

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 2017. 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 2017.

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 2017, 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 2017.

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 2017 was not qualified.

3. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS

The Group's performance for the quarter ended 30 June 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 30 June 2017, a total of 8,666,335 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 3 Months Ended 30 June 2017

Revenue

External sales	6,985	-	6,448	-	11,036	-	24,469
Inter-segment sales	-	4,466	-	-	-	(4,466)	-
	<u>6,985</u>	<u>4,466</u>	<u>6,448</u>	<u>-</u>	<u>11,036</u>	<u>(4,466)</u>	<u>24,469</u>

Results

Segment results	13,762	66	1,011	(765)	(5,273)	(4,935)	3,866
Unallocated expenses:							
- Finance costs							(2,637)
- Share of results of an associated company							(483)
Profit before tax							<u>746</u>
Taxation							<u>(538)</u>
Profit for the financial period							<u>208</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 3 Months Ended 30 June 2016

Revenue

External sales	43,078	-	6,627	-	9,282	-	58,987
Inter-segment sales	-	15,968	-	-	-	(15,968)	-
	<u>43,078</u>	<u>15,968</u>	<u>6,627</u>	<u>-</u>	<u>9,282</u>	<u>(15,968)</u>	<u>58,987</u>

Results

Segment results	(560)	609	1,104	1,135	(5,193)	(7,548)	(10,453)
Unallocated expenses:							
- Finance costs							(1,195)
- Share of results of joint ventures							(41)
- Share of results of an associated company							(1,097)
Loss before tax							<u>(12,786)</u>
Taxation							<u>(952)</u>
Loss for the financial period							<u>(13,738)</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 30.06.2017 RM'000	Preceding Year Corresponding Quarter 30.06.2016 RM'000	Current Year To Date 30.06.2017 RM'000	Preceding Year To Date 30.06.2016 RM'000
Revenue				
Malaysia	24,469	56,714	24,469	56,714
China	-	2,273	-	2,273
	24,469	58,987	24,469	58,987

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 2017.

10. SUBSEQUENT EVENTS

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

On 4 August 2017, the Group entered into two (2) separate share sale agreements with (i) Trillion Benchmark Sdn Bhd and (ii) Rosmanira binti Junoh and Gan Wei Pin, for the disposal of the entire equity interest in six subsidiary companies (Prima Pengkalan Sdn Bhd, Champion Vista Sdn Bhd, Vista Versatile Sdn Bhd, First Integrated Sdn Bhd, Ultimate Destiny Sdn Bhd And Dekad Sinaran Sdn Bhd) for a total cash consideration of RM11.0 million.

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 RM213.7 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	3,512
- More than 1 year and within 2 years	256
- More than 2 years and within 5 years	-
	<u>3,768</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
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

a) Financial review for current quarter and financial year to date

	Individual Period		Changes	Cumulative Period		Changes
	Current Year Quarter 30.06.2017	Preceding Year Corresponding Quarter 30.06.2016		Current Year To Date 30.06.2017	Preceding Year To Date 30.06.2016	
	RM'000	RM'000		RM'000	RM'000	
Revenue	24,469	58,987	-59%	24,469	58,987	-59%
Operating Profit/(Loss)	3,866	(10,453)	137%	3,866	(10,453)	137%
Profit/(Loss) Before Tax	746	(12,786)	106%	746	(12,786)	106%
Profit/(Loss) After Tax	208	(13,738)	102%	208	(13,738)	102%
Profit/(Loss) attributable to Owners of the Company	524	(13,737)	104%	524	(13,737)	104%

For the current quarter, the Group registered a lower revenue of RM24.5 million compared to RM59.0 million of the preceding year corresponding quarter. The decrease in revenue was mainly due to lower progressive recognition from development projects in Seri Kembangan. Despite the drop in revenue, the Group recorded a profit before tax of RM0.7 million for the current quarter under review compared to a loss before tax of RM12.8 million of the preceding year corresponding quarter. The improved profit performance was mainly due to higher other operating income and lower operating expenses.

b) Financial review for current quarter compared with immediate preceding quarter

	Current Year Quarter 30.06.2017 RM'000	Immediate Preceding Quarter 31.03.2017 RM'000	Changes %
Revenue	24,469	46,237	-47%
Operating Profit	3,866	17,058	-77%
Profit Before Tax	746	15,803	-95%
Profit After Tax	208	15,151	-99%
Profit attributable to Owners of the Company	524	15,919	-97%

Compared against the immediate preceding quarter, both the Group's revenue and profit before tax of RM24.5 million and RM0.7 million respectively were lower against RM46.2 million and RM15.8

million recorded previously. The previous quarter's results were aided by higher profit recognition upon completion of the development project in USJ, Subang Jaya.

2. COMMENTARY ON PROSPECTS

In view of prevailing purchasers' cautious sentiment and affordability, property sector will remain flattish in 2017. However, the Group is expected to derive positive contributions towards financial year ending 31 March 2018 and beyond from project launches in Klang Valley and Seri Manjung, Perak.

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 30.06.2017 RM'000	Preceding Year Corresponding Quarter 30.06.2016 RM'000	Current Year To Date 30.06.2017 RM'000	Preceding Year To Date 30.06.2016 RM'000
Current period taxation	(582)	(1,214)	(582)	(1,214)
Deferred taxation	44	262	44	262
	<u>(538)</u>	<u>(952)</u>	<u>(538)</u>	<u>(952)</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

	As at 30.06.2017		
	Long Term RM'000	Short Term RM'000	Total Borrowing RM'000
Redeemable preference shares	961	-	961
Bank borrowings	167,900	47,609	215,509
Hire-purchase creditors	785	302	1,087
Bank overdrafts	-	7,342	7,342
	<u>169,646</u>	<u>55,253</u>	<u>224,899</u>

	As at 30.06.2016		
	Long Term RM'000	Short Term RM'000	Total Borrowing RM'000
Redeemable preference shares	961	-	961
Bank borrowings	44,763	60,442	105,205
Hire-purchase creditors	1,061	335	1,396
Bank overdrafts	-	2,797	2,797
	46,785	63,574	110,359

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 30.06.2017	Preceding Year Corresponding Quarter 30.06.2016	Current Year To Date 30.06.2017	Preceding Year To Date 30.06.2016
Profit/(Loss) attributable to equity holders of the Company (RM'000)	524	(13,737)	524	(13,737)
Number of ordinary shares in issue ('000)	454,676	454,676	454,676	454,676
Basic earnings per share (sen)	0.12	(3.02)	0.12	(3.02)

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 30.06.2017 RM'000	Preceding Year Corresponding Quarter 30.06.2016 RM'000	Current Year To Date 30.06.2017 RM'000	Preceding Year To Date 30.06.2016 RM'000
After Charging:				
Interest expenses	2,637	1,195	2,637	1,195
Depreciation and amortisation	819	1,654	819	1,654
Property, plant and equipment written off	20	115	20	115
Loss on disposal of property, plant and equipment	3	-	3	-
Impairment of goodwill	-	33	-	33
After Crediting:				
Interest income	1,452	1,708	1,452	1,708
Gain on disposal of subsidiary companies	-	668	-	668
Reversal of impairment loss of plant and equipment	-	402	-	402

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

	As at 30.06.2017 RM'000	As at 31.03.2017 RM'000
Total retained profits of the Company and its subsidiaries		
– Realised	204,041	198,898
– Unrealised	38,258	42,493
	242,299	241,391
Less: Consolidation adjustments	(116,601)	(116,252)
Total Group retained earnings as per statements of financial position	125,698	125,139

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 23 August 2017.

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