

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 31 December 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. On 28 October 2015, MASB announced the change of effective date to comply with MFRS Framework to 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 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 31 December 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 31 December 2015, a total of 11,286,233 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 9 Months Ended							
31 December 2015							
Revenue							
External sales	237,552	-	19,572	-	24,577	-	281,701
Inter-segment sales	-	40,939	-	-	-	(40,939)	-
	<u>237,552</u>	<u>40,939</u>	<u>19,572</u>	<u>-</u>	<u>24,577</u>	<u>(40,939)</u>	<u>281,701</u>
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 venture							(593)
Profit before tax							<u>75,565</u>
Taxation							<u>(30,511)</u>
Profit for the financial period							<u>45,054</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 9 Months Ended							
31 December 2014							
Revenue							
External sales	261,632	-	30,446	-	19,093	-	311,171
Inter-segment sales	-	31,737	-	-	-	(31,737)	-
	<u>261,632</u>	<u>31,737</u>	<u>30,446</u>	<u>-</u>	<u>19,093</u>	<u>(31,737)</u>	<u>311,171</u>
Results							
Segment results	62,815	(2,664)	6,523	(10,514)	(7,650)	(3,637)	44,873
Unallocated expenses:							
- Finance costs							(4,782)
Profit before tax							<u>40,091</u>
Taxation							<u>(17,975)</u>
Profit for the financial period							<u>22,116</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) On 22 January 2016, Johan Awana Sdn Bhd, a wholly-owned subsidiary of GOB entered into a Development Rights Agreement with Menteri Besar Incorporated (Perak) to undertake the development of a parcel of land measuring approximately 147.84 acres located in Mukim Lumut, Daerah Manjung, Perak.
- (b) The disposal of 51% equity interest in Penaga Pesona Sdn Bhd was completed on 5 February 2016.

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) 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.
- (c) On 1 December 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. Modern Deluxe Sdn Bhd ("MDSB"), 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. Vital Prominent Sdn Bhd (“VPSB”), a private limited company incorporated in Malaysia under the Companies Act, 1965 on 10 September 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. Amber Versatile Sdn Bhd (“AVSB”), a private limited company incorporated in Malaysia under the Companies Act, 1965 on 8 April 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.

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 RM434.0 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	5,439
- More than 1 year and within 2 years	4,665
- More than 2 years and within 5 years	2,455
	12,559

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	19,310
	19,310

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

1. REVIEW OF PERFORMANCE

The Group registered a revenue of RM21.7 million as compared to RM97.3 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 RM20.9 million for the current year quarter under review as compared to pre-tax profit of RM13.5 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 losses occurred in the food & beverage division.

Group revenue decreased to RM21.7 million for the current quarter as compared to RM36.0 million for the immediate preceding quarter. The 40% decrease was mainly attributed to lower revenue recognition from da:men mixed development project in USJ, Subang Jaya in the current quarter. The Group recorded a higher loss before tax of RM20.9 million for the current quarter as compared to RM14.4 million for the immediate preceding quarter. The unfavourable performance was mainly due to lower profit contribution from da:men and development projects in Seri Kembangan and losses occurred in the food & beverage division in the current quarter.

2. COMMENTARY ON PROSPECTS

Bank Negara Malaysia reported that the Malaysian economy recorded a lower growth of 4.5% in the fourth quarter of 2015 as compared to 4.7% in the third quarter of 2015. Overall for the year of 2015, the Malaysian economy expanded by 5.0%. For the year of 2016, domestic demand is expected to be the main driver of growth for the country, albeit at a moderate pace.

Despite continued growth in the local economy, the Malaysian property market is expected to remain challenging due mainly to softening property market, depressed commodity prices, slowing global growth and economic uncertainty, stringent lending guidelines and weak consumer sentiment. Nevertheless, the Group is expected to achieve satisfactory performance for 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 31.12.2015 RM'000	Preceding Year Corresponding Quarter 31.12.2014 RM'000	Current Year To Date 31.12.2015 RM'000	Preceding Year To Date 31.12.2014 RM'000
Current period taxation	(543)	(7,923)	(2,122)	(18,691)
Deferred taxation	199	218	(28,389)	716
	<u>(344)</u>	<u>(7,705)</u>	<u>(30,511)</u>	<u>(17,975)</u>

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.

The Proposed Disposal is expected to be completed upon full and final settlement of the balance purchase price.

6. BORROWINGS AND DEBT SECURITIES

	As at 31.12.2015 RM'000	As at 31.03.2015 RM'000
Short term borrowings:		
Bank borrowings	88,777	38,000
Hire-purchase creditors	347	437
Bank overdrafts	1,247	3,145
	<u>90,371</u>	<u>41,582</u>
Long term borrowings:		
Redeemable preference shares	961	961
Bank borrowings	241,919	211,879
Hire-purchase creditors	524	625
	<u>243,404</u>	<u>213,465</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 31.12.2015	Preceding Year Corresponding Quarter 31.12.2014	Current Year To Date 31.12.2015	Preceding Year To Date 31.12.2014
(Loss)/Profit attributable to equity holders of the Company (RM'000)	(21,175)	5,405	44,660	20,406
Number of ordinary shares in issue ('000)	454,677	231,472	454,677	231,472
Basic earnings per share (sen)	(4.66)	2.34	9.82	8.82

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 31.12.2015 RM'000	Preceding Year Corresponding Quarter 31.12.2014 RM'000	Current Year To Date 31.12.2015 RM'000	Preceding Year To Date 31.12.2014 RM'000
After Charging:				
Interest expenses	1,921	1,792	3,169	4,782
Depreciation and amortization	1,183	850	3,413	2,434
Loss on disposal of property, plant and equipment	192	28	192	28

Property, plant and equipment written off	-	300	59	325
Share of results of joint venture	119	-	593	-
Provision for liquidated and ascertained damages	-	-	6,392	12
Provision for bumiputra quota penalties	-	89	-	89
Provision for sales incentives	-	1,043	-	1,043
Share option granted under ESOS	-	-	-	6,410
After Crediting				
Interest income	407	625	1,035	1,260
Gain on disposal of property, plant and equipment	-	-	96	-
Reversal of doubtful debts no longer required	4	-	4	-

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 31.12.2015 RM'000	As at 31.03.2015 RM'000
Total retained profits of the Company and its subsidiaries		
– Realised	202,914	106,624
– Unrealised	21,830	56,833
	<u>224,744</u>	<u>163,457</u>
Less: Consolidation adjustments	(84,953)	(68,743)
Total Group retained earnings as per statements of financial position	<u>139,791</u>	<u>94,714</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 February 2016.

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