

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 2017
(UNAUDITED)

This Report is dated 27 November 2017

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 2017
(The figures have not been audited)

	As at 30 SEP 2017 (Unaudited)	As at 31 DEC 2016 (Audited)
	RM'000	RM'000
Assets		
Non-current assets		
Property, plant and equipment	4,359	2,080
Investment properties	88,925	90,051
Land held for property development	184,232	167,513
TOTAL NON-CURRENT ASSETS	<u>277,516</u>	<u>259,644</u>
Current Assets		
Inventories	63,893	24,664
Land and development expenditure	27,733	73,311
Receivables	18,997	16,164
Current tax assets	1,057	580
Cash and bank balances	38,256	47,292
TOTAL CURRENT ASSETS	<u>149,936</u>	<u>162,011</u>
TOTAL ASSETS	<u>427,452</u>	<u>421,655</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	187,804	187,804
Retained earnings	151,861	145,341
TOTAL EQUITY	<u>339,665</u>	<u>333,145</u>
Non-current liabilities		
Borrowings	14,438	10,867
Deferred tax liabilities	5,409	5,372
TOTAL NON-CURRENT LIABILITIES	<u>19,847</u>	<u>16,239</u>
Current Liabilities		
Payables	18,543	25,122
Borrowings	48,202	44,495
Current tax payables	1,195	2,654
TOTAL CURRENT LIABILITIES	<u>67,940</u>	<u>72,271</u>
TOTAL LIABILITIES	<u>87,787</u>	<u>88,510</u>
TOTAL EQUITY AND LIABILITIES	<u>427,452</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.

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 30 SEPTEMBER 2017
(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30 SEP 2017 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30 SEP 2016 RM'000	CURRENT YEAR TO DATE 30 SEP 2017 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30 SEP 2016 RM'000
Revenue	20,442	21,223	48,846	76,219
Cost of sales	(9,367)	(9,626)	(23,089)	(38,746)
Gross Profit	11,075	11,597	25,757	37,473
Investment revenue	87	197	350	585
Other income	156	159	496	352
Administrative expenses	(4,979)	(3,465)	(11,080)	(10,730)
Finance costs	(240)	(239)	(707)	(683)
Other expenses	-	8	(4)	(253)
Profit before tax	6,099	8,257	14,812	26,744
Income tax expense	(1,985)	(2,206)	(4,536)	(7,883)
Profit for the period	4,114	6,051	10,276	18,861
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income for the period	4,114	6,051	10,276	18,861
Profit attributable to: Owners of the Company	4,114	6,051	10,276	18,861
Earnings per share (sen)				
- Basic	1.10	1.61	2.74	5.02
- 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)
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**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
 FOR THE QUARTER ENDED 30 SEPTEMBER 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	-	10,276	10,276
Final dividend - Year Ended 31 December 2016	-	(3,756)	(3,756)
Balance as at 30 September 2017	<u>187,804</u>	<u>151,861</u>	<u>339,665</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)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE QUARTER ENDED 30 SEPTEMBER 2017**

(The figures have not been audited)

	30 SEP 2017 (Unaudited)	31 DEC 2016 (Audited)
	RM'000	RM'000
CASH FLOWS (USED IN) FROM OPERATING ACTIVITIES		
Receipts from customers	45,023	90,583
Payments to suppliers and employees	<u>(31,677)</u>	<u>(67,546)</u>
Cash From Operations	13,346	23,037
Finance costs paid	(2,009)	(2,274)
Income taxes paid	(7,082)	(8,157)
Income taxes refund	<u>647</u>	<u>319</u>
Net Cash From Working Capital	4,902	12,925
Additions to Land held for property development	(16,174)	(2,877)
Net Cash (Used In) From Operating Activities	<u>(11,272)</u>	<u>10,048</u>
CASH FLOWS (USED IN) FROM INVESTING ACTIVITIES		
Proceeds from disposal of investment properties	-	7,200
Proceeds from disposal of PPE	22	83
Other investments	350	754
Additions to property, plant and equipment	(493)	(254)
Additions to investment properties	(1,131)	(4,269)
Net Cash (Used In) From Investing Activities	<u>(1,252)</u>	<u>3,514</u>
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Proceeds from bank borrowings	12,694	9,449
Repayment of bank borrowings	(8,126)	(12,100)
Dividend paid	-	(3,756)
Net Cash From (Used In) Financing Activities	<u>4,568</u>	<u>(6,407)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(7,956)	7,155
CASH AND CASH EQUIVALENTS AS OF BEGINNING OF YEAR	<u>16,493</u>	<u>9,338</u>
CASH AND CASH EQUIVALENTS AS OF END OF PERIOD/YEAR	<u><u>8,537</u></u>	<u><u>16,493</u></u>
Cash and cash equivalents comprise of:		
Fixed deposits with licenced bank	1,480	1,705
Cash and bank balances	36,776	45,587
Bank overdraft	(28,539)	(29,646)
Less : Fixed deposits pledged to banks	<u>(1,180)</u>	<u>(1,153)</u>
	<u><u>8,537</u></u>	<u><u>16,493</u></u>

The condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 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 THIRD QUARTER ENDED 30 SEPTEMBER 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.

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.

New and Revised MFRSs in issue but not yet effective

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

		Effective for annual periods beginning on or after
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 4	Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018
MFRS 9	Financial Instruments	1 January 2018
MFRS 15	Revenue from Contracts with Customers	Effective date of MFRS 15
MFRS 15	Clarification to MFRS 15 Revenue from Contracts with Customers	1 January 2018
Amendments to MFRS 140	Transfer of Investment Property	1 January 2018
IC Int.22	Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to MFRSs	Annual Improvements to MFRSs 2014 – 2016 Cycle	1 January 2018
MFRS 16	Leases	1 January 2019
IC Int. 23	Uncertainty over Income Tax Treatment	1 January 2019
MFRS 17	Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128	Sale of Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

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

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 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 16 until the Group and the Company had completed the 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

The final single tier dividend of 1 sen per share, amounting to RM3,756,080 in respect of the financial year ended 31 December 2016 which was approved by shareholders at the 14th Annual General Meeting held on 31 May 2017 had been paid on 13 July 2017 to shareholders whose names appeared in the Record of Depositors at the close of business on 19 June 2017.

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 2017 is as follow:

	Property development RM	Property management RM	Others RM	Elimination RM	Consolidated RM
Revenue					
External sales	41,002,914	6,601,181	1,241,637	-	48,845,732
Inter-segment income	2,885,934	79,800	5,524,780	(8,490,514)	-
Total revenue	<u>43,888,848</u>	<u>6,680,981</u>	<u>6,766,417</u>	<u>(8,490,514)</u>	<u>48,845,732</u>
Results					
Investment revenue	299,244	11,679	557,684	(518,298)	350,309
Finance costs	90,128	558,346	152,500	(94,055)	706,919
Depreciation	200,799	192,643	142,023	20,246	555,711
Unallocated corporate expenses	-	-	610,932	-	610,932
Profit before tax	<u>13,888,772</u>	<u>2,458,243</u>	<u>4,883,814</u>	<u>(6,418,694)</u>	<u>14,812,135</u>

	Property development RM	Property management RM	Others RM	Elimination RM	Consolidated RM
Assets					
Addition to investment properties	-	1,886,376	-	(755,846)	1,130,530
Addition to property, plant and equipment	74,642	3,769	476,637	(1,764)	553,284
Transfer from investment properties to property, plant and equipment	-	-	-	2,285,346	2,285,346
Segment assets	314,926,423	105,669,616	18,881,171	(13,929,606)	425,547,604
Unallocated corporate assets					1,904,406
Consolidated assets					<u>427,452,010</u>
Liabilities					
Segment liabilities	66,365,197	26,058,488	14,226,904	(19,182,517)	87,468,072
Unallocated liabilities					319,326
Consolidated liabilities					<u>87,787,398</u>

A8. Subsequent Material Events

There were no material events subsequent to the end of the current quarter.

A9. Changes in the Composition of the Group

There is no change in the composition of the Group for the current quarter and financial year to date.

A10. Commitment for Expenditure

There is no outstanding capital commitment as at the end of the current quarter.

A11. Significant Related Party Transactions

There were no related party transactions for the current quarter and financial year to date.

B EXPLANATORY NOTES IN COMPLIANCE WITH LISTING REQUIREMENTS OF THE BURSA SECURITIES

B1. Review of the Performance

	Individual Quarter		Change	Cumulative Quarter		Change
	Current	Preceding	%	Current	Preceding	%
	Year	Year		Year	Year	
	Quarter	Corresponding		To Date	Corresponding	
	30.09.2017	Quarter		30.09.2017	Period	
	RM'000	30.09.2016		RM'000	30.09.2016	
		RM'000			RM'000	
Revenue						
Property Development	17,761	18,502	(4.0)	41,003	68,377	(40.0)
Property Management	2,311	2,334	(1.0)	6,666	6,871	(3.0)
Others	370	387	(4.4)	1,177	971	21.2
	<u>20,442</u>	<u>21,223</u>		<u>48,846</u>	<u>76,219</u>	
Profit before tax						
Property Development	5,989	7,703	(22.3)	12,731	24,465	(47.9)
Property Management	859	784	9.6	2,604	2,612	(0.3)
Others	(749)	(230)	(225.7)	(523)	(333)	(57.1)
	<u>6,099</u>	<u>8,257</u>		<u>14,812</u>	<u>26,744</u>	

(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 RM20.442 million and RM6.099 million respectively, representing a 3.7% decline from previous year's corresponding quarter revenue of RM21.223 million and profit before tax 26.1% from RM8.257 million.

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

Property Development

The property development segment saw a decrease of 4.0% in revenue to RM17.761 million compared to RM18.502 million previously; whilst the segment's profit before tax declined by 22.3% to RM5.989 million, from RM7.703 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 1.0% in rental revenue to RM2.311 million during the quarter under review, compared to previous corresponding quarter's RM2.334 million. Nevertheless, the segment's profit before tax increased by 9.6% to RM0.859 million, compared to RM0.784 million previously as a result of lower administrative and finance costs 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 RM48.846 million and profit before tax of RM14.812 million, versus revenue of RM76.219 million and profit before tax of RM26.744 million of the preceding corresponding financial period.

Property Development

The property development segment saw a 40.0% decrease in revenue to RM41.003 million compared to RM68.377 million previously; whilst the segment's profit before tax declined by 47.9% to RM12.731 million, from RM24.465 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 then sell since 2016.

Property Management

The lower occupancy rate of student accommodation led the property management segment registered 3.0% lower rental revenue of RM6.666 million, compared to RM6.871 million of the previous corresponding financial period. However, profit before tax sustained at RM2.604 million, as compared to previous corresponding financial period of RM2.612 million due to lower administrative and finance costs.

B2. Comparison with Immediate Preceding Quarter's Results

	Current Quarter 30.09.2017 RM'000	Immediate Preceding Quarter 30.06.2017 RM'000	Change %
Revenue			
Property Development	17,761	9,750	82.2
Property Management	2,311	2,154	7.3
Others	370	371	(0.3)
	20,442	12,275	66.5
Profit before tax			
Property Development	5,989	3,278	82.7
Property Management	859	770	11.6
Others	(749)	96	(880.0)
	6,099	4,144	47.2

Compared to the preceding quarter's results ended 30 June 2017, the Group's revenue recorded 66.5% higher revenue to RM20.442 million from RM12.275 million; whilst profit before tax increased 47.2% from RM4.144 million to RM6.099 million. The increase was mainly due to the completion of the commercial high-rise project.

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 portfolio 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

	Current Quarter 30.09.2017 RM'000	Year to Date 30.09.2017 RM'000
Profit for the year is arrived at after crediting/(charging):-		
Interest income	87	350
Other income including investment income	156	496
Interest expense	(240)	(707)
Depreciation and amortization	(184)	(556)
	<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

	Current Quarter 30.09.2017 RM'000	Year to Date 30.09.2017 RM'000
Income Tax		
- Current Year	(1,960)	(4,498)
Deferred Tax		
- Current Year	(25)	(38)
	<u> </u>	<u> </u>
	(1,985)	(4,536)
Profit Before Tax	6,099	14,812
Effective tax rate	32.5%	30.6%

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 and preceding year corresponding quarter are as follows:

	As at 30.09.2017 RM'000	As at 30.09.2016 RM'000
Short term -Secured		
Hire purchase payables	260	297
Term loans	2,423	2,161
Bank overdrafts	45,519	42,037
	<u>48,202</u>	<u>44,495</u>
Long term -Secured		
Hire purchase payables	454	588
Term loans	13,984	10,279
	<u>14,438</u>	<u>10,867</u>
Total	<u>62,640</u>	<u>55,362</u>

All borrowings are denominated in Ringgit Malaysia.

As at 30 September 2017, the Group's borrowings increased by 13.1% to RM62.6 million as compared to RM55.3 million due to increased utilisation of bank overdraft or new term loans for on-going property development projects and acquisition of new land banks.

The interest rates for the Group's borrowings range from 2.35% to 7.35% (also 2.35% to 7.35% in 2016).

B9. Material Claims

The Court of Appeal had on 24 August 2017 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 costs ordered in High Court and Court of Appeal to the respondents was RM50,000.00 and RM40,000.00 respectively. The deposits of RM4.4 million together with the interest income of RM905,382.93 was refunded to the Company on 7 November 2017.

B10. Proposed Dividend

The Board of Directors has declared an interim single tier dividend of 1 sen per share, amounting to RM3,756,080 for the financial year ending 31 December 2017. The dividend is to be paid on 28 December 2017 to shareholders whose name appears in the Record of Depositors at the close of business on 13 December 2017.

B11. Earnings Per Share

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

	Current Quarter 30.09.2017	Year to Date 30.09.2017
Profit for the year	RM 4,114,164	RM 10,275,943
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)	1.10 sen	2.74 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

	As of 30.09.2017 RM'000	As of 31.12.2016 RM'000
Realised	225,931	217,508
Unrealised	27,026	27,064
	<hr/>	<hr/>
Consolidation adjustment	252,957 (101,096)	244,572 (99,231)
	<hr/>	<hr/>
Total Group retained earnings as per consolidated accounts	<u>151,861</u>	<u>145,341</u>