

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. Thereafter, on 2 September 2014, MASB had announced the adoption of MFRS Framework for Transitioning Entities from annual periods beginning on or after 1 January 2017.

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 2018 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 September 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 except for the cancellation of the par value of RM0.50 from RM1.00 to RM0.50 pursuant to the par value reduction exercise.

7. DIVIDENDS PAID

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

8. SEGMENTAL INFORMATION

Group	Property		Investment			Elimination	Total
	<u>development</u>	<u>Construction</u>	<u>Trading</u>	<u>holding</u>	<u>Others</u>		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Results For 6 Months Ended							
30 September 2014							
Revenue							
External sales	180,284	-	21,230	-	12,348	-	213,862
Inter-segment sales	-	18,813	-	-	-	(18,813)	-
	<u>180,284</u>	<u>18,813</u>	<u>21,230</u>	<u>-</u>	<u>12,348</u>	<u>(18,813)</u>	<u>213,862</u>
Results							
Segment results	34,425	646	4,862	(2,997)	(6,070)	(1,331)	29,535
Unallocated expenses:							
- Finance costs							(2,990)
Profit before tax							<u>26,545</u>
Taxation							<u>(10,270)</u>
Profit for the financial period							<u>16,275</u>

Group	Property		Investment			Elimination	Total
	<u>development</u>	<u>Construction</u>	<u>Trading</u>	<u>holding</u>	<u>Others</u>		
	RM'000	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>-</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>

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:

On 4 November 2014, the Group announced that Taman Equine Industrial Sdn Bhd, a wholly-owned subsidiary of GOB had entered into a conditional sale and purchase agreement with Summit View Development Sdn Bhd for disposal of two parcels of leasehold land located in Mukim Petaling, Daerah Petaling, Negeri Selangor measuring a total area of approximately 15.56 acres, for a total cash consideration of RM142.35 million.

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

As at the date of this report, there were no material contingent liabilities except as follows:

Corporate guarantee amounting to RM479.3 million given by our Company to financial institutions for credit facilities granted to our subsidiaries.

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:	
- Not later than 1 year	4,331
- More than 1 year and within 2 years	351
	<u>4,682</u>

The Group has entered into non-cancellable operating lease agreements which represent rental payable for the use of premises.

(b) Other commitment

	RM'000
Capital expenditure in respect of acquisition of land	
- Approved but not contracted for	<u>19,310</u>

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

1. REVIEW OF PERFORMANCE

The Group's revenue increased by 40.1% to RM121.2 million for the current quarter as compared to RM86.6 million reported in the preceding year corresponding quarter while pre-tax profit improved by 69.8% to RM17.0 million for the current quarter from RM10.0 million reported in the preceding year corresponding quarter. The better performance of both revenue and pre-tax profit were mainly attributed to higher revenue recognition and profit contribution arising from da:men mixed developments in USJ, Subang Jaya.

The current quarter's revenue of RM121.2 million was 30.9% higher as compared to immediate preceding quarter's revenue of RM92.6 million. The increase in revenue was mainly due to higher revenue recognition from da:men mixed developments. In line with revenue growth, the Group's pre-tax profit increased by 77.6% to RM17.0 million as compared to immediate preceding quarter's pre-tax profit of RM9.6 million.

2. COMMENTARY ON PROSPECTS

The Malaysian economy registered a growth of 5.6% in the third quarter of 2014, underpinned by private sector demand and continued positive growth in net exports of goods and services. Bank Negara Malaysia reported that the Malaysian economy is expected to remain on a steady growth path.

In the recent Malaysian Budget 2015, the Government announced various incentives and measures, particularly those related to the real estate and property sector, such as the Youth Housing Scheme, 1Malaysia People's Housing Programme (PR1MA) and extension of the 50% stamp duty exemption. These measures are expected to boost ownerships of affordable housing and also likely to have positive impact on the property industry generally.

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 30.09.2014 RM'000	Preceding Year Corresponding Quarter 30.09.2013 RM'000	Current Year To Date 30.09.2014 RM'000	Preceding Year To Date 30.09.2013 RM'000
Current period taxation	(6,841)	(2,786)	(10,768)	(4,508)
Deferred taxation	56	441	498	590
	(6,785)	(2,345)	(10,270)	(3,918)

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 but not completed as at the date of this report, save as disclosed in Note 10 of Part A and the following:

Proposed Par Value Reduction, proposed amendment to the Company's Memorandum of Association and proposed renounceable rights issue of 227,338,321 new ordinary shares of RM0.50 each in GOB together with 113,669,160 free detachable warrants at an issue price of RM0.50 per Rights Share on the basis of two (2) Rights Shares together with one (1) free Warrant for every two (2) existing ordinary shares of RM0.50 each in GOB ("Rights Issue with Warrants"), proposed establishment of an employees' share option scheme ("ESOS") (collectively referred to as "Proposals")

Our shareholders had approved the Proposals at our EGM held on 27 August 2014. Subsequently, the Company announced on 8 September 2014 that the ESOS was implemented with effect from 29 August 2014 and 9,560,000 ESOS options were offered to eligible directors and employees of the Group.

On 18 September 2014, the Company announced that the High Court of Malaya had on the same day granted an order confirming the Par Value Reduction. On 25 September 2014, the sealed order of the High Court of Malaya confirming the Par Value Reduction has been lodged with the Companies Commission of Malaysia on the same day, thus being the effective date and marking the completion of the Par Value Reduction.

On 6 November 2014, the Company announced that the issue price of the Rights Shares has been fixed at RM0.50 each and the exercise price of the Warrants has been fixed at RM0.80 each.

On 17 November 2014, the Company announced that it has procured written irrevocable undertaking from three of its substantial shareholders to undertake subscription of up to 64,900,000 Right Shares and execute a Underwriting Agreement with certain financial institutions to fully underwrite the remaining 162,438,321 Rights Shares. Further, on the same day, the Entitlement Date has been fixed at 5.00 p.m. on 2 December 2014 together with other dates relevant to the Rights Issue with Warrants.

The Deed Poll constituting the Warrants was executed on 19 November 2014 and thereafter a registrable copy of Abridged Prospectus together with supporting documents will be submitted to the Securities Commission for approval before sending the same to the entitled shareholders.

6. BORROWINGS AND DEBT SECURITIES

	As at 30.09.2014 RM'000	As at 31.03.2014 RM'000
Short term borrowings:		
Bank borrowings	117,000	104,500
Hire-purchase creditors	434	425
Bank overdrafts	438	580
	<u>117,872</u>	<u>105,505</u>
Long term borrowings:		
Bank borrowings	151,163	115,512
Hire-purchase creditors	738	875
	<u>151,901</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 30.09.2014	Preceding Year Corresponding Quarter 30.09.2013	Current Year To Date 30.09.2014	Preceding Year To Date 30.09.2013
Profit attributable to equity holders of the Company (RM'000)	9,522	7,654	15,001	10,894
Weighted average number of ordinary shares in issue ('000)	227,338	227,338	227,338	227,338
Basic earnings per share (sen)	4.19	3.37	6.60	4.79

b) Diluted

ESOS granted is excluded from the diluted earnings per share calculation because their effect is anti-dilutive.

10. PROFIT BEFORE TAX

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

	Current Year Quarter 30.09.2014 RM'000	Preceding Year Corresponding Quarter 30.09.2013 RM'000	Current Year To Date 30.09.2014 RM'000	Preceding Year To Date 30.09.2013 RM'000
After Charging:				
Interest expense	1,099	795	2,990	901
Depreciation and amortization	797	782	1,584	1,602
Loss on disposal of property, plant and equipment	-	-	-	3
Property, plant and equipment written off	24	-	25	-
Provision for liquidated and ascertained damages	12	16	12	16
Staff costs - new ESOS granted	6,410	-	6,410	-
After Crediting				
Interest income	158	282	635	707
Reversal of provision for liquidated and ascertained damages	-	66	-	123

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 30.09.2014 RM'000	As at 31.03.2014 RM'000
Total retained profits of the Company and its subsidiaries		
- Realised	94,018	80,495
- Unrealised	19,777	19,834
	<hr/>	<hr/>
	113,795	100,329
Less: Consolidation adjustments	(34,618)	(36,153)
	<hr/>	<hr/>
Total Group retained earnings as per statements of financial position	79,177	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 26 November 2014.

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