

Company No. 625034 X

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

QUARTERLY REPORT
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016
(UNAUDITED)

This Report is dated 28 November 2016

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 SEPTEMBER 2016
(The figures have not been audited)

	As at 30 SEP 2016 (Unaudited)	As at 31 DEC 2015 (Audited)
	RM'000	RM'000
Assets		
Non-current assets		
Property, plant and equipment	2,291	2,318
Investment properties	95,853	92,301
Land held for property development	166,832	173,952
TOTAL NON-CURRENT ASSETS	<u>264,976</u>	<u>268,571</u>
Current Assets		
Inventories	19,654	20,141
Land and development expenditure	74,976	67,406
Receivables	25,177	19,586
Current tax assets	809	932
Cash and bank balances	34,689	39,907
TOTAL CURRENT ASSETS	<u>155,305</u>	<u>147,972</u>
TOTAL ASSETS	<u>420,281</u>	<u>416,543</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	187,804	187,804
Retained earnings	144,737	125,876
TOTAL EQUITY	<u>332,541</u>	<u>313,680</u>
Non-current liabilities		
Borrowings	7,657	12,292
Deferred tax liabilities	5,793	5,825
TOTAL NON-CURRENT LIABILITIES	<u>13,450</u>	<u>18,117</u>
Current Liabilities		
Payables	28,217	37,975
Borrowings	41,309	45,227
Current tax payables	4,764	1,544
TOTAL CURRENT LIABILITIES	<u>74,290</u>	<u>84,746</u>
TOTAL LIABILITIES	<u>87,740</u>	<u>102,863</u>
TOTAL EQUITY AND LIABILITIES	<u>420,281</u>	<u>416,543</u>
Net Assets (NA) per share (RM)	<u>0.89</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 SEPTEMBER 2016**
 (The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30 SEP 2016 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30 SEP 2015 RM'000	CURRENT YEAR TO DATE 30 SEP 2016 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30 SEP 2015 RM'000
Revenue	21,223	13,558	76,219	52,682
Cost of sales	(9,626)	(7,181)	(38,746)	(27,353)
Gross Profit	11,597	6,377	37,473	25,329
Investment revenue	197	153	585	435
Other income	159	1,558	352	3,085
Administrative expenses	(3,465)	(3,725)	(10,730)	(11,187)
Finance costs	(239)	(149)	(683)	(537)
Other expenses	8	-	(253)	(8)
Profit before tax	8,257	4,214	26,744	17,117
Income tax expense	(2,206)	(1,120)	(7,883)	(4,618)
Profit for the period	6,051	3,094	18,861	12,499
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income for the period	6,051	3,094	18,861	12,499
Profit attributable to: Owners of the Company	6,051	3,094	18,861	12,499
Earnings per share (sen)				
- Basic	1.61	0.82	5.02	3.33
- 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
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**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
 FOR THE QUARTER ENDED 30 SEPTEMBER 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	-	18,861	18,861
Balance as at 30 September 2016	187,804	144,737	332,541
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	187,804	125,876	313,680

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 SEPTEMBER 2016**

(The figures have not been audited)

	30 SEP 2016 (Unaudited)	31 DEC 2015 (Audited)
	RM'000	RM'000
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Receipts from customers	66,652	83,049
Payments to suppliers and employees	<u>(51,242)</u>	<u>(61,020)</u>
Cash From Operations	15,410	22,029
Finance costs paid	(1,858)	(2,176)
Taxes paid	(6,089)	(8,515)
Taxes refund	<u>797</u>	<u>353</u>
Net Cash From Working Capital	8,260	11,691
Additions to Land held for property development	<u>(2,124)</u>	<u>(21,601)</u>
Net Cash From (Used In) Operating Activities	<u>6,136</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	83	60
Other investments	585	517
Additions to property, plant and equipment	(252)	(562)
Additions to investment properties	<u>(3,552)</u>	<u>(2,616)</u>
Net Cash (Used In) From Investing Activities	<u>(3,136)</u>	<u>3,979</u>
CASH FLOWS USED IN FINANCING ACTIVITIES		
Proceeds from bank borrowings	5,554	16,586
Repayment of bank borrowings	(9,124)	(13,317)
Dividend paid	-	(7,512)
Net Cash Used In Financing Activities	<u>(3,570)</u>	<u>(4,243)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(570)	(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>(4,095)</u>	<u>(3,525)</u>
Cash and cash equivalents comprise of:		
Fixed deposits with licenced bank	2,103	1,118
Cash and bank balances	32,586	38,789
Bank overdraft	(37,031)	(42,314)
Less : Fixed deposits pledged to banks	<u>(1,753)</u>	<u>(1,118)</u>
	<u>(4,095)</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 THIRD QUARTER ENDED 30 SEPTEMBER 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 September 2016 is as follow:

	Property development RM	Property management RM	Others RM	Elimination RM	Consolidated RM
Revenue					
External sales	68,377,270	6,871,282	970,667	-	76,219,219
Inter-segment income	<u>6,058,992</u>	<u>81,000</u>	<u>5,643,280</u>	<u>(11,783,272)</u>	<u>-</u>
Total revenue	<u>74,436,262</u>	<u>6,952,282</u>	<u>6,613,947</u>	<u>(11,783,272)</u>	<u>76,219,219</u>
Results					
Investment revenue	552,449	63,486	476,424	(507,073)	585,286
Finance costs	25,138	590,895	137,942	71,011	682,964
Depreciation	217,098	213,278	143,234	1,309	574,919
Unallocated corporate expenses	-	-	329,104	-	329,104
Profit before tax	<u>26,871,213</u>	<u>2,693,241</u>	<u>4,614,331</u>	<u>(7,434,710)</u>	<u>26,744,075</u>
Assets					
Addition to investment properties	-	5,196,117	-	(1,644,374)	3,551,743
Addition to property, plant and equipment	<u>176,712</u>	<u>541,892</u>	<u>54,498</u>	<u>(220,525)</u>	<u>552,557</u>
Segment assets	316,626,437	104,869,376	21,381,970	(23,357,924)	419,519,859
Unallocated corporate assets					761,070
Consolidated assets					<u>420,280,929</u>
Liabilities					
Segment liabilities	75,423,978	25,214,929	12,183,707	(25,082,430)	87,740,184
Unallocated liabilities					-
Consolidated liabilities					<u>87,740,184</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 September 2016 RM'000
<u>With a company in which certain directors have substantial interest</u>	
Rental income	<u>318</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 RM21.223 million and RM8.257 million respectively, representing a 56.5% increase in revenue and 95.9% increase in profit before tax over the previous year's corresponding quarter of RM13.558 million and RM4.214 million.

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

Property Development

The property development segment registered a 69.7% increase in revenue to RM18.502 million compared to RM10.904 million previously; whilst the segment's profit before tax increased by 454.5% to RM7.703 million, from RM1.389 million previously. The higher profit was mainly due to sales of industrial project and good progress of its high rise commercial project as well as residential projects.

Property Management

The property management segment saw a 3.2% marginal decrease in rental revenue to RM2.334 million during the quarter under review, compared to previous corresponding quarter's RM2.411 million; whilst this segment's profit before tax decreased by 72.7% to RM0.784 million, compared to RM2.874 million previously mainly due to the gain on disposal of an investment property of RM1.496 million recognised in the preceding year corresponding quarter.

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

For the current financial period to date, the Group recorded a revenue of RM76.219 million and profit before tax of RM26.744 million, versus revenue of RM52.682 million and profit before tax of RM17.117 million of the preceding corresponding financial period.

Property Development

The property development segment registered a 52.2% increase in revenue to RM68.377 million compared to RM44.930 million previously; whilst the segment's profit before tax increased by 108.5% to RM24.465 million, from RM11.733 million previously. The higher profit was mainly due to sales of industrial project and the good progress of its high rise commercial project as well as residential projects.

Property Management

Rental revenue from the property management segment saw a marginal decrease of 1.2% to RM6.871 million, compared to RM6.951 million of the previous corresponding financial period; whilst the segment's profit before tax decreased by 56.0% to RM2.612 million, as compared to RM6.218 million previously as result of the higher administrative and finance costs in current period and the gain on disposal of an investment property of RM2.589 million recognised in previous corresponding financial period.

B2. Comparison with Immediate Preceding Quarter's Results

Compared to the preceding quarter's results ended 30 June 2016, the Group's revenue recorded 19.2% lower revenue, from RM26.278 million to RM21.223 million, as a result of overall soft demand of property market.

Correspondingly, the Group recorded 8.7% lower overall profit before tax to RM8.257 million for the current quarter under review, compared to the preceding quarter's RM8.977 million.

B3. Prospects

The property sector remains 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 September 2016 RM'000	Year to Date 30 September 2016 RM'000
Profit for the period is arrived at after crediting/(charging):-		
Interest income	197	585
Other income including investment income	159	352
Interest expense	(239)	(683)
Depreciation and amortization	(187)	(575)
Write off of receivables	(7)	(7)
	<u> </u>	<u> </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 30 September 2016 RM'000	Year to Date 30 September 2016 RM'000
Income Tax		
- Current Year	(2,180)	(7,916)
Deferred Tax		
- Current Year	(26)	33
	<u> </u>	<u> </u>
	(2,206)	(7,883)
Profit Before Tax	8,257	26,744
Effective tax rate	26.7%	29.5%

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	41,309	-	41,309
Long term	7,657	-	7,657
Total	<u> </u>	<u> </u>	<u> </u>
	48,966	-	48,966

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. Dividend

At Board of Directors' meeting held on 29 August 2016, the Board of Directors had declared an interim single tier dividend of 2%, amounting to RM3,756,080 for the financial year ending 31 December 2016. The dividend was 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 September 2016	Year to Date 30 September 2016
Profit for the period	RM 6,050,636	RM 18,861,001
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)	1.61 sen	5.02 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 September 2016 RM'000	As of 31 December 2015 RM'000
Realised	211,166	189,058
Unrealised	32,126	32,168
	<hr/>	<hr/>
Consolidation adjustment	243,292 (98,555)	221,226 (95,350)
	<hr/>	<hr/>
Total Group retained earnings as per consolidated accounts	144,737	125,876