

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 31 December 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 as follows:

On 26 December 2014, the Company increased its issued and paid-up ordinary share capital by way of issuance of 227,338,321 new ordinary shares of RM0.50 each pursuant to the rights issue with warrants.

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 | RM'000 |
| Results For 9 Months Ended | | | | | | | | |
| 31 December 2014 | | | | | | | | |
| Revenue | | | | | | | | |
| External sales | 261,632 | - | 30,446 | - | 19,093 | - | - | 311,171 |
| Inter-segment sales | - | 31,737 | - | - | - | (31,737) | - | - |
| | <u>261,632</u> | <u>31,737</u> | <u>30,446</u> | <u>-</u> | <u>19,093</u> | <u>(31,737)</u> | <u>-</u> | <u>311,171</u> |
| Results | | | | | | | | |
| Segment results | 62,815 | (2,664) | 6,523 | (10,514) | (7,650) | (3,637) | - | 44,873 |
| Unallocated expenses: | | | | | | | | |
| - Finance costs | | | | | | | | (4,782) |
| Profit before tax | | | | | | | | 40,091 |
| Taxation | | | | | | | | (17,975) |
| Profit for the financial period | | | | | | | | <u>22,116</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 | 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>-</u> | <u>13,168</u> | <u>(72,754)</u> | <u>-</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 | | | | | | | | 28,246 |
| Taxation | | | | | | | | (8,749) |
| Profit for the financial period | | | | | | | | <u>19,497</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.

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 RM479.2 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 | 8,081 |
| - More than 1 year and within 2 years | 5,439 |
| - More than 2 years and within 5 years | 7,120 |
| | <u>20,640</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 decreased marginally by 0.9% to RM97.3 million for the current quarter as compared to RM98.2 million reported in the preceding year corresponding quarter. The decrease in revenue was mainly due to the completion of EQuator project and Villa Heights project in Seri Kembangan. Despite the decrease in revenue, the pre-tax profit increased by 0.8% to RM13.5 million against the preceding year corresponding quarter's pre-tax profit of RM13.4 million. This was mainly attributable to profit contribution from sale of completed properties in Seri Kembangan as well as profit contribution from da:men mixed development project in USJ, Subang Jaya.

The current quarter's revenue of RM97.3 million and pre-tax profit of RM13.5 million were 19.7% and 20.2% respectively lower as compared to immediate preceding quarter's revenue of RM121.2 million and pre-tax profit of RM17.0 million. This was primarily due to lower revenue and profit recognition from da:men mixed development project in USJ, Subang Jaya in the current quarter.

2. COMMENTARY ON PROSPECTS

The Malaysian economy registered a growth of 5.8% in the fourth quarter of 2014, driven mainly by private sector spending. Bank Negara Malaysia reported that the Malaysian economy is expected to remain on a steady growth path.

However, the recent drop in crude oil prices posed a significant challenge to the Government's revenue and this in turn affected the outlook for Malaysian economy. Thereupon, the Government revised its Budget 2015 with GDP forecast being revised downwards to 4.5-5.5% from 5-6%. The uncertain economic outlook coupled with buyers maintaining a cautious approach have adversely affected the overall sentiment of the property industry generally. Nevertheless, the Group is confident to maintain its performance given that our land banks are mainly located at strategic development area and established townships.

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 31.12.2014 RM'000 | Preceding Year Corresponding Quarter 31.12.2013 RM'000 | Current Year To Date 31.12.2014 RM'000 | Preceding Year To Date 31.12.2013 RM'000 |
|-------------------------|---|---|---|---|
| Current period taxation | (7,923) | (5,098) | (18,691) | (9,606) |
| Deferred taxation | 218 | 267 | 716 | 857 |
| | (7,705) | (4,831) | (17,975) | (8,749) |

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, except as follows:

- a) 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")

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

On 17 November 2014, the Company announced that it had 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. The Entitlement Date had 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, on 2 December 2014, the Abridged Prospectus was disseminated to shareholders.

On 24 December 2014, the Company announced that it had received valid acceptances and excess applications for a total of 230,262,355 Rights Shares together with the corresponding number of Warrants (on the basis of two (2) Rights Shares together with one (1) free Warrant for every two (2) existing Shares ("Basis") as at the closing date on 17 December 2014. This represents an over-subscription of approximately 1.29% over the total number of 227,338,321 Rights Shares together with the corresponding number of Warrants in accordance with the Basis available for subscription under the Rights Issue with Warrants.

On 31 December 2014, the Company announced that GOB's additional 227,338,321 new ordinary shares of RM0.50 each and GOB's 113,669,147 Warrants were issued pursuant to the Rights Issue with Warrants.

On 2 January 2015, the Company announced that the Rights Issue with Warrants had been completed following the listing of and quotation for 227,338,321 Rights Shares and 113,669,147 Warrants on the Main Market of Bursa Securities respectively.

On 16 January 2015, the Company announced that pursuant to the completion of the Rights Issue with Warrants exercise and in accordance with the provisions set out in the By-Laws, the ESOS option price had been adjusted from RM1.00 to RM0.76 and an additional 3,096,187 number of ESOS options had been issued on the same day.

- b) 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. The proposed disposal is pending the fulfilment of conditions precedent which amongst others, include obtaining approval from the Company's shareholders at an extraordinary general meeting to be convened.

6. BORROWINGS AND DEBT SECURITIES

| | As at 31.12.2014 RM'000 | As at 31.03.2014 RM'000 |
|------------------------------|--|--|
| Short term borrowings: | | |
| Bank borrowings | 116,000 | 104,500 |
| Hire-purchase creditors | 533 | 425 |
| Bank overdrafts | 416 | 580 |
| | <u>116,949</u> | <u>105,505</u> |
| Long term borrowings: | | |
| Redeemable Preference Shares | 961 | - |
| Bank borrowings | 192,018 | 115,512 |
| Hire-purchase creditors | 607 | 875 |
| | <u>193,586</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 31.12.2014 | Preceding Year Corresponding Quarter 31.12.2013 | Current Year To Date 31.12.2014 | Preceding Year To Date 31.12.2013 |
|---|--|--|--|--|
| Profit attributable to equity holders of the Company (RM'000) | 5,405 | 8,603 | 20,406 | 19,497 |
| Weighted average number of ordinary shares in issue ('000) | 231,472 | 227,338 | 231,472 | 227,338 |
| Basic earnings per share (sen) | 2.34 | 3.78 | 8.82 | 8.58 |

b) Diluted

ESOS granted and warrants are excluded from the diluted earnings per share calculation because their effects are anti-dilutive.

10. PROFIT BEFORE TAX

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

| | Current Year Quarter 31.12.2014 RM'000 | Preceding Year Corresponding Quarter 31.12.2013 RM'000 | Current Year To Date 31.12.2014 RM'000 | Preceding Year To Date 31.12.2013 RM'000 |
|--|---|---|---|---|
| After Charging: | | | | |
| Interest expenses | 1,792 | 773 | 4,782 | 1,674 |
| Depreciation and amortization | 850 | 697 | 2,434 | 2,299 |
| Loss on disposal of property, plant and equipment | 28 | 1,299 | 28 | 1,302 |
| Property, plant and equipment written off | 300 | 61 | 325 | 61 |
| Provision for liquidated and ascertained damages | - | - | 12 | 16 |
| Provision for bumiputra quota penalties | 89 | - | 89 | 51 |
| Provision for sales incentives | 1,043 | 1,672 | 1,043 | 1,672 |
| ESOS granted | - | - | 6,410 | - |
| After Crediting | | | | |
| Interest income | 625 | 612 | 1,260 | 1,319 |
| Reversal of provision for liquidated and ascertained damages | - | 5 | - | 128 |

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 31.12.2014 RM'000 | As at 31.03.2014 RM'000 |
|---|--|--|
| Total retained profits of the Company and its subsidiaries | | |
| – Realised | 100,703 | 80,495 |
| – Unrealised | 19,777 | 19,834 |
| | <hr/> 120,480 | <hr/> 100,329 |
| Less: Consolidation adjustments | (35,898) | (36,153) |
| Total Group retained earnings as per statements of financial position | <hr/> 84,582 | <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 16 February 2015.

By Order of the Board
Chin Pei Fung (MAICSA 7029712)
Company Secretary
Selangor Darul Ehsan
16 February 2015