

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 September 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 September 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 September 2015, a total of 11,426,227 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		and				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Results For 6 Months Ended							
30 September 2015							
Revenue							
External sales	230,277	-	14,146	-	15,595	-	260,018
Inter-segment sales	-	29,248	-	-	-	(29,248)	-
	<u>230,277</u>	<u>29,248</u>	<u>14,146</u>	<u>-</u>	<u>15,595</u>	<u>(29,248)</u>	<u>260,018</u>
Results							
Segment results	133,437	650	1,934	2,497	(9,412)	(30,887)	98,219
Unallocated expenses:							
- Finance costs							(1,248)
- Share of results of joint venture							(474)
Profit before tax							<u>96,497</u>
Taxation							<u>(30,167)</u>
Profit for the financial period							<u>66,330</u>

Group	Property	Construction	Trading	Investment	Others	Elimination	Total
	development		and				
	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>

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) The acquisition of remaining 35% equity interest in Perwira Nadi Trading Sdn Bhd was completed on 12 October 2015.
- (b) On 16 November 2015, the Group acquired the entire equity interest in the following companies for a cash consideration of RM2.00 each for purpose of future business ventures:
 - i. Brilliant Integrity Sdn Bhd, a private limited company incorporated in Malaysia under the Companies Act, 1965 on 21 August 2015, 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.
 - ii. Proactive Venture Sdn Bhd, a private limited company incorporated in Malaysia under the Companies Act, 1965 on 19 August 2015, 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.
 - iii. Strategic Delight Sdn Bhd, a private limited company incorporated in Malaysia under the Companies Act, 1965 on 6 July 2015, 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.

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:

	RM'000
Future minimum rentals payable:	
- Not later than 1 year	5,858
- More than 1 year and within 2 years	5,046
- More than 2 years and within 5 years	3,350
	<u>14,254</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 registered a revenue of RM36.0 million as compared to RM121.2 million recorded in the preceding year corresponding quarter. Lower revenue was mainly attributable to lower revenue recognition from da:men mixed development project in USJ, Subang Jaya which is near completion and completion of Equator project in Seri Kembangan in the preceding year corresponding quarter. Trading and distribution business also registered lower sales in the current quarter. The Group recorded loss before tax of RM14.4 million for the current year quarter under review as compared to pre-tax profit of RM17.0 million in the preceding year corresponding quarter. The decrease was mainly due to lower profit contribution from da:men and development projects in Seri Kembangan and additional costs incurred for da:men retail mall as well as losses occurred in the food & beverage division.

Group revenue decreased to RM36.0 million for the current quarter as compared to RM224.0 million for the immediate preceding quarter. The 84% decrease was mainly attributed to revenue recognition from sale of two parcels of leasehold land in Seri Kembangan in the immediate preceding quarter. The Group recorded a pre-tax loss of RM14.4 million for the current quarter as compared to pre-tax profit of RM110.9 million for the immediate preceding quarter. The decrease was mainly due to higher profit contribution from sale of lands in Seri Kembangan in the last quarter, additional costs incurred for da:men retail mall and higher losses occurred in the food & beverage division in the current quarter.

2. COMMENTARY ON PROSPECTS

The Malaysian economy recorded a lower growth of 4.7% in the third quarter of 2015 as compared to 4.9% in the second quarter of 2015. Bank Negara Malaysia reported that the Malaysian economy is expected to expand within the region of 4.5 – 5.5% this year and 4 – 5% in 2016 while domestic demand will continue to be the main driver of growth, supported mainly by the private sector activity.

Despite continued growth in the local economy, total value of property transactions declined 6% year on year and in terms of volume, property transactions fell 3.5% during the first six months of the year. In general, the Malaysian property market is expected to remain challenging due to weak consumer sentiment coupled with banks' credit tightening measures. Nevertheless, the Group's development projects are expected to continue to contribute positively 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

	Current Year Quarter 30.09.2015 RM'000	Preceding Year Corresponding Quarter 30.09.2014 RM'000	Current Year To Date 30.09.2015 RM'000	Preceding Year To Date 30.09.2014 RM'000
Current period taxation	2,307	(6,841)	(1,579)	(10,768)
Deferred taxation	(705)	56	(28,588)	498
	1,602	(6,785)	(30,167)	(10,270)

The effective tax rate for the current quarter was lower than the statutory tax rate principally due to write-back of overprovision of tax liability in respect of prior year.

5. CORPORATE PROPOSALS

There were no corporate proposals announced but not completed as at the date of this report, except as follows:

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.

6. BORROWINGS AND DEBT SECURITIES

	As at 30.09.2015 RM'000	As at 31.03.2015 RM'000
Short term borrowings:		
Bank borrowings	67,003	38,000
Hire-purchase creditors	346	437
Bank overdrafts	295	3,145
	67,644	41,582
Long term borrowings:		
Redeemable preference shares	961	961
Bank borrowings	254,462	211,879
Hire-purchase creditors	451	625
	255,874	213,465

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/(loss) for the period by the weighted average number of ordinary shares in issue during the financial period.

	Current Year Quarter 30.09.2015	Preceding Year Corresponding Quarter 30.09.2014	Current Year To Date 30.09.2015	Preceding Year To Date 30.09.2014
(Loss)/Profit attributable to equity holders of the Company (RM'000)	(12,965)	9,522	65,835	15,001
Number of ordinary shares in issue ('000)	454,677	227,338	454,677	227,338
Basic earnings per share (sen)	(2.85)	4.19	14.48	6.60

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 30.09.2015 RM'000	Preceding Year Corresponding Quarter 30.09.2014 RM'000	Current Year To Date 30.09.2015 RM'000	Preceding Year To Date 30.09.2014 RM'000
After Charging:				
Interest expenses	8	1,099	1,248	2,990
Depreciation and amortization	1,203	797	2,230	1,584
Property, plant and equipment written off	12	24	59	25
Share of results of joint venture	226	-	474	-
Provision for foreseeable losses	6,500	-	6,500	-
Provision for liquidated and ascertained damages	1,171	12	6,392	12
Share option granted under ESOS	-	6,410	-	6,410

After Crediting				
Interest income	23	158	628	635
Gain on disposal of property, plant and equipment	96	-	96	-

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 30.09.2015 RM'000	As at 31.03.2015 RM'000
Total retained profits of the Company and its subsidiaries		
– Realised	223,600	106,624
– Unrealised	21,829	56,833
	<hr/> 245,429	<hr/> 163,457
Less: Consolidation adjustments	(84,535)	(68,743)
Total Group retained earnings as per statements of financial position	<hr/> 160,894	<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 25 November 2015.

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