

**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 2015. 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 2015.

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 2015, except for the compliance with the new/revised Financial Reporting Standards (“FRSs”) that came into effect during the financial quarter under review.

The adoption of the new/revised FRSs that came into effect during the financial quarter under review do not have any significant financial impact on the Group’s financial result for the financial quarter under review nor the Group’s shareholders’ funds as at 30 June 2015.

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 allowed to defer the adoption of the MFRS Framework until such time as mandated by the MASB. On 2 September 2014, MASB announced that Transitioning Entities which have chosen to continue with the FRS Framework are now required to adopt the MFRS Framework latest by 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 2015 was not qualified.

**3. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS**

The Group's performance for the quarter ended 30 June 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 30 June 2015, a total of 11,579,554 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 and distribution	Investment	Others	Elimination	Total
	<u>development</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<b>Results For 3 Months Ended</b>							
<b>30 June 2015</b>							
<b>Revenue</b>							
External sales	209,477	-	7,633	-	6,915	-	224,025
Inter-segment sales	-	11,390	-	-	-	(11,390)	-
	<u>209,477</u>	<u>11,390</u>	<u>7,633</u>	<u>-</u>	<u>6,915</u>	<u>(11,390)</u>	<u>224,025</u>
<b>Results</b>							
Segment results	135,112	(7)	1,284	155	(4,440)	(19,719)	112,385
Unallocated expenses:							
- Finance costs							(1,240)
- Share of results of joint venture							(248)
Profit before tax							<u>110,897</u>
Taxation							<u>(31,769)</u>
Profit for the financial period							<u>79,128</u>

Group	Property	Construction	Trading and Distribution	Investment	Others	Elimination	Total
	<u>development</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<b>Results For 3 Months Ended</b>							
<b>30 June 2014</b>							
<b>Revenue</b>							
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>-</u>	<u>17,384</u>	<u>(11,290)</u>	<u>92,618</u>
<b>Results</b>							
Segment results	13,521	569	-	(1,041)	(271)	(1,324)	11,454
Unallocated expenses:							
- Finance costs							(1,891)
Profit before tax							<u>9,563</u>
Taxation							<u>(3,485)</u>
Profit for the financial period							<u>6,078</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 2015.

## **10. SUBSEQUENT EVENTS**

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

- (a) On 3 July 2015, GOB acquired the remaining 35% equity interest in Perwira Nadi Trading Sdn Bhd for a cash consideration of RM27.0 million.
- (b) On 11 August 2015, the Group announced that Pertanian Taman Equine Sdn Bhd, a wholly-owned subsidiary of GOB had entered into a conditional sale and purchase agreement with Kemaris Residences Sdn Bhd for the disposal of a parcel of leasehold land located in Mukim Petaling, Daerah Petaling, Negeri Selangor measuring approximately 19.24 acres, for a cash consideration of RM43.30 million.

## **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 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.

## **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 RM414.0 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:

	<b>RM'000</b>
Future minimum rentals payable:	
- Not later than 1 year	6,769
- More than 1 year and within 2 years	5,211
- More than 2 years and within 5 years	<u>4,572</u>
	<u>16,552</u>

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

(b) Other commitment

	<b>RM'000</b>
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**

For the current quarter under review, the Group recorded a revenue and pre-tax profit of RM224.0 million and RM110.9 million respectively as compared to RM92.6 million and RM9.6 million in the preceding year corresponding quarter. The better results for both revenue and pre-tax profit in the current quarter was mainly attributable to the completion of the sale of two parcels of leasehold land in Seri Kembangan coupled with higher revenue recognition and profit contribution from da:men mixed development project in USJ, Subang Jaya.

The Group registered a revenue of RM224.0 million as compared to RM133.9 million recorded in the immediate preceding quarter. The increase in revenue was mainly attributable to revenue recognised upon completion of sale of two parcels of leasehold land in Seri Kembangan. In line with revenue growth, the Group's pre-tax profit increased to RM110.9 million as compared to immediate preceding quarter's pre-tax profit of RM18.7 million.

### **2. COMMENTARY ON PROSPECTS**

The Malaysian economy registered a growth of 4.9% in the second 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 still remain the key driver of growth.

With the above outlook and the continued weakening of the ringgit against most currencies, the Malaysian property market in general is expected to remain challenging in 2015 with concerns on banks' credit tightening measures as well as increased purchasers' cautious sentiments. Nevertheless, the Group's projects progress satisfactory and continue to contribute to the earnings of the Group for the remainder of the financial year.

### **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**

	<b>Current Year Quarter 30.06.2015 RM'000</b>	<b>Preceding Year Corresponding Quarter 30.06.2014 RM'000</b>	<b>Current Year To Date 30.06.2015 RM'000</b>	<b>Preceding Year To Date 30.06.2014 RM'000</b>
Current period taxation	(3,886)	(3,927)	(3,886)	(3,927)
Deferred taxation	(27,883)	442	(27,883)	442
	<b>(31,769)</b>	<b>(3,485)</b>	<b>(31,769)</b>	<b>(3,485)</b>

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:

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 30 June 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	52,564	295	-	Within 24 months
Expenses for Rights Issue with Warrants	2,750	2,405	(345)*	-	Within 6 months
<b>Total</b>	<b>113,669</b>	<b>113,669</b>	<b>-</b>	<b>-</b>	

\* 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.

## 6. BORROWINGS AND DEBT SECURITIES

	As at 30.06.2015 RM'000	As at 31.03.2015 RM'000
Short term borrowings:		
Bank borrowings	36,003	38,000
Hire-purchase creditors	346	437
Bank overdrafts	3,459	3,145
	<u>39,808</u>	<u>41,582</u>
Long term borrowings:		
Redeemable preference shares	961	961
Bank borrowings	230,423	211,879
Hire-purchase creditors	597	625
	<u>231,981</u>	<u>213,465</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.

	<b>Current Year Quarter 30.06.2015</b>	<b>Preceding Year Corresponding Quarter 30.06.2014</b>	<b>Current Year To Date 30.06.2015</b>	<b>Preceding Year To Date 30.06.2014</b>
Profit attributable to equity holders of the Company (RM'000)	78,800	5,479	78,800	5,479
Weighted average number of ordinary shares in issue ('000)	454,677	227,338	454,677	227,338
Basic earnings per share (sen)	17.33	2.41	17.33	2.41

### 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:

	<b>Current Year Quarter 30.06.2015 RM'000</b>	<b>Preceding Year Corresponding Quarter 30.06.2014 RM'000</b>	<b>Current Year To Date 30.06.2015 RM'000</b>	<b>Preceding Year To Date 30.06.2014 RM'000</b>
<b>After Charging:</b>				
Interest expenses	1,240	1,891	1,240	1,891
Depreciation and amortization	1,027	787	1,027	787
Property, plant and equipment written off	47	1	47	1
Share of results of joint venture	248	-	248	-
Provision for liquidated and ascertained damages	5,221	-	5,221	-
<b>After Crediting</b>				
Interest income	605	477	605	477



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

	<b>As at 30.06.2015 RM'000</b>	<b>As at 31.03.2015 RM'000</b>
Total retained profits of the Company and its subsidiaries		
– Realised	230,602	106,624
– Unrealised	22,880	56,833
	<hr/> 253,482	<hr/> 163,457
Less: Consolidation adjustments	(79,820)	(68,743)
Total Group retained earnings as per statements of financial position	<hr/> 173,662	<hr/> 94,714

#### 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 August 2015.

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