

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

1. BASIS OF PREPARATION

The interim financial statements of Global Oriental Berhad (“GOB” or “Company”) and its subsidiaries (“the Group”) are unaudited and have been prepared in accordance with Financial Reporting Standards (“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 2014. 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 2014.

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 2014, 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 2014:

FRSs, Amendments to FRSs and Interpretations

Amendments to FRS 10	:	Consolidated Financial Statements: Investment Entities
Amendments to FRS 12	:	Disclosures of Interests in Other Entities: Investment Entities
Amendments to FRS 127	:	Separate Financial Statements (2011): Investment Entities
Amendments to FRS 132	:	Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities
Amendments to FRS 136	:	Impairment of Assets: Recoverable Amounts Disclosures for Non-Financial Assets
Amendments to FRS 139	:	Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting
IC Interpretation 21	:	Levies

The adoption of the above amendments to standards and interpretation (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 Framework (“MFRS 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. Transitioning Entities, 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 allowed these entities an option to continue with the FRS Framework. Following the announcement by the MASB on 7 August 2013, the transitional period for Transitioning Entities has been extended for an additional year.

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 its first set of MFRS

financial statements for the year ending 31 March 2016 when the MFRS Framework is mandated by MASB.

The Group is currently assessing the impact of adoption of MFRS 1, including identification of the differences in existing accounting policies as compared to the new MFRSs and the use of optional exemptions as provided for in MFRS 1. At the date of authorisation for issue of these financial statements, accounting policy decisions or elections have not been finalised. Thus, the impact of adopting the new MFRS Framework on the Group's first set of financial statements prepared in accordance with the MFRS Framework cannot be determined and estimated reliably until the process is complete.

2. AUDITORS' REPORT ON REPORTING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements of GOB for the financial year ended 31 March 2014 was not qualified.

3. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS

The Group's performance for the quarter ended 30 June 2014 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	Construction	Investment			Total
	<u>development</u>		<u>holding</u>	<u>Others</u>	<u>Elimination</u>	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Results For 3 Months Ended						
30 June 2014						
Revenue						
External sales	75,234	-	-	17,384	-	92,618
Inter-segment sales	-	11,290	-	-	(11,290)	-
	<u>75,234</u>	<u>11,290</u>	<u>-</u>	<u>17,384</u>	<u>(11,290)</u>	<u>92,618</u>
Results						
Segment results	13,521	569	(1,041)	(271)	(1,324)	11,454
Unallocated expenses:						
- Finance costs						(1,891)
Profit before tax						9,563
Taxation						(3,485)
Profit for the financial period						<u>6,078</u>

Group	Property	Construction	Investment			Total
	<u>development</u>		<u>holding</u>	<u>Others</u>	<u>Elimination</u>	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Results For 3 Months Ended						
30 June 2013						
Revenue						
External sales	70,402	-	-	3,770	-	74,172
Inter-segment sales	-	22,144	-	-	(22,144)	-
	<u>70,402</u>	<u>22,144</u>	<u>-</u>	<u>3,770</u>	<u>(22,144)</u>	<u>74,172</u>
Results						
Segment results	8,296	250	(482)	(2,399)	(746)	4,919
Unallocated expenses:						
- Finance costs						(106)
Profit before tax						4,813
Taxation						(1,573)
Profit for the financial period						<u>3,240</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 2014.

10. SUBSEQUENT EVENTS

There were no material events subsequent to the reporting period, except as follows:

- (a) Proposed acquisition of two (2) pieces of freehold land located in Mukim Cheras, Daerah Ulu Langat, Negeri Selangor

On 8 July 2014, the Group announced that the proposed land acquisition has been mutually agreed to be extended for two months from 9 July 2014 to 9 September 2014.

- (b) Proposed par value reduction, proposed amendment to the Company's Memorandum of Association and proposed rights issue with warrants, proposed establishment of an employees' share option scheme (collectively referred to as "Proposals")

Bursa Securities had, vide its letter dated 10 July 2014, approved the application for an extension of time until 31 July 2014 in relation to the issuance of circular to the shareholders of GOB for the Proposals.

The circular to the shareholders dated 31 July 2014 was disseminated on the same date.

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:

- (a) Acquisition of Global Oriental (Hong Kong) Limited

On 1 April 2014, Versatile Flagship Sdn Bhd, a wholly-owned subsidiary of GOB acquired the entire equity of Global Oriental (Hong Kong) Limited for a cash consideration of HKD1.00. Global Oriental (Hong Kong) Limited is a private limited company incorporated in Hong Kong under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) on 20 March 2014, with one (1) ordinary share of HKD1.00.

- (b) Acquisition of 65% equity interest in Perwira Nadi Trading Sdn Bhd

The acquisition of 65% equity interest in Perwira Nadi Trading ("PNT") Sdn Bhd for a total cash consideration of RM50.0 million was completed on 1 April 2014. As such, PNT became the subsidiary company of GOB, effective from 1 April 2014.

- (c) Incorporation of a new subsidiary

On 26 June 2014, Versatile Flagship Sdn Bhd, a wholly-owned subsidiary of GOB incorporated Global Oriental (Taiwan) Limited, a private limited company incorporated in Taiwan with an

authorised share capital of NTD50,000.00 comprising 5,000 ordinary shares of NTD 10.00 each, of which all 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 30 June 2014.

13. CAPITAL COMMITMENTS

The amount of commitments not provided for as at the date of this report is as follows:

(a) Non-cancellable operating lease commitments

The Group has commitment in respect of rental of premises as follows:

	RM'000
Future minimum rentals payable:	
- Within 1 year	4,484
- More than 1 year and within 2 years	1,017
	<u>5,501</u>

The Group has entered into non-cancellable operating lease agreements which represent rental payable for the use of premises. Leases are negotiated for a period of 3 years and rentals fixed for 2 years.

(b) Other commitments

	RM'000
Capital expenditure in respect of acquisition of lands	
- Approved and contracted for	32,098
- Approved but not contracted for	19,310
	<u>51,408</u>

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

1. REVIEW OF PERFORMANCE

The Group recorded a revenue of RM92.6 million and pre-tax profit of RM9.6 million for the current quarter as compared to revenue of RM74.2 million and pre-tax profit of RM4.8 million in the preceding year corresponding quarter, representing a 24.9% increase in revenue and 98.7% increase in pre-tax profit. The increase in both revenue and pre-tax profit was attributed to the maiden revenue recognition and profit contribution from the newly acquired subsidiary company, namely PNT and also higher revenue recognition and profit contribution arising from development projects in Seri Kembangan such as Springville and Villa Heights as well as da:men mixed developments in USJ, Subang Jaya.

The current quarter's revenue of RM92.6 million had decreased marginally by 0.6% as compared to immediate preceding quarter's revenue of RM93.2 million mainly due to the completion of shop offices under EQuator project in Seri Kembangan in the immediate preceding quarter and at the same time compensated by revenue recognition from PNT. The pre-tax profit decreased by RM16.4 million or 63.2% against the immediate preceding quarter's pre-tax profit of RM26.0 million. This was primarily due to better margins achieved by both EQuator and Villa Heights projects in the immediate preceding quarter.

2. COMMENTARY ON PROSPECTS

The Malaysian economy registered a strong growth of 6.4% in the second quarter of 2014, underpinned by higher exports and continued strength in private domestic demand. Bank Negara Malaysia reported that the Malaysian economy is expected to remain on a steady growth path.

Despite continued growth in local economy, the National Property Information Centre has reported a slow down in property transactions in the first quarter of 2014 as a result of consolidation in local property market. However, positive growth in population and demographic trends would continue to support a growing demand for residential properties in the long run.

Barring unforeseen circumstances, the Board of Directors envisages the Group to achieve satisfactory results for the financial year ending 31 March 2015.

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 Quarter 30.06.2014 RM'000	Preceding Year Corresponding Quarter 30.06.2013 RM'000	Current Year To Date 30.06.2014 RM'000	Preceding Year To Date 30.06.2013 RM'000
Current period taxation	(3,927)	(1,722)	(3,927)	(1,722)
Deferred taxation	442	149	442	149
	<u>(3,485)</u>	<u>(1,573)</u>	<u>(3,485)</u>	<u>(1,573)</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

Save as disclosed in Note 10(b) of Part A, there were no corporate proposals announced but not completed as at the date of this report.

6. BORROWINGS AND DEBT SECURITIES

	As at 30.06.2014 RM'000	As at 31.03.2014 RM'000
Short term borrowings:		
Bank borrowings	118,500	104,500
Hire-purchase creditors	441	425
Bank overdrafts	737	580
	<u>119,678</u>	<u>105,505</u>
Long term borrowings:		
Bank borrowings	127,012	115,512
Hire-purchase creditors	841	875
	<u>127,853</u>	<u>116,387</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 Quarter 30.06.2014	Preceding Year Corresponding Quarter 30.06.2013	Current Year To Date 30.06.2014	Preceding Year To Date 30.06.2013
Profit attributable to equity holders of the Company (RM'000)	5,479	3,240	5,479	3,240
Weighted average number of ordinary shares in issue ('000)	227,338	227,338	227,338	227,338
Basic earnings per share (sen)	2.41	1.43	2.41	1.43

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 Quarter 30.06.2014 RM'000	Preceding Year Corresponding Quarter 30.06.2013 RM'000	Current Year To Date 30.06.2014 RM'000	Preceding Year To Date 30.06.2013 RM'000
After Charging:				
Interest expense	1,891	106	1,891	106
Depreciation and amortization	787	820	787	820
Property, plant and equipment written off	1	3	1	3
After Crediting				
Interest income	477	425	477	425
Gain on disposal of property, plant and equipment	-	26	-	26
Reversal of provision for liquidated and ascertained damages	-	57	-	57

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

	As at 30.06.2014 RM'000	As at 31.03.2014 RM'000
Total retained profits of the Company and its subsidiaries		
– Realised	85,883	80,495
– Unrealised	19,694	19,834
	<hr/> 105,577	<hr/> 100,329
Less: Consolidation adjustments	(35,922)	(36,153)
Total Group retained earnings as per statements of financial position	<hr/> 69,655	<hr/> 64,176

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 27 August 2014.

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