FRSs

FRS 14	Regulatory Deferral Account
Amendments to FRS 10, FRS 12 and FRS 128	Investment Entities: Applying the Consolidation Exception
Amendments to FRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to FRS 101	Disclosure Initiative
Amendments to FRS 127	Equity Method in Separate Financial Statements
Amendments to FRS 116 and FRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to FRSs	Annual Improvements to FRSs 2012 – 2014 cycle

The adoption of abovementioned Standards do not have significant financial impact on the financial statements of the Group and of the Company.

New and Revised FRSs in issue but not yet effective

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

		Effective for annual periods beginning on or <u>after</u>
Amendments to FRS 107	Disclosure Initiative	1 January 2017
Amendments to FRS 112	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
FRS 9	Financial Instruments	1 January 2018
Amendments to FRS 10 and FRS 128	Sale of Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

There will have no material impact on the financial statements of the Group and the Company in the period of initial application.

Malaysian Financial Reporting Standards

On 19 November 2011, MASB has issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards Framework (“MFRS Framework”), a fully-IFRS compliant framework. Entities other than private entities shall apply the MFRS Framework for annual periods beginning on or after 1 January 2012, with the exception of Transitioning Entities (“TEs”).

TEs, being entities within the scope of MFRS 141 *Agriculture* and/or IC Interpretation 15: *Agreements for the Construction of Real Estate*, including its parents, significant investors and venturers were allowed to defer the adoption of MFRS Framework until such time as mandated by MASB. On 2 September 2014, MASB issues the MFRS 15 *Revenue from Contracts with Customers* and Amendments to MFRS 116 and MFRS 141 *Agriculture: Bearer Plants* and announced that TEs which have chosen to continue with FRS Framework is required to adopt the MFRS Framework latest by 1 January 2017. However, following the announcement by MASB on 28 October 2015, the effective date of MFRS 15 is now deferred to annual periods beginning on or after 1 January 2018.

The Group and the Company being TEs have availed themselves of this transitional arrangement and will continue to apply FRSs in the preparation of its financial statements. Accordingly, the Group and the Company will be required to prepare its first set of MFRS financial statements for the financial year ending 31 December 2018. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained earnings.

The directors anticipate that the adoption of the other MFRSs will have no material impact on the financial statements in the period of initial application except as discussed below:

MFRS 15 Revenue from Contracts with Customers

The core principle of MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. For the real estate industry, MFRS 15 is expected to enable property developers to recognise revenue progressively. MFRS 15 includes new disclosures (quantitative and/or qualitative information) to help investors better understand the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers. The new comprehensive disclosures are in response to investors’ comments that companies present revenue in isolation which make it difficult for them to relate to the entity’s financial position.

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 June 2016 is as follow:

	Property development RM	Property management RM	Others RM	Elimination RM	Consolidated RM
Revenue					
External sales	49,639,030	4,773,127	583,745	-	54,995,902
Inter-segment income	4,930,670	54,000	4,128,880	(9,113,550)	-
Total revenue	<u>54,569,700</u>	<u>4,827,127</u>	<u>4,712,625</u>	<u>(9,113,550)</u>	<u>54,995,902</u>
Results					
Investment revenue	366,153	51,087	314,114	(343,131)	388,223
Finance costs	17,948	412,496	73,132	(60,005)	443,571
Depreciation	146,795	146,737	94,439	-	387,971
Unallocated corporate expenses	-	-	329,104	-	329,104
Profit before tax	<u>18,626,195</u>	<u>1,881,798</u>	<u>3,462,547</u>	<u>(5,483,087)</u>	<u>18,487,453</u>
Assets					
Addition to investment properties	-	3,758,220	-	(739,328)	3,018,892
Addition to property, plant and equipment	-	299	7,755	-	8,054
Segment assets	321,409,023	103,143,457	25,100,546	(22,801,884)	426,851,142
Unallocated corporate assets					269,927
Consolidated assets					<u>427,121,069</u>
Liabilities					
Segment liabilities	80,825,966	23,424,750	16,073,193	(19,692,949)	100,630,960
Unallocated liabilities					-
Consolidated liabilities					<u>100,630,960</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 related parties:

	Year to Date 30 June 2016 RM'000
<u>With a company in which certain directors have substantial interest</u>	
Rental income	<u>212</u>

The above transactions had been entered into in the normal course of business 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

(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 RM26.278 million and RM8.977 million respectively, representing a 39.1% increase in revenue and 59.9% increase in profit before tax over the previous year's corresponding quarter of RM18.887 million and RM5.615 million.

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

Property Development

The property development segment registered a 43.9% increase in revenue to RM23.450 million compared to RM16.290 million previously; whilst the segment's profit before tax increased by 63.1% to RM7.882 million, from RM4.834 million previously. The higher profit was mainly due to sales of industrial project and the good progress of its high rise commercial project.

Property Management

The property management segment saw a 10.6% increase in rental revenue to RM2.502 million during the quarter under review, compared to previous corresponding quarter's RM2.262 million; whilst this segment's profit before tax increased by 1.7% to RM0.966 million, compared to RM0.950 million previously due to the improved occupancy rate.

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

For the current financial period to date, the Group recorded a revenue of RM54.996 million and profit before tax of RM18.487 million, versus revenue of RM39.124 million and profit before tax of RM12.903 million of the preceding corresponding financial period.

Property Development

The property development segment registered a 45.9% increase in revenue to RM49.639 million compared to RM34.026 million previously; whilst the segment's profit before tax increased by 62.0% to RM16.762 million, from RM10.344 million previously. The higher profit was mainly due to sales of industrial project and the good progress of its high rise commercial project.

Property Management

The improved occupancy rate enabled the property management segment to register 5.1% higher rental revenue of RM4.773 million, compared to RM4.540 million of the previous corresponding financial period. However, this segment's profit before tax decreased by 103.6% to RM1.828 million, as compared to RM3.344 million previously due to the gain on disposal of an investment property of RM1.102 million recognised in previous corresponding financial period.

B2. Comparison with Immediate Preceding Quarter's Results

Compared to the preceding quarter's results ended 31 March 2016, the Group's revenue recorded 8.5% lower revenue, from RM28.718 million to RM26.278 million, as a result of overall soft demand of property market.

Correspondingly, the Group recorded 5.6% lower overall profit before tax to RM8.977 million for the current quarter under review, compared to the preceding quarter's RM9.510 million.

B3. Prospects

The property sector is anticipated to be still challenging for 2016. Nonetheless, 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 tap into the captive demand.

Overall, the Group is expected to achieve satisfactory performance for the financial year ending 31 December 2016.

B4. Profit for the period

	Current Quarter 30 June 2016 RM'000	Year to Date 30 June 2016 RM'000
Profit for the period is arrived at after crediting/(charging):-		
Interest income	229	388
Other income including investment income	185	193
Interest expense	(234)	(444)
Depreciation and amortization	(186)	(388)

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 June 2016 RM'000	Year to Date 30 June 2016 RM'000
Income Tax		
- Current Year	(2,823)	(5,736)
Deferred Tax		
- Current Year	5	59
	<u>(2,818)</u>	<u>(5,677)</u>
Profit Before Tax	8,977	18,487
Effective tax rate	31.4%	30.7%

The effective rate of the Group for the current quarter and period to date is higher than the statutory tax rate as certain expenses of the subsidiary companies are not deductible 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 are as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
Short term	52,549	-	52,549
Long term	9,146	-	9,146
Total	<u>61,695</u>	<u>-</u>	<u>61,695</u>

B9. Material Claims

The Kuala Lumpur High Court on 27 November 2015 had dismissed the Company's claim against a vendor for specific performance as per the Sales and Purchase Agreement dated 7 June 2011 in respect to the Company's purchase of land. The Company had filed the appeal against the High Court's judgement. The Board of Directors is of the view that the appeal would not have any material financial impact to the Group and the Company.

B10. Proposed Dividend

The Board of Directors has declared an interim single tier dividend of 2%, amounting to RM3,756,080 for the financial year ending 31 December 2016. The dividend is to be paid on 13 October 2016 to shareholders whose name appears in the Record of Depositors at the close of business on 19 September 2016.

B11. Earnings Per Share

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

	Current Quarter 30 June 2016	Year to Date 30 June 2016
Profit for the period	RM 6,159,351	RM 12,810,365
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)	1.64 sen	3.41 sen

B12. Audit Qualification

The audited financial statements of the Group for the financial year ended 31 December 2015 were not subject to any audit qualifications.

B13. Retained Earning

	As of 30 June 2016 RM'000	As of 31 December 2015 RM'000
Realised	204,268	189,058
Unrealised	32,152	32,168
	<hr/>	<hr/>
	236,420	221,226
Consolidation adjustment	(97,734)	(95,350)
	<hr/>	<hr/>
Total Group retained earnings as per consolidated accounts	<u>138,686</u>	<u>125,876</u>