

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 2017**  
**(UNAUDITED)**

This Report is dated 22 August 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 30 JUNE 2017**

(The figures have not been audited)

	As at 30 JUN 2017 (Unaudited)	As at 31 DEC 2016 (Audited)
	RM'000	RM'000
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	1,718	2,080
Investment properties	90,936	90,051
Land held for property development	183,204	167,513
<b>TOTAL NON-CURRENT ASSETS</b>	<u>275,858</u>	<u>259,644</u>
<b>Current Assets</b>		
Inventories	22,680	24,664
Land and development expenditure	73,648	73,311
Receivables	20,331	16,164
Current tax assets	649	580
Cash and bank balances	47,051	47,292
<b>TOTAL CURRENT ASSETS</b>	<u>164,359</u>	<u>162,011</u>
<b>TOTAL ASSETS</b>	<u>440,217</u>	<u>421,655</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to owners of the Company</b>		
Share capital	187,804	187,804
Retained earnings	151,503	145,341
<b>TOTAL EQUITY</b>	<u>339,307</u>	<u>333,145</u>
<b>Non-current liabilities</b>		
Borrowings	10,541	10,867
Deferred tax liabilities	5,384	5,372
<b>TOTAL NON-CURRENT LIABILITIES</b>	<u>15,925</u>	<u>16,239</u>
<b>Current Liabilities</b>		
Payables	23,274	25,122
Borrowings	60,047	44,495
Current tax payables	1,664	2,654
<b>TOTAL CURRENT LIABILITIES</b>	<u>84,985</u>	<u>72,271</u>
<b>TOTAL LIABILITIES</b>	<u>100,910</u>	<u>88,510</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>440,217</u>	<u>421,655</u>
Net Assets (NA) per share (RM)	<u>0.90</u>	<u>0.89</u>

The condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statement.

**GROMUTUAL BERHAD**

(Company No. 625034 X)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME****FOR THE QUARTER ENDED 30 JUNE 2017**

(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30 JUN 2017 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30 JUN 2016 RM'000	CURRENT YEAR TO DATE 30 JUN 2017 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30 JUN 2016 RM'000
Revenue	12,275	26,278	28,404	54,996
Cost of sales	(5,184)	(14,534)	(13,722)	(29,120)
Gross Profit	7,091	11,744	14,682	25,876
Investment revenue	122	229	263	388
Other income	351	185	408	193
Administrative expenses	(3,198)	(2,868)	(6,101)	(7,265)
Finance costs	(220)	(234)	(467)	(444)
Other expenses	(2)	(79)	(72)	(261)
<b>Profit before tax</b>	4,144	8,977	8,713	18,487
Income tax expense	(1,339)	(2,818)	(2,551)	(5,677)
<b>Profit for the period</b>	2,805	6,159	6,162	12,810
<b>Other comprehensive income, net of tax</b>	-	-	-	-
<b>Total comprehensive income for the period</b>	2,805	6,159	6,162	12,810
<b>Profit attributable to: Owners of the Company</b>	2,805	6,159	6,162	12,810
<b>Earnings per share (sen)</b>				
- Basic	0.75	1.64	1.64	3.41
- 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 2016 and the accompanying explanatory notes attached to the interim financial statement.

**GROMUTUAL BERHAD**

(Company No. 625034 X)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE QUARTER ENDED 30 JUNE 2017**

(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 2017	187,804	145,341	333,145
Total comprehensive income for the period	-	6,162	6,162
Balance as at 30 June 2017	<u>187,804</u>	<u>151,503</u>	<u>339,307</u>
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>

The condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2016 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 2017**  
 (The figures have not been audited)

	30 JUN 2017 (Unaudited)	31 DEC 2016 (Audited)
	RM'000	RM'000
<b>CASH FLOWS (USED IN) FROM OPERATING ACTIVITIES</b>		
Receipts from customers	26,133	90,583
Payments to suppliers and employees	<u>(20,688)</u>	<u>(67,546)</u>
Cash From Operations	5,445	23,037
Finance costs paid	(1,363)	(2,274)
Income taxes paid	(3,818)	(8,157)
Income taxes refund	<u>220</u>	<u>319</u>
Net Cash From Working Capital	484	12,925
Additions to Land held for property development	<u>(15,319)</u>	<u>(2,877)</u>
Net Cash (Used In) From Operating Activities	<u>(14,835)</u>	<u>10,048</u>
<b>CASH FLOWS (USED IN) FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of investment properties	-	7,200
Proceeds from disposal of PPE	-	83
Other investments	263	754
Additions to property, plant and equipment	(10)	(254)
Additions to investment properties	<u>(851)</u>	<u>(4,269)</u>
Net Cash (Used In) From Investing Activities	<u>(598)</u>	<u>3,514</u>
<b>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES</b>		
Proceeds from bank borrowings	8,886	9,449
Repayment of bank borrowings	(1,237)	(12,100)
Dividend paid	-	(3,756)
Net Cash From (Used In) Financing Activities	<u>7,649</u>	<u>(6,407)</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(7,784)</b>	<b>7,155</b>
<b>CASH AND CASH EQUIVALENTS AS OF BEGINNING OF YEAR</b>	<b><u>16,493</u></b>	<b><u>9,338</u></b>
<b>CASH AND CASH EQUIVALENTS AS OF END OF PERIOD/YEAR</b>	<b><u>8,709</u></b>	<b><u>16,493</u></b>
Cash and cash equivalents comprise of:		
Fixed deposits with licenced bank	1,478	1,705
Cash and bank balances	45,573	45,587
Bank overdraft	(37,164)	(29,646)
Less : Fixed deposits pledged to banks	<u>(1,178)</u>	<u>(1,153)</u>
	<u>8,709</u>	<u>16,493</u>

The condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2016 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 2017**

**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 2016. Certain comparative figures have been reclassified to conform with current year's presentation.

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 2016, except for the following revised and amendments to Financial Reporting Standards ("FRSs") that are effective for annual periods beginning on or after 1 January 2017:

**Adoption of new and revised FRSs**

Amendments to FRS 107	Disclosure Initiative
Amendments to FRS 112	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to FRSs	Annual Improvements to FRSs 2014 – 2016 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 after
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 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. A detailed review will be undertaken to provide a reasonable estimate of the effect of FRS 9 on the financial assets and financial liabilities of the Group and the Company in due course.

#### 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 issued 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 are required to adopt the MFRS Framework latest by 1 January 2017. However, following the announcement by MASB on 8 September 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.

**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 2017 is as follow:

	Property development RM	Property management RM	Others RM	Elimination RM	Consolidated RM
<b>Revenue</b>					
External sales	23,242,486	4,354,787	807,207	-	28,404,480
Inter-segment income	1,627,079	-	5,203,080	(6,830,159)	-
<b>Total revenue</b>	<u>24,869,565</u>	<u>4,354,787</u>	<u>6,010,287</u>	<u>(6,830,159)</u>	<u>28,404,480</u>
<b>Results</b>					
Investment revenue	230,532	7,991	353,978	(329,926)	262,575
Finance costs	74,100	354,245	108,792	(70,240)	466,897
Depreciation	134,152	137,161	92,137	8,419	371,869
Unallocated corporate expenses	-	-	171,427	-	171,427
<b>Profit before tax</b>	<u>7,318,185</u>	<u>1,744,458</u>	<u>5,047,525</u>	<u>(5,397,405)</u>	<u>8,712,763</u>
<b>Assets</b>					
Addition to investment properties	-	1,886,376	-	(1,035,659)	850,717
Addition to property, plant and equipment	3,122	3,769	4,800	(1,764)	9,927
<b>Segment assets</b>	<u>317,787,557</u>	<u>115,280,746</u>	<u>18,903,473</u>	<u>(16,917,428)</u>	<u>435,054,348</u>
Unallocated corporate assets					5,163,006
<b>Consolidated assets</b>					<u>440,217,354</u>
<b>Liabilities</b>					
<b>Segment liabilities</b>	<u>75,609,254</u>	<u>33,444,347</u>	<u>15,579,231</u>	<u>(23,771,628)</u>	<u>100,861,204</u>
Unallocated liabilities					49,622
<b>Consolidated liabilities</b>					<u>100,910,826</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**

**(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 RM12.275 million and RM4.144 million respectively, representing a 53.3% decline from previous year's corresponding quarter revenue of RM26.278 million and profit before tax 53.8% from RM8.977 million.

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

**Property Development**

The property development segment saw a decrease of 58.8% in revenue to RM9.750 million compared to RM23.686 million previously; whilst the segment's profit before tax declined by 58.4% to RM3.278 million, from RM7.882 million previously. The decrease was because of the weak market sentiment in the property sector.

**Property Management**

The property management segment saw a marginal decrease of 4.9% in rental revenue to RM2.154 million during the quarter under review, compared to previous corresponding quarter's RM2.266 million; whilst the segment's profit before tax declined by 20.3% to RM0.770 million, compared to RM0.966 million previously. The decrease was mainly due to no disposal of any factories in the current quarter compared to the disposal of two leased out factories in 2016 and lower occupancy rate of student accommodation in the current 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 RM28.404 million and profit before tax of RM8.713 million, versus revenue of RM54.996 million and profit before tax of RM18.487 million of the preceding corresponding financial period.

**Property Development**

The property development segment saw a 53.4% decrease in revenue to RM23.242 million compared to RM49.875 million previously; whilst the segment's profit before tax declined by 59.8% to RM6.742 million, from RM16.762 million previously. The decrease was mainly due to the weak market sentiment in the property sector and fewer new launches as well as certain residential projects undertaken in the manner of build and sell since 2016.

**Property Management**

The lower occupancy rate of student accommodation had led to the property management segment to register a 4.0% lower rental revenue of RM4.355 million, compared to RM4.537 million of the previous corresponding financial period. In tandem with this profit before tax declined by 4.5% to RM1.745 million, as compared to previous corresponding financial period of RM1.828 million.

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

Compared to the preceding quarter's results ended 31 March 2017, the Group's revenue recorded 23.9% lower revenue to RM12.275 million from RM16.129 million; whilst profit before tax declined 9.3% from RM4.569 million to RM4.144 million. This performance was on the back of overall soft demand of property market.

**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 meet the demand. In addition, the Group will look for the alternative sources of tenants and other favourable-yielding investment profile to build up additional sustainable recurring rental income.

Overall, the Group is expected to achieve satisfactory performance for the financial year ending 31 December 2017.

**B4. Profit for the year**

	<b>Current Quarter 30 June 2017 RM'000</b>	<b>Year to Date 30 June 2017 RM'000</b>
Profit for the year is arrived at after crediting/(charging):-		
Interest income	122	263
Other income including investment income	351	408
Interest expense	(220)	(467)
Depreciation and amortization	(184)	(372)
	<u>                    </u>	<u>                    </u>

Other than the above items, there were no allowance for impairment and write off of receivables, allowance for impairment and write off of inventories, gain or loss on disposal of quoted or unquoted investments or properties, impairment of assets, foreign exchange gain or loss, gain or loss on derivatives for the current quarter and financial year to date.

**B5. Profit forecast or profit guarantee**

No profit forecast or profit guarantee was issued for the financial year.

**B6. Taxation**

	<b>Current Quarter 30 June 2017 RM'000</b>	<b>Year to Date 30 June 2017 RM'000</b>
Income Tax		
- Current Year	(1,340)	(2,538)
Deferred Tax		
- Current Year	1	(13)
	<u>                    </u>	<u>                    </u>
	(1,339)	(2,551)
Profit Before Tax	4,144	8,713
Effective tax rate	32.3%	29.3%

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:

	<b>Secured</b> <b>RM'000</b>	<b>Unsecured</b> <b>RM'000</b>	<b>Total</b> <b>RM'000</b>
Short term	60,047	-	60,047
Long term	10,541	-	10,541
<b>Total</b>	<b>70,588</b>	<b>-</b>	<b>70,588</b>

**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. Final Dividend**

The final dividend of RM0.01 per share, amounting to RM3,756,080 for the financial year ended 31 December 2016 proposed by the Board of Director on 20 March 2017 had been approved by shareholders at 14<sup>th</sup> Annual General Meeting held on 31 May 2017 and had been paid on 13 July 2017 to shareholders whose name appeared in the Record of Depositors at the close of business on 19 June 2017.

**B11. Earnings Per Share**

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

	<b>Current Quarter</b> <b>30 June 2017</b>	<b>Year to Date</b> <b>30 June 2017</b>
Profit for the year	RM 2,804,916	RM 6,161,779
Issued and paid up share capital	RM 187,803,980	RM 187,803,980
Weighted average number of ordinary shares in issue	375,607,960	375,607,960
Basic earnings per share (sen)	0.75 sen	1.64 sen

**B12. Audit Qualification**

The audited financial statements of the Group for the financial year ended 31 December 2016 were not subject to any audit qualifications.

**B13. Retained Earning**

	<b>As of 30 June 2017 RM'000</b>	<b>As of 31 December 2016 RM'000</b>
Realised	224,527	217,508
Unrealised	27,051	27,064
	<hr/>	<hr/>
Consolidation adjustment	251,578 (100,075)	244,572 (99,231)
	<hr/>	<hr/>
Total Group retained earnings as per consolidated accounts	151,503	145,341
	<hr/>	<hr/>