

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 31 December 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	<u>Property</u>	<u>Construction</u>	<u>Investment</u>		<u>Elimination</u>	<u>Total</u>
	<u>development</u>		<u>holding</u>	<u>Others</u>		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Results For 9 Months Ended						
31 December 2013						
Revenue						
External sales	245,761	-	-	13,168	-	258,929
Inter-segment sales	-	72,754	-	-	(72,754)	-
	<u>245,761</u>	<u>72,754</u>	<u>-</u>	<u>13,168</u>	<u>(72,754)</u>	<u>258,929</u>
Results						
Segment results	38,008	2,305	(1,645)	(6,861)	(1,887)	29,920
Unallocated expenses:						
- Finance costs						(1,674)
Profit before tax						<u>28,246</u>
Taxation						<u>(8,749)</u>
Profit for the financial period						<u>19,497</u>

Group	<u>Property</u>	<u>Construction</u>	<u>Investment</u>		<u>Elimination</u>	<u>Total</u>
	<u>development</u>		<u>holding</u>	<u>Others</u>		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Results For 9 Months Ended						
31 December 2012						
Revenue						
External sales	193,727	-	-	1,086	-	194,813
Inter-segment sales	-	59,117	-	-	(59,117)	-
	<u>193,727</u>	<u>59,117</u>	<u>-</u>	<u>1,086</u>	<u>(59,117)</u>	<u>194,813</u>
Results						
Segment results	30,939	(1,328)	(574)	(2,748)	-	26,289
Unallocated expenses:						
- Finance costs						(1,058)
Profit before tax						<u>25,231</u>
Taxation						<u>(7,684)</u>
Profit for the financial period						<u>17,547</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, except as follows:

On 3 January 2014, GOB acquired the entire share equity of the following companies from its wholly-owned subsidiaries, Taman Equine (M) Sdn Bhd ("TEM") and Versatile Flagship Sdn Bhd ("VFSB") for a cash consideration of RM1.00 each ("Internal Reorganisation"):

- a) 2 ordinary shares of RM1.00 each in the capital of Pertanian Taman Equine Sdn Bhd from TEM;
- b) 3 ordinary shares of RM1.00 each in the capital of Taman Equine Industrial Sdn Bhd from TEM;
- c) 2,600,000 ordinary shares of RM1.00 each in the capital of Permai Construction Sdn Bhd from TEM;
- d) 2,600,000 ordinary shares of RM1.00 each in the capital of Parkamaya Sdn Bhd from TEM;
- e) 2,501,000 ordinary shares of RM1.00 each in the capital of Tujuan Ehsan Sdn Bhd from TEM;
- f) 1,000,000 ordinary shares of RM1.00 each in the capital of Pedoman Ikhtisas Sdn Bhd from TEM; and
- g) 350,000 ordinary shares of RM1.00 each in the capital of Fame Action Sdn Bhd from VFSB.

The abovementioned companies will be directly owned by GOB upon completion of the Internal Reorganisation.

11. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the quarter under review, except as follows:

On 31 December 2013, GOB acquired the entire share equity of Mutual Crest Sdn Bhd, a private limited company incorporated in Malaysia under the Companies Act, 1965 for a cash consideration of RM2.00. The authorised share capital of Mutual Crest Sdn Bhd is RM400,000.00 comprising 400,000 ordinary shares of RM1.00 each, of which 2 ordinary shares have been issued and fully paid-up.

12. CHANGES IN CONTINGENT ASSETS AND CONTINGENT LIABILITIES

There were no material contingent assets or contingent liabilities as at 31 December 2013.

13. CAPITAL COMMITMENTS

The Board of Directors has approved capital expenditures in respect of acquisition of lands in Batu Kawan, Seberang Perai Selatan, Penang at a cost of RM19.3 million and Bandar Sungai Long, Cheras at a cost of RM35.66 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 RM98.2 million for the current quarter as compared to RM67.0 million reported in the preceding year corresponding quarter. The increase in revenue of 46.6% in the current quarter was mainly attributable to higher revenue recognition from on-going projects such as da:men project in USJ Subang Jaya, EQUATOR, Villa Heights and Springville in Seri Kembangan. The newly launched residential project in Seri Kembangan, namely Galleria has also contributed to the overall Group's revenue. However, the pre-tax profit decreased slightly from RM14.6 million to RM13.4 million due to higher contribution from high margin products recorded in preceding year corresponding quarter coupled with an increase in operating expenses incurred during the current quarter.

The Group's revenue and pre-tax profit for the quarter under review have increased by 13.4% and 34.0% respectively against the immediate preceding quarter's revenue of RM86.6 million and pre-tax profit of RM10.0 million. The Group recorded higher revenue in the current quarter mainly due to increase in revenue recognition from our on-going developments such as da:men shop offices in USJ Subang Jaya, EQUATOR and Springville in Seri Kembangan as well as commencement of revenue recognition from Galleria project 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 USJ and Seri Kembangan.

2. COMMENTARY ON PROSPECTS

The Malaysian economy recorded a stronger growth of 5.1% in the fourth quarter of 2013, underpinned by private sector demand and improvement in exports. For the year 2013, the Malaysian economy grew by 4.7% and expects to remain on a steady growth trajectory with domestic demand continuing to support growth as reported in the Bank Negara Malaysia' Quarterly Bulletin Fourth Quarter 2013.

Despite various cooling measures recently introduced by the government to promote healthy growth of the property industry and home ownership, the Group's recent launch of Galleria Project has recorded a good take-up rate. Moving forward, the Group would continue to adopt a prudent approach in embarking on future launches.

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 31.12.2013 RM'000	Preceding Year's Corresponding Quarter 31.12.2012 RM'000	Current Year To Date 31.12.2013 RM'000	Preceding Year To Date 31.12.2012 RM'000
Current period taxation	(5,098)	(4,546)	(9,606)	(8,299)
Deferred taxation	267	308	857	615
	<u>(4,831)</u>	<u>(4,238)</u>	<u>(8,749)</u>	<u>(7,684)</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 31.12.2013 RM'000	As at 31.03.2013 RM'000
Short term borrowings:		
Bank borrowings	19,963	25,000
Bank overdrafts	737	903
Hire-purchase creditors	407	417
	<u>21,107</u>	<u>26,320</u>
Long term borrowings:		
Bank borrowings	157,157	43,470
Hire-purchase creditors	995	1,224
	<u>158,152</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 31.12.2013	Preceding Year's Corresponding Quarter 31.12.2012	Current Year To Date 31.12.2013	Preceding Year To Date 31.12.2012
Profit attributable to equity holders of the Company (RM'000)	8,603	10,405	19,497	17,547
Weighted average number of ordinary shares in issue ('000)	227,338	227,338	227,338	227,338
Basic earnings per share (sen)	3.78	4.58	8.58	7.72

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 31.12.2013 RM'000	Preceding Year's Corresponding Quarter 31.12.2012 RM'000	Current Year To Date 31.12.2013 RM'000	Preceding Year To Date 31.12.2012 RM'000
After Charging:				
Interest expense	773	295	1,674	1,058
Depreciation and amortization	697	421	2,299	857
Loss on disposal of property, plant and equipment	1,299	-	1,302	-
Provision for liquidated and ascertained damages	-	-	16	-
Property, plant and equipment written off	61	-	61	-
After Crediting				
Interest income	612	385	1,319	1,035
Gain on disposal of property, plant and equipment	-	-	-	20
Reversal of provision for liquidated and ascertained damages	5	317	128	323

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, 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 31.12.2013 RM'000	As at 31.03.2013 RM'000
Total retained profits of the Company and its subsidiaries		
– Realised	69,157	44,639
– Unrealised	12,666	16,787
	<hr/> 81,823	<hr/> 61,426
Less: Consolidation adjustments	(37,190)	(36,290)
Total Group retained earnings as per statements of financial position	<hr/> 44,633	<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 24 February 2014.

By Order of the Board
Chin Pei Fung (MAICSA 7029712)
Company Secretary
Selangor Darul Ehsan
24 February 2014