



## **GSB GROUP BERHAD**

(Company No. 287036-X)

(Incorporated in Malaysia)

### **NOTES TO THE QUARTERLY FINANCIAL REPORT FOR THE 1ST QUARTER ENDED 30 JUNE 2010.**

#### **A1. Basis of preparation**

This quarterly financial report is unaudited and has been prepared in accordance with the applicable disclosure provisions of Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”) and compliance with Financial Reporting Standard FRS 134, Interim Financial Reporting.

The quarterly financial report do not include all the information required for the full annual financial statements and should be read in conjunction with the annual audited financial statements of the Group for the year ended 31 March 2010.

#### **A2. Significant accounting policies**

Save as disclosed below, the significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 March 2010.

##### **i) FRS 139, Financial Instruments: Recognition and Measurement**

The adoption of FRS 139 has resulted in changes to accounting policies relating to recognition and measurement of financial instruments and the new accounting policies are as follows:

##### **I. Initial recognition and measurement**

A financial instrument is recognised in the financial statements when, and only when, the Group becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

##### **II. Financial instrument categories and subsequent measurement**

The Group categorises financial instruments as follows:

##### **Financial assets**

##### **a) Loans and receivables**

Loans and receivables category comprises debt instruments that are not quoted in an active market, trade and other receivables and cash and cash equivalents.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment.



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### **Financial liabilities**

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Under the traditional provisions of FRS 139, the above changes are applied prospectively and the comparatives as at 31 March 2010 are not restated. The adoption of FRS 139 does not have any significant impact on the profit for the financial period-to-date.

### **III. Regular way purchase or sale of financial assets**

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose term requires delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

- a) the recognition of an asset to be received and the liability to pay for it on the trade date, and
- b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

### **IV. Derecognition**

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the profit or loss.

#### **ii) FRS 140, Investment property**

Before 1 April 2010, an investment property under construction was classified as property, plant and equipment and measured at cost. Such property is stated at cost until construction or development was completed, at which time it would be reclassified at its prevailing carrying value as investment property.

With the amendment made to FRS 140 with effect from 1 April 2010, investment property under construction is classified as investment property.

Hence, the adoption of FRS 140 does not affect the basic and diluted earnings per ordinary share for the current and prior periods.



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### iii) FRS 8, Operating segments

As of 1 April 2010, the Group determines and presents operating segments based on the information that internally is provided to the Board of Directors. This change in accounting policy is due to the adoption of FRS 8. Previously operating segments were determined and presented in accordance with FRS 114<sup>2004</sup>, Segment Reporting.

Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per ordinary share.

### iv) FRS 117, Leases

The amendments clarify the classification of lease of land and require entities with existing leases of land and buildings to reassess the classification of land as finance or operating lease. Leasehold land which in substance is a finance lease will be reclassified to property, plant and equipment or investment properties. The adoption of these amendments will result in a change in accounting policy which will be applied retrospectively in accordance with the traditional provisions.

The reclassification does not affect the basic and diluted earnings per ordinary share for the current and prior periods.

The following comparative figures in the statement of financial position have been restated following the adoption of the amendment to FRS 117:

	As at 31 March 2010	
	As restated	As previously stated
	RM'000	RM'000
Property, plant and equipment	10,968	6,833
Prepaid lease payments	-	4,135

### v) FRS 101 (revised), presentation of financial statements

The Group applies revised FRS 101 (revised) which became effective as of 1 April 2010. As a result, the Group presents all non-owner changes in equity in the consolidated statement of comprehensive income.

Comparative information has been re-presented so that it is in conformity with the revised standard. Since the change only affects presentation aspects, there is no impact on earnings per ordinary share.

The Group has not applied the following accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board but are not yet effective for the Group:

### FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2010

- FRS 1, First-time Adoption of Financial Reporting Standards (revised)
- FRS 3, Business Combinations (revised)
- FRS 127, Consolidated and Separate Financial Statements (revised)
- Amendments to FRS 2, Share-based Payment
- Amendments to FRS 5, Non-current Assets Held for Sale and Discontinued Operations
- Amendments to FRS 138, Intangible Assets



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- IC Interpretation 12, Service Concession Agreements
- IC Interpretation 15, Agreements for the Construction of Real Estate
- IC Interpretation 16, Hedges of a Net Investment in a Foreign Operation
- IC Interpretation 17, Distribution of Non-cash Assets to Owners
- Amendments to IC Interpretation 9, Reassessment of Embedded Derivatives
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### **FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2011**

- Amendments to FRS 1, First-time Adoption of Financial Reporting Standards – Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
- Amendments to FRS 7, Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments

The Group plans to apply the abovementioned standards, amendments and interpretations from the annual period beginning 1 April 2011 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 July 2010 and 1 January 2011 except for Amendments to FRS 2, IC Interpretation 12, IC Interpretation 16 and IC Interpretation 17 which are not applicable to the Group.

The initial application of a standard, an amendment or an interpretation, which will be applied prospectively, is not expected to have any financial impact to the current and prior periods' financial statements upon their first adoption.

#### **A3. Auditors' report on preceding annual financial statements**

The preceding annual audited financial statements of the Group were reported on without any qualification.

#### **A4. 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 current quarter.

#### **A5. Changes in estimates**

There were no changes in estimates that have had material effect in the current quarter.

#### **A6. Dividends**

No dividend was paid out during the financial period ended 30 June 2010 and the Board of Directors do not recommend any dividend in respect of the financial period ended 30 June 2010.



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### A7. Segment reporting

The Group's primary format for reporting segment information is business segments.

The Group is organized into two main business segments:

- Replication of optical discs
- Property development and property rental business

Other operations of the Group mainly comprise investment holding and dormant companies, neither of which is of a sufficient size to be reported separately.

#### Segment reporting for the financial period ended 30 June 2010

	Replication of Optical Discs RM'000	Property Development RM'000	Others RM'000	Group RM'000
<b>Revenue</b>				
External revenue	3,251	4,189	-	7,440
Inter-segment revenue	-	-	-	-
Total revenue	<u>3,251</u>	<u>4,189</u>	<u>-</u>	<u>7,440</u>
<b>Results</b>				
Segment result	127	473	821	1,421
Finance costs	(34)	(257)	-	(291)
Profit before tax				<u>1,130</u>
Taxation	(23)	(112)	-	(135)
Profit for the period				<u>995</u>
Other comprehensive income for the period, net of tax				<u>-</u>
Total comprehensive income for the period				<u><u>995</u></u>

### A8. Property, plant and equipment

The valuation of property, plant and equipment has been brought forward without any amendment from the previous annual financial statements.

### A9. Changes in the composition of the group

There was no change in the composition of the Group for the current quarter, except for the following:

In April 2010, the Company acquired the entire equity interest of Banda Industries Sdn Bhd, comprising of 500,000 ordinary shares of RM1.00 each, for a total cash consideration of RM5,000,000. Consequently, Banda Industries Sdn Bhd became a wholly owned subsidiary of the Company.

A negative goodwill amounting to RM0.9 million arising from the above acquisition has been recognised in the current period ended 30 June 2010.



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### **A10. Contingent liabilities**

The contingent liabilities of the Group as at 18 August 2010 amounted to RM9.942 million (31 March 2010: RM10.45 million) represent corporate guarantees given by the Company for banking facilities extended to subsidiary companies and corporate guarantee to the subsidiary company trade creditor balance for the purchases of the raw materials. The decrease in the amounts is mainly due to repayment during the financial period.

### **A11. Debt and equity securities**

There were no issuance, cancellations, repurchase, resale and repayments of debt and equity securities by the Group for the current period to date.

### **A12. Seasonal and cyclical factors**

There are no material seasonal or cyclical factors affecting the income and performance of the Group.

### **A13. Material events subsequent to the end of the financial period**

As of 18 August 2010, there are no material events subsequent to the end of the current financial period. (the latest practicable date which shall not be earlier than 7 days from the issue date of this report.)

## **NOTES (BMSB LISTING REQUIREMENTS) TO THE QUARTERLY FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 30 JUNE 2010**

### **B1. Review of performance**

On the quarter-on-quarter basis, the Group registered a total revenue of RM7.440 million and profit before tax of RM1.130 million for the current financial quarter ended 30 June 2010 as compared to revenue of RM4.436 million and profit before tax of RM74 thousand respectively for the preceding year corresponding quarter.

The Group's current financial quarter revenue was higher by RM3.004 million as compared to the preceding year corresponding quarter, was mainly due to higher percentage of billing recognition from the Property Development segment.

The Group registered a profit before tax of RM1.130 million in the current financial quarter compare to a profit before tax of RM74 thousand in the preceding year corresponding quarter due to higher profit from the Property Development segment and the recognition of negative goodwill of RM0.9 million from the acquisition of subsidiary company, Banda Industries Sdn Bhd.

The Board of Directors are not aware of any material factors, significant trends or events affecting the earnings of the Group which may have occurred between the end of the reporting period and the date of issue of this quarterly report other than the above mentioned factors.



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### **B2. Variation of results against preceding quarter**

The Group revenue increased by RM3.258 million as compared to the preceding quarter was mainly due to higher revenue derived from Property Development segment by RM4.197 million.

Our Group posted a profit before tax of RM1.130 million in the current quarter as compared to a loss before tax of RM943 thousand in the preceding quarter. The increase in profit was largely due to better performance from the Property Development and Optical Disc segment and recognition of negative goodwill of RM0.9 million from the acquisition of subsidiary company, Banda Industries Sdn Bhd.

### **B3. Current year prospects**

The prospect for the Group business should remain sound despite the severe competitions in the industry and the tough and challenging economic condition in the country. It is based on the acceptance by the Malaysian population for usage of CD and DVD as a medium for entertainment, data storage and education purposes. Despite the challenging economic condition in the country, with the Government's continuous supports of the Multimedia Super Corridor and of knowledge and technology based economy, we should see continued demand for the products manufactured by the Group.

The Group has also ventured into property development business which has contribute positively. As a proactive manner to diversify our revenue stream, the Group will be scrutinizing viable opportunities to further expand this new business segment.

Barring any unforeseen circumstances, the Board of Directors expects the Group to perform satisfactorily in the coming financial quarters.

### **B4. Profit forecast**

Not applicable as no profit forecast was published.

### **B5. Income tax expense**

	<b>3 months ended</b>
	<b>30/06/2010</b>
	<b>RM'000</b>
Taxation comprises: -	
Current taxation	105
Deferred taxation	35
	<hr/>
	135
	<hr/>

### **B6. Purchase or sale of unquoted investments and properties**

There was no purchase or sale of investment and properties for the current quarter.

### **B7. Purchase or disposal of quoted securities**

There was no purchase or disposal of any quoted securities for the current quarter.



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### B8. Status of corporate proposals announced

There are no corporate proposals that were announced but not completed within 7 days from the date of issue of this quarterly report.

### B9. Borrowings and debt securities

Total Group borrowings as at 30 June 2010 are as follows: -

	<b>Short Term Borrowings (Less than 12 months) RM'000</b>	<b>Long Term Borrowings (More than 12 months) RM'000</b>
Secured: -		
Bank overdrafts	9,080	0
Bankers' Acceptances	883	0
Hire Purchase Creditors	294	219
Term Loan	1,753	6,190
Total Borrowings:	<u>12,010</u>	<u>6,409</u>

The group borrowings are secured by way of legal charges over the assets of the subsidiary companies and corporate guarantee from the Company.

### B10. Off balance sheet financial instruments

As at the reporting date, the Group does not have any off balance sheet financial instruments.

### B11. Material litigation

As at 18 August 2010, there was no material litigation against the Group.

### B12. Earnings per share

The basic earnings per share of the Group have been computed by dividing the net profit attributable to owners of the Company over the number of ordinary shares in issue of 400,000,000.

	<b>Current Quarter Ended 30/06/2010 RM'000</b>	<b>Preceding Year Corresponding Quarter Ended 30/06/2009 RM'000</b>
Profit after taxation attributable to owners of the Company	995	48
Basic earnings per share (sen)	0.25	0.01





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**B13. Authorisation for issue**

The quarterly financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 25 August 2010.