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 3RD QUARTER ENDED 31 DECEMBER 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.

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 31 December 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.

Segment reporting for the period ended 31 December 2011

	Replication of Optical Discs RM'000	Property Development RM'000	Others RM'000	Group RM'000
Revenue				
External revenue	9,040	12,372	-	21,412
Inter-segment revenue	-	2,311	-	2,311
Total revenue	9,040	14,683	-	23,723
Results				
Segment result	474	5,359	(256)	5,577
Finance costs	(80)	(527)	-	(607)
Profit before tax	394	4,832	(256)	4,970
Taxation	(33)	(432)	-	(465)
Profit for the period				4,505
Other comprehensive income for the period, net of tax				-
Total comprehensive income for the period				4,505

A8. 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.

A9. Contingent Liabilities

The contingent liabilities of the Group as at 21 February 2012 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.

A10. 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.

A11. Seasonal and Cyclical Factors

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

A12. 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 21 February 2012, being a date not earlier than seven days from the date of this interim financial report.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA FOR THE INTERIM FINANCIAL STATEMENTS FOR THE 3RD QUARTER ENDED 31 DECEMBER 2011

B1. Review of Performance

	Quarter Ended 31/12/2011 RM'000	Quarter Ended 31/12/2010 RM'000
Revenue	7,461	11,717
Profit before taxation	385	1,446

The Group recorded lower revenue for the current quarter ended 31 December 2011 of RM7.461 million as compared to RM11.717 million for the corresponding quarter last year. This is mainly due to lower progress billings from the property division which generated RM4.536 million in the current quarter as compared to RM8.562 million in the corresponding quarter last year. This is due to the completion and handover of property villas for Laman Ara Project in December 2011.

The replication of optical disc division recorded slightly lower revenue of RM2.925 million in the current quarter as compared to RM3.155 million in last year's quarter ended 31 December 2010. The sales of DVD and CD Rom during the current quarter was in line with the management's expectation in view of the lower demand for production of CD Rom for annual reports and DVD for educational purposes.

B2. Comparison Against Preceding Quarter's Results

	Quarter Ended 31/12/2011 RM'000	Quarter Ended 30/09/2011 RM'000
Revenue	7,461	7,788
Profit before taxation	385	4,324

The Group recorded lower Group revenue of RM0.327 million or 4.2% for the current quarter ended 31 December 2011 as compared to the most recent preceding quarter ended 30 September 2011.

This is mainly due to the property development division which recorded a lower revenue of RM0.309 million as a result of the completion of most of its property development projects in Bentong and Laman Ara in Bandar Utama.

After taking into consideration the gain on disposal of the hotel of RM4.97 million recognised in the last preceding quarter, the profit before tax for the current quarter recorded an increase of RM1.031 million as compared to last preceding quarter.

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.

B4. Profit Forecast

The Group has not provided any profit forecast or profit guarantee in any public document in respect of the 3rd quarter ended 31 December 2011.

B5. Income Tax Expense

	3 months ended		**Cumulative 9 months**	
	31/12/2011 RM'000	**31/12/2010 RM'000**	**31/12/2011 RM'000**	**31/12/2010 RM'000**
Estimate tax payable				
- Malaysian tax expense	(54)	420	1,311	684
- Deferred taxation	(10)	(36)	(846)	10
	(64)	384	465	694

The overall effective tax rate of the Group for the 9 months ended 31 December 2011 is lower as compared to the statutory tax rate due to the gain on disposal of hotel property calculated based on real property gain tax and net-off by certain expenses which are disallowed for tax deduction.

B6. Investment in Quoted Securities

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

B7. 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 Leopad 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 20 February 2012, 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	7,910	-
Payment of taxation arising from the clawback of previously claimed Industrial Building Allowance on the Property	Within 9 months	1,158	870	288
Estimated expense for the Proposed Disposal	Within 3 months	600	538	62
Working Capital (*)	Within 24 months	12,332	5,388	6,944
Total		22,000	14,706	7,294

(*) Working Capital

	RM'000	Utilized (RM'000)	Carried Forward
Salary	3,300	834	2,466
Raw materials	5,200	722	4,478
Payment to main contractor for construction work	3,832	3,832	-
Total	12,332	5,388	6,944

B8. Borrowings and Debt Securities

Total Group borrowings as at 31 December 2011 are as follows:-

	Short Term Borrowings RM'000	Short Term Borrowings RM'000
Secured		
- Finance lease liabilities and short term loans	902	6,199

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.

B9. Derivative Financial Instruments

There were no derivative financial instruments at the date of this report.

B10. Fair Value Changes of Financial Liabilities

As at 31 December 2011, the Group does not have any financial liabilities measured at fair value through profit or loss.

B11. Material Litigations

The Group does not have any material litigation up to 21 February 2012, 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.

	Quarter Ended	
	2012	2011
	31/12/2011	31/12/2010
	RM'000	RM'000
Profit for the period attributable to earnings per share (in sen)	449	1,136

B13. Earnings Per Share (cont'd)

	Quarter Ended 2012 31/12/2011	Quarter Ended 2011 31/12/2010
Earnings per share (in sen)	0.11	0.28

B14. Realised and Unrealised Losses Disclosures

The retained earnings / (accumulated losses) of the Company and its subsidiaries as at 31 December 2011, analysed as follows:-

	As at 31/12/2011 RM'000	As at 30/09/2011 RM'000
Total retained earnings / (accumulated losses) of the Company and its subsidiaries:		
- realized	(2,082)	(2,092)
- unrealised	2,182	1,743
	100	(349)

B15. Notes to the Statements of Comprehensive Income

	3 months ended		Cumulative 9 months	
	31/12/2011 RM'000	31/12/2010 RM'000	31/12/2011 RM'000	31/12/2010 RM'000
Interest income	106	8	162	19
Interest expense	260	368	799	999
Depreciation and amortisation	258	399	750	1,143
Gain on disposal of property, plant and equipment	48	15	5,211	15
Negative goodwill recognised	-	83	-	931
Write back of doubtful debts	-	-	19	-

B16. Authorisation for Issue

This Interim Financial Report of GSB Group Berhad for the third financial quarter ended 31 December 2011 was authorised for issuance by the Board of Directors of the Company in accordance with a resolution dated 27 February 2012.