



**GSB GROUP BERHAD**

(Company No. 287036-X)  
(Incorporated in Malaysia)

**PART A: EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS 134 FOR THE INTERIM FINANCIAL STATEMENTS FOR THE 2ND QUARTER ENDED 30 SEPTEMBER 2011.**

**A1. Basis of Preparation**

These unaudited condensed interim financial statements have been prepared in accordance with the applicable disclosure provisions of Paragraph 9.22 and Appendix 9B of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”) and in compliance with Financial Reporting Standard “FRS 134, Interim Financial Reporting”.

This 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 2011.

**A2. Significant Accounting Policies**

Save as disclosed below, the significant accounting policies, method of computation and basis of consolidation adopted are consistent with those of the audited financial statements for the financial year ended 31 March 2011.

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 2011**

- IC Interpretation 19, Extinguishing Financial Liabilities with Equity Instruments
- Amendments to IC Interpretation 14, Prepayments of a Minimum Funding Requirement

**FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2012**

- FRS 124, Related Party Disclosures (revised)
- IC Interpretation 15, Agreements for the Construction of Real Estate

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 2011 and 1 January 2012, except for IC Interpretation 19 and Amendments to IC Interpretation 14, which are not applicable to the Group

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



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**IC Interpretation 15, Agreements for the Construction of Real Estate**

IC Interpretation 15 replaces the existing FRS 201(2004), Property Development Activities and provides guidance on how to account for revenue from construction of real estate. The adoption of IC Interpretation 15 may result in a change in accounting policy which will be applied retrospectively whereby the recognition of revenue may change from the percentage of completion method to completed method subject to further clarification and guidance to be issued by Financial Reporting Standards Implementation Committee (FRSIC).

Should FRSIC determine that IC Interpretation 15 continues to apply percentage of completion method, there will be no impact to the financial statements. In the event that FRSIC is of the view that IC Interpretation 15 is to use completed method, the potential impact to the financial statements for the financial year ended 31 March 2011 is disclosed in the recent audited financial statements for the year ended 31 March 2011.

**A3. Auditors' Report on Preceding Annual Financial Statements**

The most recent annual audited financial statements for the year ended 31 March 2011 of the Group were not subject to any qualification.

**A4. Unusual Items affecting Assets, Liabilities, Equity, Net Income or Cash Flows**

There were no items of an unusual nature, size or incidence which materially affect the assets, liabilities, equity, net income or cash flows of the Group during the interim financial period under review.

**A5. Material Changes in Estimates**

There were no changes in the estimates of the amounts reported in previous financial year that have a material effect on the results of the current interim reporting period under review.

**A6. Dividends Paid**

No dividend has been paid during the current quarter ended 30 September 2011.

**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
- Development of residential and commercial properties for sale and rental

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



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**Segment reporting for the second quarter ended 30 September 2011**

	<b>Replication of Optical Discs RM'000</b>	<b>Property Development RM'000</b>	<b>Others RM'000</b>	<b>Group RM'000</b>
<b>Revenue</b>				
External revenue	2,943	4,845	-	7,788
Inter-segment revenue	-	690	-	690
Total revenue	<u>2,943</u>	<u>5,535</u>	<u>-</u>	<u>8,478</u>
<b>Results</b>				
Segment result	(59)	4,710	(62)	4,589
Finance costs	(30)	(235)	-	(265)
Profit before tax	<u>(89)</u>	<u>4,475</u>	<u>(62)</u>	<u>4,324</u>
Taxation	(26)	(365)	-	(391)
Profit for the period				<u>3,933</u>
Other comprehensive income for the period, net of tax				-
Total comprehensive income for the period				<u><u>3,933</u></u>

**A8. Valuation of 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 were no changes in the composition of the Group including business combination, acquisition and/or disposal of subsidiary companies and long term investments, restructuring, and discontinued operations during the interim financial period under review.

**A10. Contingent Liabilities**

The contingent liabilities of the Group as at 19 November 2011 amounted to RM8.5 million (31 March 2011: RM8.43 million) represent corporate guarantees given by the Company for banking facilities extended to subsidiary companies.

**A11. Debt and Equity Securities**

There were no issuance, cancellation, repurchase, resale and repayments of debt and equity securities by the Group during the interim financial period under review.

**A12. Seasonal and Cyclical Factors**

The businesses of the Group are not materially affected by any seasonal or cyclical factors.



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**A13. Material Events Subsequent to the End of the Reporting Period**

There are no material events subsequent to the end of the interim financial period up to 19 November 2011, being a date not earlier than seven days from the date of this interim financial report.

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**PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA FOR THE INTERIM FINANCIAL STATEMENTS FOR THE 2ND QUARTER ENDED 30 SEPTEMBER 2011**

**B1. Review of Performance**

	<b>Quarter Ended 30/09/2011 RM'000</b>	<b>Quarter Ended 30/09/2010 RM'000</b>
Revenue	7,788	8,100
Profit before taxation	4,324	53

The Group recorded lower revenue for the current quarter ended 30 September 2011 of RM7.79 million as compared to RM8.10 million for the corresponding quarter last year. This is mainly due to lower progress billings from the property division which generated RM4.84 million in the current quarter as compared to RM5.35 million in the corresponding quarter last year. The replication of optical disc division however, recorded slightly higher revenue, from RM2.75 million in last year's quarter ended 30 September 2010 to RM2.94 million in the current financial quarter.

The Group recognised the gain on sale of hotel of RM4.97 million during the current quarter and this has resulted the Group to record an overall profit before taxation of RM4.32 million for the current quarter.

**B2. Comparison Against Preceding Quarter's Results**

	<b>Quarter Ended 30/09/2011 RM'000</b>	<b>Quarter Ended 30/06/2011 RM'000</b>
Revenue	7,788	6,163
Profit before taxation	4,324	261

The Group's current quarter revenue contribution from replication of optical disc recorded a slight decrease from RM3.17 in the quarter ended 30 June 2011 to a current quarter revenue of RM2.94 million. On the other hand, the property development division recorded an increase of RM1.85 million in the current quarter, as compared to the last preceding quarter. This was mainly arising from the progress billings for the development of Phase 5, 11 and 12 in Bentong and the Laman Ara development.

The Group recorded a higher profit before tax as compared to last quarter mainly due to the gain on sale of hotel of RM4.97 million during the current quarter.



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**B3. Prospects for the current financial year**

On the back of the Malaysia's official GDP growth target of between 5% and 6% for 2011, the prospect for the Group business should remain sound despite the severe competition in the industry and the tough and challenging economic climate.

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 coupled with the Government's continuous support 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's ventured into property development business has been contributing positively to the performance of the Group and thus, will continue to scrutinizing viable opportunities to further expand and diversify the Group's revenue stream forward.

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

**B4. Profit Forecast**

The Group has not provided any profit forecast or profit guarantee in any public document in respect of the 2nd quarter ended 30 September 2011.

**B5. Income Tax Expense**

	Quarter Ended	
	2011	2010
	30/09/2011	30/09/2010
	RM'000	RM'000
Estimated tax payable		
- Malaysian tax expense	1,365	264
- Deferred taxation	(836)	46
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	529	310
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Included in the tax expense for the current period is an amount of RM1.22 million tax relating to the sale of hotel.

The effective tax rate of the Group for the 6 months ended 30 September 2011 is higher as compared to the statutory tax rate due to certain expenses which are disallowed for tax deduction.

**B6. Sale of Unquoted Investments and/or Properties**

There was no purchase or sale of unquoted investments and/or properties during the interim financial period under review.



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**B7. Investment in Quoted Securities**

There was no purchase or disposal of any quoted securities during the interim financial period under review.

**B8. Status of Corporate Proposals Announced**

On 21 January 2011, through GSB Group Berhad wholly owned subsidiary, Serta Usaha Sdn Bhd, entered into a conditional Sale and Purchase Agreement with Leopard Holdings Sdn Bhd (“the Purchaser”) for the disposal of a property known as Lot No. 50 Section 94, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Wilayah Persekutuan held under Geran No. 35378 together with a hotel building erected thereon, bearing assessment address at Lorong Kapar, Off Jalan Syed Putra, 58000 Kuala Lumpur for a total cash consideration of RM22 million.

As at 19 November 2011, being a date not earlier than seven days from the date of this interim financial report, the utilization of the proceeds is as follows :-

*Utilisation of Proceeds*

Utilization For			Utilization from the 100% sales proceed received	Unutilized
	Estimated Timeframe	RM'000	RM'000	RM'000
Repayment of bank borrowings	Within 3 months	7,910	6,596	1,314
Payment of taxation arising from the clawback of previously claimed Industrial Building Allowance on the Property	Within 9 months	1,158	348	810
Estimated expense for the Proposed Disposal	Within 3 months	600	538	62
Working Capital (*)	Within 24 months	12,332	4,119	8,213
<b>Total</b>		<b>22,000</b>	<b>11,601</b>	<b>10,399</b>

(\*) Working Capital

	RM'000	Utilized (RM'000)	Carried Forward
Salary	3,300	287	3,013
Raw materials	5,200	-	5,200
Payment to main contractor for construction work	3,832	3,832	-
<b>Total</b>	<b>12,332</b>	<b>4,119</b>	<b>8,213</b>



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**B9. Borrowings and Debt Securities**

Total Group borrowings as at 30 September 2011 are as follows:-

	<b>Short Term Borrowings RM'000</b>	<b>Long Term Borrowings RM'000</b>
Secured		
- Bank overdrafts	6,005	-
- Finance lease liabilities and short term loans	46	521
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	6,051	521
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The Group borrowings are denominated in Ringgit Malaysia and secured by way of legal charges over the assets of the subsidiary companies and corporate guarantee from the Company.

**B10. Financial Instruments**

The Group had not entered into any new type of derivatives during the interim financial period under review.

**B11. Material Litigations**

The Group does not have any material litigation up to 19 November 2011, being a date not earlier than seven days from the date of this interim financial report.

**B12. Dividends**

No dividend has been proposed for the interim financial periods under review.

**B13. Earnings Per Share**

The basic earnings per share of the Group have been computed by dividing the net profit attributable to ordinary shareholders of the Company for the current financial quarter by the weighted average number of ordinary shares in issue of 400,000,000 ordinary shares.

	<b>Quarter Ended</b>	
	<b>2012 30/09/2011 RM'000</b>	<b>2011 30/09/2010 RM'000</b>
Profit/(Loss) for the period attributable to ordinary shareholders	3,933	(121)
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**B13. Earnings Per Share (cont'd)**

	Quarter Ended	
	2012	2011
	30/09/2011	30/09/2010
	RM'000	RM'000
Earnings/(Loss) per share (in sen)	0.98	(0.03)

**B13. Realised and Unrealised Losses Disclosures**

The accumulated losses of the Company and its subsidiaries as at 30 September 2011, analysed as follows:-

	As at	As at
	30/09/2011	30/06/2011
	RM'000	RM'000
Total accumulated losses of the Company and its subsidiaries:		
- realised	2,092	2,376
- unrealized	(1,743)	1,906
	<u>349</u>	<u>4,282</u>

**B14. Authorisation for Issue**

This Interim Financial Report of GSB Group Berhad for the second financial quarter ended 30 September 2011 was authorised for issuance by the Board of Directors of the Company in accordance with a resolution dated 24 November 2011.