

Company No. 625034 X

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

QUARTERLY REPORT
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2016
(UNAUDITED)

This Report is dated 27 February 2017

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 DECEMBER 2016
 (The figures have not been audited)

	As at 31 DEC 2016 (Unaudited)	As at 31 DEC 2015 (Audited)
	RM'000	RM'000
Assets		
Non-current assets		
Property, plant and equipment	2,080	2,318
Investment properties	90,051	92,301
Land held for property development	167,513	173,952
TOTAL NON-CURRENT ASSETS	<u>259,644</u>	<u>268,571</u>
Current Assets		
Inventories	24,664	20,141
Land and development expenditure	73,311	67,406
Receivables	15,362	19,586
Current tax assets	701	932
Cash and bank balances	47,292	39,907
TOTAL CURRENT ASSETS	<u>161,330</u>	<u>147,972</u>
TOTAL ASSETS	<u>420,974</u>	<u>416,543</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	187,804	187,804
Retained earnings	145,341	125,876
TOTAL EQUITY	<u>333,145</u>	<u>313,680</u>
Non-current liabilities		
Borrowings	10,867	12,292
Deferred tax liabilities	5,372	5,825
TOTAL NON-CURRENT LIABILITIES	<u>16,239</u>	<u>18,117</u>
Current Liabilities		
Payables	24,713	37,975
Borrowings	44,495	45,227
Current tax payables	2,382	1,544
TOTAL CURRENT LIABILITIES	<u>71,590</u>	<u>84,746</u>
TOTAL LIABILITIES	<u>87,829</u>	<u>102,863</u>
TOTAL EQUITY AND LIABILITIES	<u>420,974</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 31 DECEMBER 2016**
 (The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31 DEC 2016 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31 DEC 2015 RM'000	CURRENT YEAR TO DATE 31 DEC 2016 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31 DEC 2015 RM'000
Revenue	15,316	18,629	91,535	71,311
Cost of sales	(7,107)	(10,424)	(45,853)	(37,777)
Gross Profit	8,209	8,205	45,682	33,534
Investment revenue	169	82	754	517
Other income	920	395	1,053	3,480
Administrative expenses	(3,745)	(3,863)	(14,475)	(15,050)
Finance costs	(217)	(107)	(900)	(644)
Other expenses	-	(18)	(34)	(26)
Profit before tax	5,336	4,694	32,080	21,811
Income tax expense	(976)	(1,145)	(8,859)	(5,763)
Profit for the period/year	4,360	3,549	23,221	16,048
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income for the period/year	4,360	3,549	23,221	16,048
Profit attributable to: Owners of the Company	4,360	3,549	23,221	16,048
Earnings per share (sen)				
- Basic	1.16	0.94	6.18	4.27
- 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 31 DECEMBER 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 year	-	23,221	23,221
Interim dividend - Year Ended 31 December 2016	-	(3,756)	(3,756)
Balance as at 31 December 2016	<u>187,804</u>	<u>145,341</u>	<u>333,145</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
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**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 FOR THE QUARTER ENDED 31 DECEMBER 2016**

(The figures have not been audited)

	31 DEC 2016 (Unaudited)	31 DEC 2015 (Audited)
	RM'000	RM'000
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Receipts from customers	90,583	83,049
Payments to suppliers and employees	<u>(66,210)</u>	<u>(61,020)</u>
Cash From Operations	24,373	22,029
Finance costs paid	(2,274)	(2,176)
Taxes paid	(9,995)	(8,515)
Taxes refund	<u>821</u>	<u>353</u>
Net Cash From Working Capital	12,925	11,691
Additions to Land held for property development	<u>(2,877)</u>	<u>(21,601)</u>
Net Cash From (Used In) Operating Activities	<u>10,048</u>	<u>(9,910)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of investment properties	7,200	6,580
Proceeds from disposal of PPE	83	60
Other investments	754	517
Additions to property, plant and equipment	(254)	(562)
Additions to investment properties	<u>(4,269)</u>	<u>(2,616)</u>
Net Cash From Investing Activities	<u>3,514</u>	<u>3,979</u>
CASH FLOWS USED IN FINANCING ACTIVITIES		
Proceeds from bank borrowings	9,449	16,586
Repayment of bank borrowings	(11,628)	(13,317)
Dividend paid	<u>(3,756)</u>	<u>(7,512)</u>
Net Cash Used In Financing Activities	<u>(5,935)</u>	<u>(4,243)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7,627	(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 YEAR	<u>4,102</u>	<u>(3,525)</u>
Cash and cash equivalents comprise of:		
Fixed deposits with licenced bank	1,705	1,118
Cash and bank balances	45,587	38,789
Bank overdraft	(42,037)	(42,314)
Less : Fixed deposits pledged to banks	<u>(1,153)</u>	<u>(1,118)</u>
	<u>4,102</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 FOURTH QUARTER ENDED 31 DECEMBER 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 2	Classification and Measurement of Share-based Payment Transactions	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
Amendments to FRS 4	Applying FRS 9 Financial Instruments with FRS 4 Insurance Contracts	1 January 2018
Amendments to FRS 140	Transfer of Investment Property	1 January 2018
IC Int.22	Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to FRSs	Annual Improvements to FRSs 2014 – 2016 Cycle	1 January 2017/2018

There will have no material impact on the financial statements of the Group and the Company in the period of initial application except as discussed below:

FRS 9: Financial Instruments

FRS 9 replaces FRS 139 and applies to classification and measurement of financial assets and financial liabilities as defined in FRS 139. The adoption of FRS 9 will have an effect on the classification and measurement of the Group's financial assets but will potentially have no impact on classification and measurement of financial liabilities.

The directors of the Group and of the Company anticipate that the application of FRS 9 in the future may have a material impact on amounts reported in respect of the Group's and of the Company's financial assets and financial liabilities. However, it is not practical to provide a reasonable estimate of the effect of FRS 9 until the Group and the Company undertake a detailed review.

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.

MFRS 16 Leases

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are optional exemptions for short-term leases or leases of low value items. Lessor accounting remains similar to the current standard.

The directors of the Group and of the Company are currently assessing the impact on adoption of MFRS 15 and MFRS 16 on the amount reported and disclosures in the financial statements. However, it is not practical to provide a reasonable estimate of the effect of MFRS 15 and MFRS 16 until the Group and the Company undertake a 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

At the Directors' meeting held on 29 August 2016, the Board of Directors declared an interim single tier dividend of 2%, amounting to RM3,756,080 for the financial year ended 31 December 2016. The dividend had been paid on 13 October 2016 to shareholders whose name appeared in the Record of Depositors at the close of business on 19 September 2016.

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 31 December 2016 is as follow:

	Property development RM	Property management RM	Others RM	Elimination RM	Consolidated RM
Revenue					
External sales	80,959,259	9,199,878	1,375,588	-	91,534,725
Inter-segment income	<u>7,270,571</u>	<u>108,000</u>	<u>10,957,680</u>	<u>(18,336,251)</u>	<u>-</u>
Total revenue	<u><u>88,229,830</u></u>	<u><u>9,307,878</u></u>	<u><u>12,333,268</u></u>	<u><u>(18,336,251)</u></u>	<u><u>91,534,725</u></u>
Results					
Investment revenue	706,077	67,269	723,689	(742,566)	754,469
Finance costs	36,495	787,910	176,481	(100,466)	900,420
Depreciation	284,320	283,447	190,752	5,519	764,038
Unallocated corporate expenses	-	-	850,007	-	850,007
Profit before tax	<u><u>30,959,908</u></u>	<u><u>4,403,880</u></u>	<u><u>9,826,734</u></u>	<u><u>(13,110,891)</u></u>	<u><u>32,079,631</u></u>
Assets					
Addition to investment properties	-	6,211,163	-	(1,942,104)	4,269,059
Addition to property, plant and equipment	<u>297,535</u>	<u>541,892</u>	<u>54,498</u>	<u>(339,788)</u>	<u>554,137</u>
Segment assets	306,090,353	109,036,586	18,741,573	(13,532,922)	420,335,590
Unallocated corporate assets					638,465
Consolidated assets					<u><u>420,974,055</u></u>
Liabilities					
Segment liabilities	63,589,545	30,810,660	14,611,063	(21,487,462)	87,523,806
Unallocated liabilities					305,500
Consolidated liabilities					<u><u>87,829,306</u></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 31 December 2016 RM'000
<u>With a company in which certain directors have substantial interest</u>	
Rental income	424
Disposal of investment property	<u>7,200</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 RM15.316 million and RM5.336 million respectively, representing a 17.8% decrease in revenue and 13.7% increase in profit before tax over the previous year's corresponding quarter of RM18.629 million and RM4.694 million.

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

Property Development

The property development segment saw a decrease of 24.7% in revenue to RM12.056 million compared to RM16.002 million previously; whilst the segment's profit before tax declined by 4.7% to RM3.639 million, from RM3.820 million previously. The decrease was because of the weak market sentiment in the property sector.

Property Management

The property management segment registered a 22.5% increase in rental revenue to RM2.885 million during the quarter under review, compared to previous corresponding quarter's RM2.356 million; whilst this segment's profit before tax increased by 58.6% to RM1.684 million, compared to RM1.062 million previously mainly due to better occupancy rate and the gain on disposal of an investment property of RM0.681 million recognised in the current quarter.

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

For the current financial year ended 31 December 2016, the Group recorded a revenue of RM91.535 million and profit before tax of RM32.080 million, versus revenue of RM71.311 million and profit before tax of RM21.811 million of the previous financial year.

Property Development

The property development segment registered a 32.0% increase in revenue to RM80.433 million compared to RM60.932 million previously; whilst the segment's profit before tax increased by 80.7% to RM28.104 million, from RM15.553 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 4.5% increase to RM9.726 million, compared to RM9.307 million of the previous financial year. However, the segment's profit before tax decreased by 56.0% to RM4.296 million, as compared to RM7.280 million previously due to the higher administrative and finance costs in current year and the gain on disposal of two investment properties of RM2.598 million recognised in previous year.

B2. Comparison with Immediate Preceding Quarter's Results

Compared to the preceding quarter's results ended 30 September 2016, the Group's revenue recorded 19.2% lower revenue, from RM21.223 million to RM15.316 million, as a result of overall soft demand of property market.

Correspondingly, the Group recorded 35.4% lower overall profit before tax to RM5.336 million for the current quarter under review, compared to the preceding quarter's RM8.257 million.

B3. Prospects

The property sector is anticipated to be still challenging for 2017. 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 2017.

B4. Profit for the year

	Current Quarter 31 December 2016 RM'000	Year to Date 31 December 2016 RM'000
Profit for the year is arrived at after crediting/(charging):-		
interest income	169	754
Other income including investment income	239	372
Gain on disposal of investment property	681	681
Interest expense	(217)	(900)
Depreciation and amortization	(189)	(764)
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 31 December 2016 RM'000	Year to Date 31 December 2016 RM'000
Income Tax		
- Current Year	(1,396)	(9,312)
Deferred Tax		
- Current Year	420	453
	<u> </u>	<u> </u>
	(976)	(8,859)
Profit Before Tax	5,336	32,080
Effective tax rate	18.3%	27.6%

The effective rate of the Group for the current quarter is lower than the statutory tax rate as certain income of the subsidiary companies are not assessable for tax purposes. Nevertheless, the effective rate of the Group for the financial year is higher than the statutory tax rate as certain expense 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	44,495	-	44,495
Long term	10,867	-	10,867
Total	55,362	-	55,362

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 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 December 2016	Year to Date 31 December 2016
Profit for the year	RM 4,360,084	RM 23,221,085
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)	1.16 sen	6.18 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 31 December 2016 RM'000	As of 31 December 2015 RM'000
Realised	217,508	189,058
Unrealised	27,064	32,168
Consolidation adjustment	244,572 (99,231)	221,226 (95,350)
Total Group retained earnings as per consolidated accounts	<u>145,341</u>	<u>125,876</u>