

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 2016. 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 2016.

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 2016, except for the compliance with the new/revised Financial Reporting Standards (“FRSs”) that are effective for the financial period beginning on or after 1 January 2016.

The adoption of the new/revised FRSs that came into effect during the current financial year is not expected to have any material impact on the financial statements of 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 are 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 effective date of MFRS 15 was subsequently deferred to annual periods beginning on or after 1 January 2018.

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 2019 when the MFRS Framework is mandated by MASB.

The Group is currently assessing the possible financial impacts that may arise from the adoption of MFRSs and the process is still ongoing.

2. AUDITORS’ REPORT ON REPORTING ANNUAL FINANCIAL STATEMENTS

The auditors’ report on the financial statements of GOB for the financial year ended 31 March 2016 was not qualified.

3. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS

The Group's performance for the quarter ended 30 September 2016 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 2016, a total of 9,472,970 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

On 30 September 2016, the Company paid an interim single-tier dividend of 1% for every ordinary share of RM0.50 each amounting to RM2,273,377.67 in respect of the financial year ending 31 March 2017.

8. SEGMENTAL INFORMATION

a) Business Segments

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 2016							
Revenue							
External sales	86,824	-	12,089	-	18,369	-	117,282
Inter-segment sales	-	33,997	-	-	-	(33,997)	-
	<u>86,824</u>	<u>33,997</u>	<u>12,089</u>	<u>-</u>	<u>18,369</u>	<u>(33,997)</u>	<u>117,282</u>

Results

Segment results	(7,962)	1,155	1,899	24,723	(7,104)	(15,014)	(2,303)
Unallocated expenses:							
- Finance costs							(3,159)
- Share of results of joint ventures							(101)
- Share of results of associate companies							(2,623)
Loss before tax							(8,186)
Taxation							(3,063)
Loss for the financial period							<u>(11,249)</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 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 ventures							(474)
Profit before tax							96,497
Taxation							(30,167)
Profit for the financial period							<u>66,330</u>

b) Geographical Segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers.

	Current Year Quarter 30.09.2016 RM'000	Preceding Year Corresponding Quarter 30.09.2015 RM'000	Current Year To Date 30.09.2016 RM'000	Preceding Year To Date 30.09.2015 RM'000
Revenue				
Malaysia	56,772	33,937	113,486	257,049
China	1,523	2,056	3,796	2,969
	58,295	35,993	117,282	260,018

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 2016.

10. SUBSEQUENT EVENTS

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

On 25 October 2016, the Group acquired the entire issued and paid-up share capital of Midas Meridian Sdn Bhd, a private limited company incorporated in Malaysia under the Companies Act, 1965 on 4 August 2016, 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, for a cash consideration of RM2.00.

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:

- (a) On 24 August 2016, the Group acquired the entire equity interest in the following companies for a cash consideration of RM2.00 each:
 - i. First Integrated Sdn Bhd, a private limited company incorporated in Malaysia under the Companies Act, 1965 on 20 July 2016, 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. Ultimate Destiny Sdn Bhd, a private limited company incorporated in Malaysia under the Companies Act, 1965 on 20 July 2016, 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.

- (b) On 6 September 2016, the Group entered into a sale and purchase agreement with China Honest Holdings Limited for the disposal of 24,000,000 ordinary shares of HKD1.00 each, representing 60% equity interest in Global Oriental (Hong Kong) Limited (“GOHKL”) for a cash consideration of RM6.0 million.

GOHKL is a private limited company incorporated in Hong Kong under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) on 20 March 2014, with 40,000,000 ordinary shares of HKD 1.00 each. GOHKL is an investment holding company. The following companies which were incorporated in the People’s Republic of China are wholly-owned by GOHKL:

- (i) Dalian Wanwan Food and Beverage Management Co. Ltd;
- (ii) Dalian Wanwan Bakery Co. Ltd;
- (iii) Dalian Wanwan Milk Tea Co. Ltd;
- (iv) Dalian Wanwan Japanese Coffee Co. Ltd;
- (v) Dalian Wanwan Italian Coffee Co. Ltd;
- (vi) Dalian Wanwan Grocery Co. Ltd; and
- (vii) Dalian Wanxiang Food and Beverage Co. Ltd.

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 RM123.0 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	7,013
- More than 1 year and within 2 years	4,589
- More than 2 years and within 5 years	948
	<u>12,550</u>

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

(b) Other commitment

Approved but not contracted for:

RM'000

- Development Agreement for proposed development of land in Kuala Lumpur

247,250

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

1. REVIEW OF PERFORMANCE

The Group recorded a revenue of RM58.3 million as compared to RM36.0 million of the preceding year corresponding quarter. The higher revenue was mainly due to increased revenue recognition from development projects in Seri Kembangan and USJ, Subang Jaya during the current quarter. The Group recorded a pre-tax profit of RM4.6 million for the current quarter as compared to pre-tax loss of RM14.4 million for the preceding year corresponding quarter. The profit was mainly due to the above development projects and gain on disposal of a subsidiary company in the current quarter.

For the current quarter, the Group's revenue decreased marginally to RM58.3 million as compared to RM59.0 million for the immediate preceding quarter. The decrease in revenue was mainly due to lower progressive recognition from a development project in USJ, Subang Jaya in the current quarter. The Group achieved a pre-tax profit of RM4.6 million for the current quarter as compared to a pre-tax loss of RM12.8 million for the immediate preceding quarter which was mainly from the gain on disposal of a subsidiary in the current quarter.

2. COMMENTARY ON PROSPECTS

Bank Negara Malaysia reported that Malaysian economy expanded by 4.3% in the third quarter of 2016 (2Q 2016: 4.0%), underpinned mainly by continued expansion in private sector spending and additional support from net exports.

Nevertheless, the overall property industry remains challenging with subdued consumer sentiments. In addition, the retail market and consumer consumption had slowed significantly. With these challenges ahead, the Group continue to rationalise the Group's investments and exercise prudence over projects development and upcoming launches and also business operations 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 30.09.2016 RM'000	Preceding Year Corresponding Quarter 30.09.2015 RM'000	Current Year To Date 30.09.2016 RM'000	Preceding Year To Date 30.09.2015 RM'000
Current period taxation	(2,160)	2,307	(3,374)	(1,579)
Deferred taxation	49	(705)	311	(28,588)
	(2,111)	1,602	(3,063)	(30,167)

The effective tax rate is not reflective of 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:

On 6 June 2016, Sering Manis Sdn Bhd, a 51% owned subsidiary company of GOB entered into a sale and purchase agreement with an independent third party to acquire a parcel of freehold land located in Mukim Bentong, Daerah Bentong, Pahang Darul Makmur measuring in total approximately 279.86 acres, for a cash consideration of RM170.67 million.

The acquisition is pending fulfillment of conditions precedent.

6. BORROWINGS AND DEBT SECURITIES

	As at 30.09.2016 RM'000	As at 31.03.2016 RM'000
Short term borrowings:		
Bank borrowings	59,434	69,084
Hire-purchase creditors	263	405
Bank overdrafts	9,942	4,976
	<u>69,639</u>	<u>74,465</u>
Long term borrowings:		
Redeemable preference shares	961	961
Bank borrowings	41,005	50,917
Hire-purchase creditors	998	524
	<u>42,964</u>	<u>52,402</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

On 22 August 2016, the Board of Directors declared an interim single-tier dividend of 1% for every ordinary share of RM0.50 each for the financial year ending 31 March 2017.

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 30.09.2016	Preceding Year Corresponding Quarter 30.09.2015	Current Year To Date 30.09.2016	Preceding Year To Date 30.09.2015
Profit/(Loss) attributable to equity holders of the Company (RM'000)	2,505	(12,965)	(11,232)	65,835
Number of ordinary shares in issue ('000)	454,676	454,676	454,676	454,676
Basic earnings per share (sen)	0.55	(2.85)	(2.47)	14.48

b) Diluted

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

10. PROFIT/(LOSS) BEFORE TAX

The following items have been included in arriving at profit/(loss) before tax:

	Current Year Quarter 30.09.2016 RM'000	Preceding Year Corresponding Quarter 30.09.2015 RM'000	Current Year To Date 30.09.2016 RM'000	Preceding Year To Date 30.09.2015 RM'000
After Charging:				
Interest expenses	1,964	8	3,159	1,248
Depreciation and amortization	1,129	1,203	2,783	2,230
Property, plant and equipment written off	-	12	115	59
Share of result of joint ventures	60	226	101	474
Share of result of associated companies	1,526	-	2,623	-
Provision for foreseeable losses	-	6,500	-	6,500
Provision for liquidated and ascertained damages	-	1,171	-	6,392
Impairment of goodwill	-	-	33	-
After Crediting				
Interest income	1,515	23	3,223	628
Gain on disposal of a subsidiary company	21,884	96	22,552	96

There were no provision for write off of receivables, provision for write off of inventories, gain or loss on disposal of quoted 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 30.09.2016 RM'000	As at 31.03.2016 RM'000
Total retained profits of the Company and its subsidiaries		
– Realised	149,472	128,533
– Unrealised	47,453	60,793
	<u>196,925</u>	<u>189,326</u>
Less: Consolidation adjustments	(91,413)	(70,605)
Total Group retained earnings as per statements of financial position	<u>105,512</u>	<u>118,721</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 24 November 2016.

By Order of the Board
Chin Pei Fung (MAICSA 7029712)
Company Secretary
Selangor Darul Ehsan
24 November 2016