

**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 March 2017 was not affected by any 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 option was exercised. As at 31 March 2017, a total of 8,732,999 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 and distribution	Investment	Others	Elimination	Total
	development			holding			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Results For Year Ended</b>							
<b>31 March 2017</b>							
<b>Revenue</b>							
External sales	188,664	-	21,892	-	35,721	-	246,277
Inter-segment sales	-	60,112	-	-	-	(60,112)	-
	<u>188,664</u>	<u>60,112</u>	<u>21,892</u>	<u>-</u>	<u>35,721</u>	<u>(60,112)</u>	<u>246,277</u>

### Results

Segment results	27,469	202	2,927	22,372	(10,373)	(12,139)	30,458
Unallocated expenses:							
- Finance costs							(7,751)
- Share of results of joint ventures							(118)
- Share of results of an associated company							(3,059)
Profit before tax							<u>19,530</u>
Taxation							<u>(12,215)</u>
Profit for the financial year							<u>7,315</u>

Group	Property	Construction	Trading and distribution	Investment	Others	Elimination	Total
	development			holding			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Results For Year Ended</b>							
<b>31 March 2016</b>							
<b>Revenue</b>							
External sales	751,593	-	23,223	-	35,094	-	809,910
Inter-segment sales	-	69,840	-	-	-	(69,840)	-
	<u>751,593</u>	<u>69,840</u>	<u>23,223</u>	<u>-</u>	<u>35,094</u>	<u>(69,840)</u>	<u>809,910</u>

### Results

Segment results	47,627	3,185	1,887	88,905	(30,516)	(24,182)	86,906
Unallocated expenses:							
- Finance costs							(5,713)
- Share of results of joint ventures							(379)
- Share of results of an associated company							(11)
Profit before tax							<u>80,803</u>
Taxation							<u>(41,498)</u>
Profit for the financial year							<u>39,305</u>

## b) Geographical Segments

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

	<b>Current Year Quarter 31.03.2017 RM'000</b>	<b>Preceding Year Corresponding Quarter 31.03.2016 RM'000</b>	<b>Current Year To Date 31.03.2017 RM'000</b>	<b>Preceding Year To Date 31.03.2016 RM'000</b>
<b>Revenue</b>				
Malaysia	46,237	526,095	242,481	802,714
China	-	2,114	3,796	7,196
	<b>46,237</b>	<b>528,209</b>	<b>246,277</b>	<b>809,910</b>

## 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 22 March 2017, the Group acquired the entire issued and paid-up share capital of Skyview Valley Sdn Bhd, a private limited company incorporated in Malaysia under the Companies Act 2016 on 3 March 2017, comprising 1 ordinary share for a cash consideration of RM1.00 for purpose of property development ventures.

## 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 RM119.8 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	7,987
- More than 1 year and within 2 years	2,882
- More than 2 years and within 5 years	1,231
	<u>12,100</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>
Approved but not contracted for:	
- 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 RM46.2 million, and profit before tax of RM15.9 million, compared to a revenue of RM528.2 million and a profit before tax of RM5.2 million for the preceding year corresponding quarter. The decrease in revenue was mainly due to lower progressive recognition from development projects in Seri Kembangan and USJ, Subang Jaya. Despite that, an improved margin arising from revision of costs upon completion of the development project in USJ, Subang Jaya and lower operating expenses incurred helped the Group to achieve a higher profit before tax over the same period last year.

As compared against the immediate preceding quarter, Group's revenue was lower as against RM82.8 million recorded previously. The previous quarter's revenue was higher mainly due to sale of land. However, the current quarter's profit before tax of RM15.9 million was higher as compared to RM11.8 million of the immediate preceding quarter. The improved profit before tax was mainly contributed by higher profit recognition upon completion of the development project in USJ, Subang Jaya during the current quarter.

For the financial year ended 31 March 2017, the Group registered lower revenue of RM246.3 million against RM809.9 million recorded in the previous financial year. The decrease in revenue was mainly attributable to lower progressive recognition from the development project in USJ, Subang Jaya. The Group recorded a lower profit before tax of RM19.5 million compared to RM80.8 million previously mainly due to lower contribution from property division and lower recognition of other operating income.

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

Bank Negara Malaysia reported that the Malaysian economy grew 5.6% in the first quarter of 2017, compared with 4.5% in fourth quarter of 2016 mainly driven by domestic demand activity. With global growth expanding at a faster pace in 2017 and being supported by improvements in both advanced and emerging economies, the Malaysian economy is also on track to register higher growth in 2017.

Despite the sign of improving economic trend and growth, property sector is expected to remain flattish in 2017, mainly due to weak demand and also cautious consumer spending. However, the Group has planned to launch several new projects in Klang Valley and Seri Manjung, Perak and continues to 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

	<b>Current Year Quarter 31.03.2017 RM'000</b>	<b>Preceding Year Corresponding Quarter 31.03.2016 RM'000</b>	<b>Current Year To Date 31.03.2017 RM'000</b>	<b>Preceding Year To Date 31.03.2016 RM'000</b>
Current period taxation	(2,009)	(10,854)	(7,342)	(12,976)
Deferred taxation	1,340	(133)	(4,873)	(28,522)
	<u>(669)</u>	<u>(10,987)</u>	<u>(12,215)</u>	<u>(41,498)</u>

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.

#### 6. BORROWINGS AND DEBT SECURITIES

	<b>As at 31.03.2017 RM'000</b>	<b>As at 31.03.2016 RM'000</b>
Short term borrowings:		
Bank borrowings	43,992	69,084
Hire-purchase creditors	380	405
Bank overdrafts	6,489	4,976
	<u>50,861</u>	<u>74,465</u>
Long term borrowings:		
Redeemable preference shares	961	961
Bank borrowings	76,700	50,917
Hire-purchase creditors	653	524
	<u>78,314</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.

	<b>Current Year Quarter 31.03.2017</b>	<b>Preceding Year Corresponding Quarter 31.03.2016</b>	<b>Current Year To Date 31.03.2017</b>	<b>Preceding Year To Date 31.03.2016</b>
Profit/(Loss) attributable to equity holders of the Company (RM'000)	15,314	(5,850)	7,378	38,810
Number of ordinary shares in issue ('000)	454,676	454,676	454,676	454,676
Basic earnings per share (sen)	3.37	(1.29)	1.62	8.54

### 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:

	<b>Current Year Quarter 31.03.2017 RM'000</b>	<b>Preceding Year Corresponding Quarter 31.03.2016 RM'000</b>	<b>Current Year To Date 31.03.2017 RM'000</b>	<b>Preceding Year To Date 31.03.2016 RM'000</b>
<b>After Charging:</b>				
Interest expenses	3,225	2,544	7,751	5,713
Depreciation and amortisation	638	2,074	4,079	5,487
Property, plant and equipment written off	167	7,491	282	7,550
Inventories written off	-	21	-	21
Loss on disposal of property, plant and equipment	-	-	-	74
Loss on disposal of land held for property developments	-	857	-	857
Provision for bumiputra quota penalties	-	322	-	322
Provision for liquidated and ascertained damages	5,775	-	5,775	-
Provision for incentives	-	747	-	747



Impairment of goodwill	2,613	-	2,646	-
Impairment loss of property, plant and equipment	-	950	-	950
Allowance for doubtful debts	5,326	11	5,458	11
Waiver on late payment charges	-	33	-	33
<b>After Crediting:</b>				
Interest income	2,224	1,767	7,302	2,802
Distribution income on short-term fund	-	440	-	440
Gain on disposal of assets classified as held for sale	-	2,000	-	2,000
Gain on disposal of subsidiary companies	-	93,663	22,581	93,663
Gain on redemption of investment in short-term funds	-	190	-	190
Gain on disposal of property, plant and equipment	2	22	2	-

There were no 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

	<b>As at 31.03.2017 RM'000</b>	<b>As at 31.03.2016 RM'000</b>
Total retained profits of the Company and its subsidiaries		
– Realised	199,285	128,533
– Unrealised	42,490	60,793
	241,775	189,326
Less: Consolidation adjustments	(117,270)	(70,605)
Total Group retained earnings as per statements of financial position	124,505	118,721

## 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 May 2017.

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