

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 2015
(UNAUDITED)

This Report is dated 27 August 2015

Company No. 625034 X

GROMUTUAL BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

QUARTERLY REPORT

CONTENTS	PAGE(S)
Condensed Consolidated Statements of Financial Position	1
Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income	2
Condensed Consolidated Statements of Changes in Equity	3
Condensed Consolidated Statements of Cash Flows	4
Notes to the Financial Information	5-12

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2015
 (The figures have not been audited)

	As at 30 JUN 2015 (Unaudited)	As at 31 DEC 2014 (Audited)
	RM'000	RM'000
Assets		
Non-current assets		
Property, plant and equipment	2,706	2,239
Investment properties	92,413	93,667
Land held for property development	172,773	157,640
TOTAL NON-CURRENT ASSETS	<u>267,892</u>	<u>253,546</u>
Current Assets		
Inventories	17,829	9,755
Land and development expenditure	62,538	56,868
Receivables	19,680	27,634
Current tax assets	647	497
Cash and bank balances	43,834	40,411
TOTAL CURRENT ASSETS	<u>144,528</u>	<u>135,165</u>
TOTAL ASSETS	<u>412,420</u>	<u>388,711</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	187,804	187,804
Retained earnings	126,745	117,340
TOTAL EQUITY	<u>314,549</u>	<u>305,144</u>
Non-current liabilities		
Borrowings	16,093	9,620
Deferred tax liabilities	5,991	6,145
TOTAL NON-CURRENT LIABILITIES	<u>22,084</u>	<u>15,765</u>
Current Liabilities		
Payables	33,834	30,446
Borrowings	38,166	34,892
Current tax payables	3,787	2,464
TOTAL CURRENT LIABILITIES	<u>75,787</u>	<u>67,802</u>
TOTAL LIABILITIES	<u>97,871</u>	<u>83,567</u>
TOTAL EQUITY AND LIABILITIES	<u>412,420</u>	<u>388,711</u>
Net Assets (NA) per share (RM)	<u>0.84</u>	<u>0.81</u>

The condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2014 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 JUNE 2015**
 (The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30 JUN 2015 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30 JUN 2014 RM'000	CURRENT YEAR TO DATE 30 JUN 2015 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30 JUN 2014 RM'000
Revenue	18,887	18,102	39,124	37,552
Cost of sales	(9,505)	(10,580)	(20,172)	(22,433)
Gross Profit	9,382	7,522	18,952	15,119
Investment revenue	138	80	282	194
Other income	176	158	1,527	292
Administrative expenses	(3,891)	(3,260)	(7,462)	(6,178)
Finance costs	(190)	(131)	(388)	(290)
Other expenses	-	-	(8)	(2)
Profit before tax	5,615	4,369	12,903	9,135
Income tax expense	(1,742)	(1,352)	(3,498)	(2,609)
Profit for the period	3,873	3,017	9,405	6,526
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income for the period	3,873	3,017	9,405	6,526
Profit attributable to: Owners of the Company	3,873	3,017	9,405	6,526
Earnings per share (sen)				
- Basic	1.03	0.80	2.50	1.74
- 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 2014 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 2015
 (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 2015	187,804	117,340	305,144
Total comprehensive income for the period	-	9,405	9,405
Balance as at 30 June 2015	<u>187,804</u>	<u>126,745</u>	<u>314,549</u>
Balance as at 1 January 2014	187,804	98,794	286,598
Total comprehensive income for the year	-	25,951	25,951
Final dividend - Year Ended 31 December 2013	-	(3,756)	(3,756)
Interim dividend - Year Ended 31 December 2014	-	(3,756)	(3,756)
Reversal of deferred tax liabilities	-	107	107
Balance as at 31 December 2014	<u>187,804</u>	<u>117,340</u>	<u>305,144</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 2014 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 JUNE 2015
(The figures have not been audited)

	30 JUN 2015 (Unaudited)	31 DEC 2014 (Audited)
	RM'000	RM'000
CASH FLOWS (USED IN) FROM OPERATING ACTIVITIES		
Receipts from customers	47,542	100,759
Payments to suppliers and employees	<u>(30,904)</u>	<u>(58,378)</u>
Cash From Operations	16,638	42,381
Finance costs paid	(1,112)	(2,123)
Income taxes paid	(2,570)	(8,610)
Income taxes refund	<u>49</u>	<u>93</u>
Net Cash (Used In) From Working Capital	13,005	31,741
Additions to Land held for property development	<u>(21,416)</u>	<u>(15,130)</u>
Net Cash (Used In) From Operating Activities	<u>(8,411)</u>	<u>16,611</u>
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Proceeds from disposal of investment properties	2,800	-
Proceeds from disposal of PPE	60	259
Other investments	282	333
Additions to property, plant and equipment	(540)	(285)
Additions to investment properties	<u>(444)</u>	<u>(1,156)</u>
Net Cash From (Used In) Investing Activities	<u>2,158</u>	<u>(849)</u>
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Proceeds from bank borrowings	13,895	-
Repayment of bank borrowings	(7,019)	(11,423)
Dividend paid	-	(7,512)
Net Cash From (Used In) Financing Activities	<u>6,876</u>	<u>(18,935)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	623	(3,173)
CASH AND CASH EQUIVALENTS AS OF BEGINNING OF YEAR	<u>6,649</u>	<u>9,822</u>
CASH AND CASH EQUIVALENTS AS OF END OF PERIOD	<u>7,272</u>	<u>6,649</u>
Cash and cash equivalents comprise of:		
Fixed deposits with licenced bank	1,114	886
Cash and bank balances	42,720	39,525
Bank overdraft	(35,448)	(32,876)
Less : Fixed deposits pledged to banks	<u>(1,114)</u>	<u>(886)</u>
	<u>7,272</u>	<u>6,649</u>

The condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2014 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 2015

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 2014.

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 2014, except for the following revised and amendments to Financial Reporting Standards (“FRSs”) that are effective for annual periods beginning on or after 1 January 2015:

Adoption of revised and amendments to FRSs

Amendments to FRS 119	Defined Benefit Plan: Employee Contributions
Amendments to FRSs	Annual Improvements to FRSs 2010 – 2012 cycle
Amendments to FRSs	Annual Improvements to FRSs 2011 – 2013 cycle

The adoption of abovementioned Standards does 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 early 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>
FRS 9	Financial Instruments	1 January 2018
Amendments to FRS 10, FRS 12 and FRS 128	Investment Entities: Applying the Consolidation Exception	1 January 2016
Amendments to FRS 101	Disclosure Initiative	1 January 2016
Amendments to FRS 116 and FRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Annual Improvements to FRSs 2012 – 2014 cycle		1 January 2016

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 now required to adopt the MFRS Framework latest by 1 January 2017.

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 2017.

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 directors of the Group and of the Company anticipate that the application of MFRS 15 in the future may have impact on the financial statements. However, it is not practicable to provide a reasonable estimate of the effect of MFRS 15 at this early stage.

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 2015 is as follow:

	Property development RM	Property management RM	Others RM	Elimination RM	Consolidated RM
Revenue					
External sales	34,025,662	4,540,656	557,985	-	39,124,303
Inter-segment income	<u>770,690</u>	<u>54,000</u>	<u>2,942,800</u>	<u>(3,767,490)</u>	<u>-</u>
Total revenue	<u><u>34,796,352</u></u>	<u><u>4,594,656</u></u>	<u><u>3,500,785</u></u>	<u><u>(3,767,490)</u></u>	<u><u>39,124,303</u></u>
Results					
Investment revenue	262,254	7,916	12,214	-	282,384
Finance costs	51,286	326,051	10,641	-	387,978
Depreciation	108,595	161,737	95,259	-	365,591
Unallocated corporate expenses	-	-	713,817	-	713,817
Profit before tax	<u>10,670,157</u>	<u>3,343,654</u>	<u>1,415,049</u>	<u>(2,526,131)</u>	<u>12,902,729</u>
Assets					
Addition to investment properties	-	661,098	-	(216,539)	444,559
Addition to property, plant and equipment	<u>575,017</u>	<u>250,380</u>	<u>14,300</u>	<u>-</u>	<u>839,697</u>
Segment assets	300,363,244	106,389,976	25,982,861	(29,340,381)	403,395,700
Unallocated corporate assets					<u>9,024,503</u>
Consolidated assets					<u><u>412,420,203</u></u>
Liabilities					
Segment liabilities	101,011,962	23,239,382	14,436,825	(40,848,281)	97,839,888
Unallocated liabilities					<u>31,498</u>
Consolidated liabilities					<u><u>97,871,386</u></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:

	Year to Date 30 June 2015 RM'000
<u>With a company in which certain directors have substantial interest</u>	
Rental income	199
<u>With companies in which certain directors and substantial shareholders have interest</u>	
Purchase of properties	10,210
<u>With directors or persons connected to directors</u>	
Sales of properties	<u>3,161</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 RM18.887 million and RM5.615 million respectively, representing a 4.3% increase in revenue and 28.5% increase in profit before tax over the previous year's corresponding quarter of RM18.102 million and RM4.369 million.

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

Property Development

The property development segment saw a marginal 3.9% increase in revenue to RM16.290 million compared to RM15.672 million previously; whilst the segment's profit before tax increased by 48.6% to RM4.834 million, from RM3.254 million previously. The higher profit was mainly due to a compensation received of RM1.903 million in the current quarter for the revocation of Sale and Purchase Agreement on the acquisition of lands.

Property Management

The property management segment registered a 8.9% increase in rental revenue at RM2.262 million during the quarter under review, compared to previous corresponding quarter's RM2.077 million.

Nevertheless this segment's profit before tax decreased by 11.8% to RM0.950 million, as compared to RM1.077 million previously, as resulted from higher administrative costs.

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

For the current financial period to date, the Group recorded a revenue of RM39.124 million and profit before tax of RM12.903 million, versus revenue of RM37.552 million and profit before tax of RM9.135 million of the preceding corresponding financial period.

Property Development

The compensation received for the revocation of Sale and Purchase Agreement on the acquisition of lands has enabled the property development segment to register 4.0% higher revenue of RM34.026 million, compared to RM32.733 million in the preceding corresponding financial period.

The sale of industrial land and completion of existing residential project also helped to push the segment's profit before tax to RM10.344 million, 48.6% better than RM6.962 achieved in the preceding financial period.

Property Management

The improved occupancy rate enabled the property management segment to register 9.5% higher rental revenue of RM4.540 million, compared to RM4.147 million of the previous corresponding financial period, whilst this segment's profit before tax increased by 67.0% to RM3.344 million, as compared to RM2.002 million previously. The higher profit was mainly due to the gain on disposal of an investment property of RM1.102 million in this current financial period.

B2. Comparison with Immediate Preceding Quarter's Results

Compared to the preceding quarter's results ended 31 March 2015, the Group's revenue recorded 6.7% lower revenue, from RM20.237 million to RM18.887 million, as a result of overall soft demand of property market.

Correspondingly, the Group recorded 23.0% lower overall profit before tax to RM5.615 million for the current quarter under review, compared to the preceding quarter's RM7.288 million.

B3. Prospects

The property sector is challenging for 2015. 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 2015.

B4. Profit for the year

	Current Quarter 30 June 2015 RM'000	Year to Date 30 June 2015 RM'000
Profit for the year is arrived at after crediting/(charging):-		
Interest income	138	282
Other income including investment income	176	425
Interest expense	(190)	(388)
Depreciation and amortization	(194)	(366)
Gain on disposal of investment property	<u>1,102</u>	<u>1,102</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 period.

B6. Taxation

	Current Quarter 30 June 2015 RM'000	Year to Date 30 June 2015 RM'000
Income Tax		
- Current Year	(1,733)	(3,652)
Deferred Tax		
- Current Year	<u>(9)</u>	<u>154</u>
	<u>(1,742)</u>	<u>(3,498)</u>
Profit Before Tax	5,615	12,903
Effective tax rate	31.0%	27.1%

The effective rate of the Group for the current quarter and period to date 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	38,166	-	38,166
Long term	16,093	-	16,093
Total	54,259	-	54,259

B9. Material Claims

The Company has instituted legal proceedings 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 cases are pending and or ongoing for trials. The Board of Director is of the view that the outcome of these cases would not have any material financial impact to the Group and the Company.

B10. Final Dividend

The final dividend of 2%, single tier, amounting to RM3,756,080 for the financial year ended 31 December 2014 proposed by the Board of Director on 26 February 2015 had been approved by shareholders at 12th Annual General Meeting held on 25 May 2015 and was paid on 9 July 2015 to shareholders whose name appears in the Record of Depositors at the close of business on 15 June 2015.

B11. Earnings Per Share

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

	Current Quarter 30 June 2015	Year to Date 30 June 2015
Profit for the period	RM 3,872,475	RM 9,404,793
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)	1.03 sen	2.50 sen

B12. Audit Qualification

The audited financial statements of the Group for the financial year ended 31 December 2014 were not subject to any audit qualifications.

B13. Retained Earning

	As of 30 June 2015 RM'000	As of 31 December 2014 RM'000
Realised	187,282	176,921
Unrealised	33,345	33,951
	<hr/>	<hr/>
Consolidation adjustment	220,627 (93,882)	210,872 (93,532)
	<hr/>	<hr/>
Total Group retaining earnings as per consolidated accounts	126,745	117,340
	<hr/> <hr/>	<hr/> <hr/>