

GLOBAL ORIENTAL BERHAD
PART A – EXPLANATORY NOTES PURSUANT TO FRS 134

1. BASIS OF PREPARATION

The interim financial statements of Global Oriental Berhad (“GOB”) and its subsidiaries (“the Group”) are unaudited and have been prepared in accordance with FRS 134: “Interim Financial Reporting” and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 March 2013. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 March 2013.

The significant accounting policies and methods of computation adopted in the interim financial statements are consistent with those adopted in the audited financial statements for the financial year ended 31 March 2013, except for the adoption of the following new and revised Financial Reporting Standards (“FRSs”), Issues Committee (“IC”) Interpretations and amendments to FRSs and IC Interpretations (where it is applicable to the Group) with effect from the financial period beginning 1 April 2013:

FRSs, Amendments to FRSs and Interpretations

FRS 10	:	Consolidated Financial Statements
FRS 11	:	Joint Arrangements
FRS 12	:	Disclosures of Interests in Other Entities
FRS 13	:	Fair Value Measurement
FRS 119 (2011)	:	Employee Benefits
FRS 127 (2011)	:	Separate Financial Statements
FRS 128 (2011)	:	Investment in Associates and Joint Ventures
Amendments to FRS 1	:	First-time Adoption of Financial Reporting Standards - Government Loans
Amendments to FRS 1	:	First-time Adoption of Financial Reporting Standards (Improvements to FRSs (2012))
Amendments to FRS 7	:	Financial Instruments: Disclosure - Offsetting Financial Assets and Financial Liabilities
Amendments to FRS 101	:	Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income
Amendments to FRS 101	:	Presentation of Financial Statements (Improvements to FRSs (2012))
Amendments to FRS 116	:	Property, Plant and Equipment (Improvements to FRSs (2012))
Amendments to FRS 132	:	Financial Instruments: Presentation (Improvements to FRSs (2012))
Amendments to FRS 134	:	Interim Financial Reporting (Improvements to FRSs (2012))
Amendments to FRS 10	:	Consolidated Financial Statements: Transition Guidance
Amendments to FRS 11	:	Joint Arrangements: Transition Guidance
Amendments to FRS 12	:	Disclosures of Interests in Other Entities: Transition Guidance
IC Interpretation 20	:	Stripping Costs in the Production Phase of a Surface Mine
Amendments to IC Interpretation 2	:	Members’ Shares in Cooperative Entities and Similar Instruments (Improvements to FRSs (2012))

The adoption of the above standards and interpretations, and improvement (where it is applicable to the Group) is not expected to have any material financial effect to the Group.

On 19 November 2011, the Malaysian Accounting Standards Board (“MASB”) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (“MFRS Framework”). The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture and IC Interpretation 15 Agreements for Construction of Real Estate, including its parent, significant investor and venture (herein called “Transitioning Entities”). Transitioning Entities were given a transitional period of two years, within which the MFRS Framework is mandatory to be adopted by the Transitioning Entities. Following the announcement by MASB on 7 August 2013, the transitional period for Transitioning Entities has been extended for an additional year. Therefore, the mandatory adoption date of the MFRS Framework for Transitioning Entities has been extended to annual periods beginning on or after 1 January 2015.

The Group falls within the scope definition of Transitioning Entities and has opted to defer adoption of the new MFRS Framework. Accordingly, the Group will be required to prepare financial statements using MFRS Framework in its first MFRS financial statements for the year ending 31 March 2016. 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 Group is reviewing its accounting policies to assess financial effects of the differences between the current FRSs and accounting standards under the MFRS Framework.

2. AUDITORS’ REPORT ON REPORTING ANNUAL FINANCIAL STATEMENTS

The auditors’ report on the financial statements of GOB for the financial year ended 31 March 2013 was not qualified.

3. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS

The Group’s performance for the quarter ended 30 September 2013 was not affected by significant seasonal or cyclical fluctuations.

4. UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the quarter under review.

5. CHANGES IN ESTIMATES

There were no changes in estimates during the quarter under review that had a material effect on the interim financial statements.

6. DEBT AND EQUITY SECURITIES

There were no issuances, cancellation, repurchase, resale and repayment of debt and equity securities during the quarter under review.

7. DIVIDENDS PAID

There were no dividends paid or declared during the quarter under review.

8. SEGMENTAL INFORMATION

Group	Property		Investment			Total
	<u>development</u>	<u>Construction</u>	<u>holding</u>	<u>Others</u>	<u>Elimination</u>	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Results For 6 Months Ended						
30 September 2013						
Revenue						
External sales	152,879	-	-	7,843	-	160,722
Inter-segment sales	-	44,736	-	-	(44,736)	-
	<u>152,879</u>	<u>44,736</u>	<u>-</u>	<u>7,843</u>	<u>(44,736)</u>	<u>160,722</u>
Results						
Segment results	20,592	1,074	(1,193)	(3,894)	(866)	15,713
Unallocated expenses:						
- Finance costs						(901)
Profit before tax						<u>14,812</u>
Taxation						<u>(3,918)</u>
Profit for the financial period						<u>10,894</u>

Group	Property		Investment			Total
	<u>development</u>	<u>Construction</u>	<u>holding</u>	<u>Others</u>	<u>Elimination</u>	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Results For 6 Months Ended						
30 September 2012						
Revenue						
External sales	127,815	-	-	-	-	127,815
Inter-segment sales	-	39,304	-	-	(39,304)	-
	<u>127,815</u>	<u>39,304</u>	<u>-</u>	<u>-</u>	<u>(39,304)</u>	<u>127,815</u>
Results						
Segment results	12,749	(934)	(459)	(5)	-	11,351
Unallocated expenses:						
- Finance costs						(763)
Profit before tax						<u>10,588</u>
Taxation						<u>(3,446)</u>
Profit for the financial period						<u>7,142</u>

9. CARRYING AMOUNT OF REVALUED ASSETS

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

There has been no change to the valuations of the property, plant and equipment since the audited financial statements for the year ended 31 March 2013.

10. SUBSEQUENT EVENTS

There were no material events subsequent to the reporting period.

11. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the quarter under review.

12. CHANGES IN CONTINGENT ASSETS AND CONTINGENT LIABILITIES

There were no material contingent assets or contingent liabilities as at 30 September 2013.

13. CAPITAL COMMITMENTS

The Board of Directors has approved a proposed capital expenditure in respect of acquisition of land in Batu Kawan, Seberang Perai Selatan, Penang at a cost of RM19.3 million.

Save for the above, there were no material capital commitments as at the date of this report.

PART B – EXPLANATORY NOTES PURSUANT TO THE REVISED LISTING REQUIREMENTS OF BURSA SECURITIES

1. REVIEW OF PERFORMANCE

The Group's revenue increased to RM86.6 million for the current quarter as compared to RM67.7 million reported in the preceding year corresponding quarter while pre-tax profit increased to RM10.0 million for the current quarter as compared to RM7.5 million reported in the preceding year corresponding quarter. The increase in revenue and pre-tax profit of 27.9% and 32.9% respectively in the current quarter were mainly attributable to higher revenue recognition and higher profit contribution from on-going projects such as da:men project in USJ Subang Jaya, Villa Heights and EQuator in Seri Kembangan.

The Group's revenue and pre-tax profit for the quarter under review have increased by 16.7% and 107.8% respectively against the immediate preceding quarter's revenue of RM74.2 million and pre-tax profit of RM4.8 million. The Group recorded higher revenue in the current quarter mainly due to increase in revenue recognition from our on-going developments such as EQuator and Villa Heights in Seri Kembangan. The higher pre-tax profit as compared to the immediate preceding quarter is in line with the higher revenue recognition from our on-going developments in Seri Kembangan.

2. COMMENTARY ON PROSPECTS

The Malaysian economy expanded by 4.3% in the second quarter of 2013, driven by strong domestic economic activity albeit moderate global growth. The overall growth of the Malaysian economy for 2013 was revised downwards by Bank Negara Malaysia to 4.5% - 5.0% due to adverse external environment, but continued to be supported by steady growth in domestic demand.

The recent Budget 2014 announcement introduced various cooling measures such as upward revision of Real Property Gains Tax, prohibition of Developer Interest Bearing Scheme and raising the floor price for foreign buyers, are expected to curb property speculative activity and to promote healthy growth of the property industry. Nevertheless, the cooling measures would not have significant impact on the Group as most of our purchasers are local buyers and our projects are located in strategic growth areas in the Klang Valley and Penang.

Barring unforeseen circumstances, the Board of Directors envisages the Group to achieve satisfactory results for the financial year ending 31 March 2014.

3. PROFIT FORECAST OR PROFIT GUARANTEE

The Group has not issued any profit forecast or profit guarantee for the financial year under review.

4. TAXATION

	Current Year's Quarter 30.09.2013 RM'000	Preceding Year's Corresponding Quarter 30.09.2012 RM'000	Current Year To Date 30.09.2013 RM'000	Preceding Year To Date 30.09.2012 RM'000
Current period taxation	(2,786)	(2,192)	(4,508)	(3,753)
Deferred taxation	441	(415)	590	307
	<u>(2,345)</u>	<u>(2,607)</u>	<u>(3,918)</u>	<u>(3,446)</u>

The effective tax rate for the current quarter was higher than the statutory tax rate principally due to the restriction in the group relief available in respect of losses incurred by certain subsidiary companies and expenses which were not deductible for tax purposes.

5. CORPORATE PROPOSALS

There were no corporate proposals announced during the quarter under review up to the date of this report.

6. BORROWINGS AND DEBT SECURITIES

	As at 30.09.2013 RM'000	As at 31.03.2013 RM'000
Short term borrowings:		
Bank borrowings	19,963	25,000
Bank overdrafts	933	903
Hire-purchase creditors	401	417
	<u>21,297</u>	<u>26,320</u>
Long term borrowings:		
Bank borrowings	138,263	43,470
Hire-purchase creditors	1,026	1,224
	<u>139,289</u>	<u>44,694</u>

All borrowings are denominated in Ringgit Malaysia and are fully secured.

7. CHANGES IN MATERIAL LITIGATION

The Company and its subsidiary companies are not engaged, either as plaintiff or defendant, in any litigation which has a material effect since the date of the last annual statement of financial position to the date of this report. The Directors are not aware of any proceedings pending or threatened or of any fact likely to give rise to any proceeding which might materially and/or adversely affect the position or business of the Group.

8. DIVIDEND

No dividend has been proposed or declared for the current quarter.

9. EARNINGS PER SHARE

a) Basic

The basic earnings per share is calculated by dividing the net profit for the period by the weighted average number of ordinary shares in issue during the financial period.

	Current Year's Quarter 30.09.2013	Preceding Year's Corresponding Quarter 30.09.2012	Current Year To Date 30.09.2013	Preceding Year To Date 30.09.2012
Profit attributable to equity holders of the Company (RM'000)	7,654	4,918	10,894	7,142
Weighted average number of ordinary shares in issue ('000)	227,338	227,338	227,338	227,338
Basic earnings per share (sen)	3.37	2.16	4.79	3.14

b) Diluted

The Group does not have any convertible instrument as at the date of this report and accordingly diluted earnings per share is not applicable.

10. PROFIT BEFORE TAX

The following items have been included in arriving at profit before tax:

	Current Year's Quarter 30.09.2013 RM'000	Preceding Year's Corresponding Quarter 30.09.2012 RM'000	Current Year To Date 30.09.2013 RM'000	Preceding Year To Date 30.09.2012 RM'000
After Charging:				
Interest expense	795	471	901	763
Depreciation and amortization	782	219	1,602	436
Loss on disposal of property, plant and equipment	-	-	3	-
Provision for liquidated and ascertained damages	16	-	16	-
After Crediting				
Interest income	282	50	707	650
Gain on disposal of property, plant and equipment	-	-	-	20
Reversal of provision for liquidated and ascertained damages	66	6	123	6

There were no provision for write off of receivables, provision for write off of inventories, gain or loss on disposal of quoted or unquoted investment, impairment of assets, foreign exchange gain, gain or loss on derivatives and exceptional items for the current quarter under review.

11. DISCLOSURE ON REALISED AND UNREALISED PROFITS/LOSSES

	As at 30.09.2013 RM'000	As at 31.03.2013 RM'000
Total retained profits of the Company and its subsidiaries		
– Realised	55,809	44,639
– Unrealised	16,686	16,787
	<hr/> 72,495	<hr/> 61,426
Less: Consolidation adjustments	(36,465)	(36,290)
Total Group retained earnings as per statements of financial position	<hr/> 36,030	<hr/> 25,136

12. AUTHORISATION FOR ISSUE

These interim financial statements have been authorised by the Board of Directors for issuance in accordance with a resolution of the Directors duly passed at the Board of Directors' Meeting held on 22 November 2013.

By Order of the Board
Chin Pei Fung (MAICSA 7029712)
Company Secretary
Selangor Darul Ehsan
22 November 2013