

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 31 December 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 31 December 2016, a total of 9,032,988 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

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 9 Months Ended 31 December 2016

Revenue

External sales	155,606	-	18,314	-	26,120	-	200,040
Inter-segment sales	-	46,208	-	-	-	(46,208)	-
	155,606	46,208	18,314	-	26,120	(46,208)	200,040

Results

Segment results	3,762	1,543	2,583	24,904	(4,263)	(15,185)	13,344
Unallocated expenses:							
- Finance costs							(4,526)
- Share of results of joint ventures							(118)
- Share of results of associate companies							(5,107)
Profit before tax							3,593
Taxation							(11,546)
Loss for the financial period							(7,953)

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 9 Months Ended 31 December 2015

Revenue

External sales	237,552	-	19,572	-	24,577	-	281,701
Inter-segment sales	-	40,939	-	-	-	(40,939)	-
	237,552	40,939	19,572	-	24,577	(40,939)	281,701

Results

Segment results	128,048	1,179	2,214	2,323	(16,885)	(37,552)	79,327
Unallocated expenses:							
- Finance costs							(3,169)
- Share of results of joint ventures							(593)
Profit before tax							75,565
Taxation							(30,511)
Profit for the financial period							45,054

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 31.12.2016 RM'000	Preceding Year Corresponding Quarter 31.12.2015 RM'000	Current Year To Date 31.12.2016 RM'000	Preceding Year To Date 31.12.2015 RM'000
Revenue				
Malaysia	82,758	19,570	196,244	276,619
China	-	2,113	3,796	5,082
	82,758	21,683	200,040	281,701

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.

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 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.

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 RM120.0 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	8,394
- More than 1 year and within 2 years	3,081
- More than 2 years and within 5 years	542
	<u>12,017</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	<u>247,250</u>

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

1. REVIEW OF PERFORMANCE

For the current quarter, the Group recorded a revenue of RM82.8 million, and profit before tax of RM11.8 million, compared to a revenue of RM21.7 million and a loss before tax of RM20.9 million for the preceding year corresponding quarter. The better performance over the preceding year corresponding quarter's was mainly attributable to contributions from sale of land as well as higher construction progress achieved across all our development projects in Seri Kembangan.

The Group recorded revenue and profit before tax of RM82.8 million and RM11.8 million respectively as compared to RM58.3 million and RM4.6 million respectively in the immediate preceding quarter. The increase in revenue was mainly contributed by revenue from sale of land and higher progressive recognition from residential development projects in Seri Kembangan. The improved profit before tax was mainly attributable to higher profit contribution from our development projects in Seri Kembangan and also a gain from sale of land.

2. COMMENTARY ON PROSPECTS

Bank Negara Malaysia reported that Malaysian economy grew 4.5% in the fourth quarter of 2016, compared with 4.3% in third quarter of 2016, underpinned by continued expansion in private sector expenditure. For the whole of 2016, GDP grew at a slower pace of 4.2% compared to 5% in 2015.

In view of prevailing weak sentiment in property demand and cautious consumer spending, the Group will continue to launch new projects and also manage current business operations prudently.

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 31.12.2016 RM'000	Preceding Year Corresponding Quarter 31.12.2015 RM'000	Current Year To Date 31.12.2016 RM'000	Preceding Year To Date 31.12.2015 RM'000
Current period taxation	(1,959)	(543)	(5,333)	(2,122)
Deferred taxation	(6,524)	199	(6,213)	(28,389)
	(8,483)	(344)	(11,546)	(30,511)

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 a condition precedent.

6. BORROWINGS AND DEBT SECURITIES

	As at 31.12.2016 RM'000	As at 31.03.2016 RM'000
Short term borrowings:		
Bank borrowings	31,497	69,084
Hire-purchase creditors	452	405
Bank overdrafts	11,113	4,976
	<u>43,062</u>	<u>74,465</u>
Long term borrowings:		
Redeemable preference shares	961	961
Bank borrowings	76,700	50,917
Hire-purchase creditors	707	524
	<u>78,368</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

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 31.12.2016	Preceding Year Corresponding Quarter 31.12.2015	Current Year To Date 31.12.2016	Preceding Year To Date 31.12.2015
Profit/(Loss) attributable to equity holders of the Company (RM'000)	3,296	(21,175)	(7,936)	44,660
Number of ordinary shares in issue ('000)	454,676	454,676	454,676	454,676
Basic earnings per share (sen)	0.72	(4.66)	(1.75)	9.82

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 31.12.2016 RM'000	Preceding Year Corresponding Quarter 31.12.2015 RM'000	Current Year To Date 31.12.2016 RM'000	Preceding Year To Date 31.12.2015 RM'000
After Charging:				
Interest expenses	1,367	1,921	4,526	3,169
Depreciation and amortisation	658	1,183	3,441	3,413
Property, plant and equipment written off	-	-	115	59
Loss on disposal of property, plant and equipment	1	192	1	192
Share of result of joint ventures	17	119	118	593
Share of result of associated companies	2,484	-	5,107	-
Provision for liquidated and ascertained damages	-	-	-	6,392
Impairment of goodwill	-	-	33	-
Allowance for doubtful debts	132	-	132	-
After Crediting:				
Interest income	1,855	407	5,078	1,035
Gain on disposal of a subsidiary companies	29	-	22,581	-
Gain on disposal of property, plant and equipment	-	-	-	96

Reversal of doubtful debts no longer required	-	4	-	4
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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 31.12.2016 RM'000	As at 31.03.2016 RM'000
Total retained profits of the Company and its subsidiaries		
– Realised	192,462	128,533
– Unrealised	41,429	60,793
	<u>233,891</u>	<u>189,326</u>
Less: Consolidation adjustments	(124,855)	(70,605)
Total Group retained earnings as per statements of financial position	<u>109,036</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 22 February 2017.

By Order of the Board
Chin Pei Fung (MAICSA 7029712)
Company Secretary
Selangor Darul Ehsan
22 February 2017