

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 March 2015 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

During the quarter under review, no ordinary shares were allotted to the employees of the Group as no ESOS options had been exercised. As at 31 March 2015, a total of 12,386,187 ESOS options to subscribe for ordinary shares of RM0.50 each remain unexercised.

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	Trading	Investment	Others	Elimination	Total
	development			holding			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Results For 12 Months Ended							
31 March 2015							
Revenue							
External sales	372,358	-	47,698	-	25,691	-	445,747
Inter-segment sales	-	48,641	-	6,500	-	(55,141)	-
	<u>372,358</u>	<u>48,641</u>	<u>47,698</u>	<u>6,500</u>	<u>25,691</u>	<u>(55,141)</u>	<u>445,747</u>
Results							
Segment results	79,423	1,236	13,550	(237)	(10,964)	(16,384)	66,624
Unallocated expenses:							
- Finance costs							(6,584)
- Share of results of jointly controlled entity							(149)
Profit before tax							<u>59,891</u>
Taxation							<u>(24,884)</u>
Profit for the financial year							<u>35,007</u>

Group	Property	Construction	Trading	Investment	Others	Elimination	Total
	development			holding			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Results For 12 Months Ended							
31 March 2014							
Revenue							
External sales	332,563	-	-	-	19,539	-	352,102
Inter-segment sales	-	103,266	-	-	-	(103,266)	-
	<u>332,563</u>	<u>103,266</u>	<u>-</u>	<u>-</u>	<u>19,539</u>	<u>(103,266)</u>	<u>352,102</u>
Results							
Segment results	103,674	7,028	-	(1,752)	(9,542)	(42,768)	56,640
Unallocated expenses:							
- Finance costs							(2,412)
Profit before tax							<u>54,228</u>
Taxation							<u>(15,188)</u>
Profit for the financial year							<u>39,040</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 12 May 2015, the Group acquired the entire equity interest of the following companies for a cash consideration of RM2.00 each for purpose of future business ventures:

- (a) Arena Pedoman Sdn Bhd, a private limited company incorporated in Malaysia under the Companies Act, 1965 on 16 October 2013, with an authorised share capital of RM400,000.00 comprising 400,000 ordinary shares of RM1.00 each, of which 2 ordinary shares have been issued and fully paid-up; and
- (b) Johan Awana Sdn Bhd, a private limited company incorporated in Malaysia under the Companies Act, 1965 on 18 April 2014, with an authorised share capital of RM400,000.00 comprising 400,000 ordinary shares of RM1.00 each, of which 2 ordinary shares have been issued and fully paid-up.

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 23 March 2015, Global Oriental (Hong Kong) Limited, a wholly-owned subsidiary of GOB subscribed for HKD10,000.00 in each of the following companies ("Companies") for the purpose of venturing into food and beverage business in the People's Republic of China ("PRC"). The Companies have become the wholly-owned subsidiaries of GOB following the subscription of capital:

- (a) Dalian Wanwan Food and Beverage Management Co. Ltd, a limited liability company incorporated in PRC with an initial capital of HKD10,000.00;
- (b) Dalian Wanwan Bakery Co. Ltd, a limited liability company incorporated in PRC with an initial capital of HKD10,000.00;
- (c) Dalian Wanwan Milk Tea Co. Ltd, a limited liability company incorporated in PRC with an initial capital of HKD10,000.00;
- (d) Dalian Wanwan Japanese Coffee Co. Ltd, a limited liability company incorporated in PRC with an initial capital of HKD10,000.00;
- (e) Dalian Wanwan Italian Coffee Co. Ltd, a limited liability company incorporated in PRC with an initial capital of HKD10,000.00;

- (f) Dalian Wanwan Grocery Co. Ltd, a limited liability company incorporated in PRC with an initial capital of HKD10,000.00; and
- (g) Dalian Wanxiang Food and Beverage Co. Ltd, a limited liability company incorporated in PRC with an initial capital of HKD10,000.00.

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 RM456.0 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	7,798
- More than 1 year and within 2 years	5,325
- More than 2 years and within 5 years	5,846
	18,969

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	19,310

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

1. REVIEW OF PERFORMANCE

The Group's revenue increased by 44.4% to RM134.6 million for the current quarter as compared to RM93.2 million reported in the preceding year corresponding quarter. The increase in revenue was mainly attributable to higher revenue recognition from da:men mixed development project in USJ, Subang Jaya. However, the pre-tax profit of RM19.8 million was 23.8% lower as compared to preceding year corresponding quarter's pre-tax profit of RM26.0 million mainly due to higher margin recognised on its development projects in Seri Kembangan in the preceding year corresponding quarter coupled with an increase in operating expenses incurred during the current quarter.

The current quarter's revenue of RM134.6 million and pre-tax profit of RM19.8 million were 38.3% and 46.2% respectively higher as compared to immediate preceding quarter's revenue of RM97.3 million and pre-tax profit of RM13.5 million. The improvement in the Group's revenue and pre-tax profit was mainly attributable to higher revenue recognition and profit contribution from da:men mixed development project in USJ, Subang Jaya.

2. COMMENTARY ON PROSPECTS

The Malaysian economy registered a growth of 5.6% in the first quarter of 2015, driven mainly by private sector demand. Bank Negara Malaysia reported that the Malaysian economy is expected to remain on a steady growth path while domestic demand will remain the key driver of growth amid lower oil prices.

The Malaysian property market is expected to remain challenging in 2015 with concerns on oversupply of properties, banks' credit tightening measures as well as increased purchasers' cautious sentiments after the implementation of Goods and Services Tax on 1 April 2015. Nevertheless, the Group is confident to maintain its performance given that our land banks are mainly located at strategic development areas including in Kuala Lumpur.

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 31.03.2015 RM'000	Preceding Year Corresponding Quarter 31.03.2014 RM'000	Current Year To Date 31.03.2015 RM'000	Preceding Year To Date 31.03.2014 RM'000
Current period taxation	(44,753)	(10,551)	(63,444)	(20,157)
Deferred taxation	37,844	4,112	38,560	4,969
	(6,909)	(6,439)	(24,884)	(15,188)

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

- (a) Rights issue of 227,338,321 new ordinary shares of RM0.50 each in GOB together with 113,669,160 free detachable warrants (“Rights Issue with Warrants”)

The total gross proceeds raised from the Rights Issue amounted to RM113.67 million. The status of the utilisation of proceeds as at 31 March 2015 is as follows:

Details of utilisation	Proposed Utilisation RM'000	Actual Utilisation RM'000	Reclassified RM'000	Balance Utilisation RM'000	Timeframe for Utilisation
Repayment of borrowings	58,650	58,700	50	-	Within 18 months
Working capital	52,269	47,508	295	5,056	Within 24 months
Expenses for Rights Issue with Warrants	2,750	2,405	(345)*	-	Within 6 months
Total	113,669	108,613	-	5,056	

* The balance unutilised amount under Expenses for Rights Issue with Warrants of RM345,248 had been reclassified for repayment of borrowings and working capital purposes.

- (b) Disposal of two parcels of leasehold land located in Mukim Petaling, Daerah Petaling, Negeri Selangor by Taman Equine Industrial Sdn Bhd, a wholly-owned subsidiary of GOB

The disposal has been completed on 1 April 2015.

There were no corporate proposals that have been announced but not yet completed as at the date of this report.

6. BORROWINGS AND DEBT SECURITIES

	As at 31.03.2015 RM'000	As at 31.03.2014 RM'000
Short term borrowings:		
Bank borrowings	64,700	104,500
Hire-purchase creditors	585	425
Bank overdrafts	3,138	580
	<u>68,423</u>	<u>105,505</u>
Long term borrowings:		
Redeemable preference shares	961	-
Bank borrowings	185,182	115,512
Hire-purchase creditors	477	875
	<u>186,620</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 31.03.2015	Preceding Year Corresponding Quarter 31.03.2014	Current Year To Date 31.03.2015	Preceding Year To Date 31.03.2014
Profit attributable to equity holders of the Company (RM'000)	11,050	19,543	31,456	39,040
Weighted average number of ordinary shares in issue ('000)	286,509	227,338	286,509	227,338
Basic earnings per share (sen)	3.86	8.60	10.98	17.17

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 31.03.2015 RM'000	Preceding Year Corresponding Quarter 31.03.2014 RM'000	Current Year To Date 31.03.2015 RM'000	Preceding Year To Date 31.03.2014 RM'000
After Charging:				
Interest expenses	1,802	738	6,584	2,412
Depreciation and amortization	871	699	3,305	2,998
Loss on disposal of property, plant and equipment	163	-	191	1,262
Property, plant and equipment written off	763	55	1,088	116
Provision for liquidated and ascertained damages	1,246	1	1,258	17
Provision for bumiputra quota penalties	1,422	1,271	1,511	1,322
Provision for sales incentives	1,992	2,528	3,035	4,200
ESOS granted	-	-	6,410	-
Allowance for doubtful debts	-	108	-	108
Bad debts written off	-	2	-	2
Share of loss of jointly controlled entity	149	-	149	-
After Crediting				
Interest income	930	863	2,190	2,182
Reversal of provision for liquidated and ascertained damages	-	25	-	153
Gain on disposal of assets held for sale	-	524	-	524
Unrealised gain on foreign exchange	288	-	288	-

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 or loss, gain or loss on derivatives and exceptional items for the current quarter under review.

11. DISCLOSURE ON REALISED AND UNREALISED PROFITS

	As at 31.03.2015 RM'000	As at 31.03.2014 RM'000
Total retained profits of the Company and its subsidiaries		
– Realised	79,141	80,495
– Unrealised	57,593	19,834
	<u>136,734</u>	<u>100,329</u>
Less: Consolidation adjustments	(40,950)	(36,153)
Total Group retained earnings as per statements of financial position	<u>95,784</u>	<u>64,176</u>

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 May 2015.

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