

Company No. 625034 X

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

QUARTERLY REPORT
FOR THE FIRST QUARTER ENDED 31 MARCH 2014
(UNAUDITED)

This Report is dated 26 May 2014

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 MARCH 2014
 (The figures have not been audited)

	As at 31 MAR 2014 (Unaudited)	As at 31 DEC 2013 (Audited)
	RM'000	RM'000
Assets		
Non-current assets		
Property, plant and equipment	1,642	1,788
Investment properties	83,479	83,479
Land held for property development	160,311	161,792
TOTAL NON-CURRENT ASSETS	<u>245,432</u>	<u>247,059</u>
Current Assets		
Inventories	5,046	6,690
Land and development expenditure	60,132	47,944
Receivables	29,401	29,802
Current tax assets	218	266
Cash and bank balances	29,345	38,872
TOTAL CURRENT ASSETS	<u>124,142</u>	<u>123,574</u>
TOTAL ASSETS	<u>369,574</u>	<u>370,633</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	187,804	187,804
Retained earnings	102,303	98,794
TOTAL EQUITY	<u>290,107</u>	<u>286,598</u>
Non-current liabilities		
Borrowings	19,156	20,155
Deferred tax liabilities	5,882	5,877
TOTAL NON-CURRENT LIABILITIES	<u>25,038</u>	<u>26,032</u>
Current Liabilities		
Payables	23,236	23,810
Borrowings	28,021	30,183
Current tax payables	3,172	4,010
TOTAL CURRENT LIABILITIES	<u>54,429</u>	<u>58,003</u>
TOTAL LIABILITIES	<u>79,467</u>	<u>84,035</u>
TOTAL EQUITY AND LIABILITIES	<u>369,574</u>	<u>370,633</u>
Net Assets (NA) per share (RM)	<u>0.77</u>	<u>0.76</u>

The condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2013 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 MARCH 2014**
 (The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31 MAR 2014 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31 MAR 2013 RM'000	CURRENT YEAR TO DATE 31 MAR 2014 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31 MAR 2013 RM'000
Revenue	19,450	30,907	19,450	30,907
Cost of sales	(11,853)	(20,676)	(11,853)	(20,676)
Gross Profit	7,597	10,231	7,597	10,231
Investment revenue	114	39	114	39
Other income	134	115	134	115
Administrative expenses	(2,918)	(2,697)	(2,918)	(2,697)
Finance costs	(159)	(238)	(159)	(238)
Other expenses	(2)	(6)	(2)	(6)
Profit before tax	4,766	7,444	4,766	7,444
Income tax expense	(1,257)	(2,031)	(1,257)	(2,031)
Profit for the period	3,509	5,413	3,509	5,413
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income for the period	3,509	5,413	3,509	5,413
Profit attributable to: Owners of the Company	3,509	5,413	3,509	5,413
Earnings per share (sen)				
- Basic	0.93	1.44	0.93	1.44
- 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 2013 and the accompanying explanatory notes attached to the interim financial statement.

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**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
 FOR THE QUARTER ENDED 31 MARCH 2014**
 (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 2014	187,804	98,794	286,598
Total comprehensive income for the period	-	3,509	3,509
Balance as at 31 March 2014	<u>187,804</u>	<u>102,303</u>	<u>290,107</u>
Balance as at 1 January 2013	187,804	77,605	265,409
Total comprehensive income for the year	-	26,823	26,823
Final dividend - Year Ended 31 December 2012	-	(1,878)	(1,878)
Interim dividend - Year Ended 31 December 2013	-	(3,756)	(3,756)
Balance as at 31 December 2013	<u>187,804</u>	<u>98,794</u>	<u>286,598</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 2013 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 31 MARCH 2014**
 (The figures have not been audited)

	31MAR 2014 (Unaudited)	31 DEC 2013 (Audited)
	RM'000	RM'000
CASH FLOWS (USED IN) FROM OPERATING ACTIVITIES		
Receipts from customers	21,325	147,072
Payments to suppliers and employees	(15,349)	(69,130)
Cash From Operations	5,976	77,942
Finance costs paid	(551)	(2,382)
Income taxes paid	(2,042)	(9,572)
Income taxes refund	-	602
Net Cash From Working Capital	3,383	66,590
Additions to Land held for property development	(9,866)	(36,223)
Net Cash (Used In) From Operating Activities	(6,483)	30,367
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of investment properties	-	-
Proceeds from disposal of PPE	-	-
Other investments	114	228
Additions to property, plant and equipment	(18)	(101)
Additions to investment properties	-	-
Net Cash From Investing Activities	96	127
CASH FLOWS USED IN FINANCING ACTIVITIES		
Proceeds from bank borrowings	-	11,530
Repayment of bank borrowings	(804)	(12,302)
Dividend paid	-	(5,634)
Net Cash Used In Financing Activities	(804)	(6,406)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(7,191)	24,088
CASH AND CASH EQUIVALENTS AS OF BEGINNING OF PERIOD/YEAR	9,822	(14,266)
CASH AND CASH EQUIVALENTS AS OF END OF PERIOD/YEAR	2,631	9,822
Cash and cash equivalents comprise of:		
Fixed deposits with licenced bank	880	859
Cash and bank balances	28,465	38,013
Bank overdraft	(25,834)	(28,191)
Less : Fixed deposits pledged to banks	(880)	(859)
	2,631	9,822

The condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2013 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 FIRST QUARTER ENDED 31 MARCH 2014**

**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 2013.

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 2013, except for the following revised and amendments to Financial Reporting Standards ("FRSs") that are effective for annual periods beginning on or after 1 January 2014:

Adoption of revised and amendments to FRSs

Amendments to FRS 10, 12 & 127	Investment Entities
Amendments to FRS 132	Financial Instrument: Presentation (Amendments relating to Offsetting Financial Assets and Financial Liabilities)
Amendments to FRS 136	Impairment of Assets (Amendments relating to Recoverable Amounts Disclosures for Non-Financial Asset)

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

Revised and Amendments to FRSs issued but not yet effective

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

		Effective for annual periods beginning on or after
Amendments to FRS 9 and FRS 7	Mandatory Effective Date of FRS 9 (IFRS 9 issued by IASB in November 2009 and October 2010 respectively) and Transition Disclosures	will be decided when IASB's IFRS 9 project is closer to completion
Amendments to FRS 119	Employee Benefits (Amendments relating to Defined Benefit Plans: Employee Contributions)	1 July 2014
Annual Improvements to FRSs 2010 – 2012 cycle		1 July 2014
Annual Improvements to FRSs 2011 – 2013 cycle		1 July 2014

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 given a transitional period of two years, which allow these entities an option to continue with the FRS Framework. Following the announcement by the MASB on 7 August 2013, the transitional period for TEs has been extended for an additional year.

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 when the MFRS Framework is mandated by MASB.

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 31 March 2014 is as follow:

	Property development RM	Property management RM	Others RM	Elimination RM	Consolidated RM
Revenue					
External sales	17,061,413	2,069,880	319,033	-	19,450,326
Inter-segment income	-	54,000	1,638,300	(1,692,300)	-
Total revenue	<u>17,061,413</u>	<u>2,123,880</u>	<u>1,957,333</u>	<u>(1,692,300)</u>	<u>19,450,326</u>
Results					
Investment revenue	94,755	6,292	13,349	-	114,396
Finance costs	6,721	148,282	4,404	-	159,407
Depreciation	27,278	73,534	61,846	-	162,658
Unallocated corporate expenses	-	-	488,153	-	488,153
Profit before tax	<u>3,707,869</u>	<u>1,025,326</u>	<u>32,895</u>	-	<u>4,766,090</u>
Assets					
Addition to property, plant and equipment	280	2,960	15,461	-	18,701
Segment assets	275,083,746	96,345,168	22,875,703	(33,784,645)	360,519,972
Unallocated corporate assets					9,053,646
Consolidated assets					<u>369,573,618</u>
Liabilities					
Segment liabilities	106,043,521	22,797,950	2,193,042	(51,816,565)	79,217,948
Unallocated liabilities					248,487
Consolidated liabilities					<u>79,466,435</u>

A8. Subsequent Material Events

There is no material event 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 in which certain directors of the Group have substantial financial interest:

	Year to Date 31 March 2014 RM'000
Rental income	<u>99</u>

The above transaction has been entered into in the normal course of business of a subsidiary company and has been established 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

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 RM19.450 million and RM4.766 million respectively, representing a 37.1% decline from previous year's corresponding quarter revenue of RM30.907 million and profit before tax 36.0% from RM7.444 million.

The performance of the Group's 2 main operating segments was as follows:

Property Development

The property development segment saw a decrease of 41.1% in revenue to RM17.061 million, compared to RM28.944 million previously; whilst the segment's profit before tax declined 45.7% to RM3.708 million, from RM6.832 million previously. The decrease was largely attributed to lower sales of residential and industrial property because of the timing of new launches.

Property Management

The property management segment registered 16.9% increase in rental revenue at RM2.070 million during the quarter under review, compared to previous corresponding quarter's RM1.771 million, as a result of the better occupancy rate of the tenancy. This segment's profit before tax jumped 69.4% from RM0.605 million to RM1.025 million due to the improved occupancy rate as well as higher yields in tandem with more value-added services provided.

B2. Comparison with Immediate Preceding Quarter's Results

Compared to the preceding quarter's results ended 31 December 2013, the Group recorded 5.2% higher revenue, from RM18.490 million to RM19.450 million, as a result of new sales and slightly faster construction progress in the current quarter as compared to preceding quarter.

Correspondingly, the Group recorded 31.4% higher profit before tax to RM4.766 million for the current quarter under review, compared to the preceding quarter's RM3.627 million.

B3. Prospects

The property sector is anticipated to be challenging in 2014. 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 explore the necessary measures to further enhance the scope of property management services.

The Group is expected to achieve satisfactory performance for the financial year 2014.

B4. Profit for the year

	Current Quarter 31 March 2014 RM'000	Year to Date 31 March 2014 RM'000
Profit for the year is arrived at after crediting/(charging):-		
Interest income	114	114
Other income including investment income	134	134
Interest expense	(159)	(159)
Depreciation and amortization	(163)	(163)
	<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. Taxation

	Current Quarter 31 March 2014 RM'000	Year to Date 31 March 2014 RM'000
Income Tax		
- Current Year	(1,252)	(1,252)
Deferred Tax		
- Current Year	(5)	(5)
	<u>(1,257)</u>	<u>(1,257)</u>
Profit Before Tax	4,766	4,766
Effective tax rate	26.4%	26.4%

The effective rate of the Group for the current quarter and period to date is higher than the statutory tax rate as certain expenditure of the subsidiary companies are not allowable for tax purposes.

B6. Status of Corporate Proposals

There is no corporate proposal announced and not completed as of the date of this announcement.

B7. 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	28,021	-	28,021
Long term	19,156	-	19,156
Total	<u>47,177</u>	<u>-</u>	<u>47,177</u>

B8. Material Claims

The Company has instituted a legal proceeding against a vendor for specific performance of the Sales and Purchase Agreement in respect to the Company's purchase of land on 30 July 2012. The legal case is pending for trial. The Board of Director is of the view that the outcome of this case would not have any material financial impact to the Group and the Company.

B9. Proposed Dividend

At Board of Directors' meeting held on 24 February 2014, the Board of Directors proposed a single tier final dividend of 2%, amounting to RM3,756,080 for the financial year ending 31 December 2013. The proposed final dividend has been approved by shareholders at the 11th Annual General Meeting held earlier today and will be paid on 26 June 2014 to shareholders whose name appears in the Record of Depositors at the close of business on 10 June 2014.

B10. Earnings Per Share

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

	Current Quarter 31 March 2014	Year to Date 31 March 2014
Profit for the year	RM 3,509,507	RM 3,509,507
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)	0.93 sen	0.93 sen

B11. Audit Qualification

The audited financial statements of the Group for the financial year ended 31 December 2013 were not subject to any audit qualifications.

B12. Retained Earning

	As of 31 March 2014 RM'000	As of 31 December 2013 RM'000
Realised	169,102	165,561
Unrealised	26,363	26,379
	<hr/>	<hr/>
Consolidation adjustment	195,465 (93,162)	191,940 (93,146)
	<hr/>	<hr/>
Total Group retaining earnings as per consolidated accounts	102,303	98,794
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