



**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 2012.**

**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 2012.

**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 2012.

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)
- Amendments to FRS 1, First-time Adoption of Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
- Amendments to FRS 7, Financial Instruments: Disclosures – Transfers of Financial Assets
- Amendments to FRS 112, Income Taxes – Deferred Tax; Recovery of Underlying Assets

The Group plans to apply the abovementioned standards, amendments and interpretations from the annual period beginning on 1 April 2012 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 July 2011 and 1 January 2012, except for IC Interpretation 19, Amendments to IC Interpretation 14 and Amendments to FRS 1 which are not applicable to the Group.



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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.

The initial application of the other standards, amendments and interpretations are not expected to have any material impact on the financial statements of the Group.

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

The most recent annual audited financial statements for the year ended 31 March 2012 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 2012.

**A7. Segment Reporting**

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

The Group is organized into two main business segments:

- Manufacturing and 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 period ended 30 September 2012**

	<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	5,721	2,650	-	8,371
Inter-segment revenue	-	(300)	-	(300)
Total revenue	<u>5,721</u>	<u>2,350</u>	<u>-</u>	<u>8,071</u>
<b>Results</b>				
Segment result	(259)	1,005	(70)	676
Finance costs	(19)	(31)	-	(50)
(Loss)/Profit before tax	<u>(278)</u>	<u>974</u>	<u>(70)</u>	<u>626</u>
Elimination of inter-segment profits				-
Taxation	-	(280)	-	(280)
Profit for the period				346
Other comprehensive income for the period, net of tax				-
Total comprehensive income for the period				<u>346</u>

**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 22 November 2012 amounted to RM6.24 million (31 March 2012: RM6.42 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.



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**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 22 November 2012, 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 2012**

**B1. Review of Performance**

	<b>Quarter Ended 30/09/2012 RM'000</b>	<b>Quarter Ended 30/09/2011 RM'000</b>
Revenue	3,585	7,788
Profit before taxation	145	4,324

The Group recorded lower revenue for the current quarter ended 30 Sept 2012 of RM3.585 million as compared to RM7.788 million for the corresponding quarter last year. This is mainly due to lower revenue from the property division which generated RM1.135 million in the current quarter as compared to RM4.845 million in the corresponding quarter last year. The revenue generated during the current quarter under review was mainly from sales of inventory properties and also Phase 12 of Taman Bentong Makmur project whilst in the corresponding quarter last year the higher revenue was mainly from billings from Phase 11 and 12 also in Taman Bentong Makmur.

The replication of optical disc division also recorded lower revenue of RM2.45 million in the current quarter under review as compared to RM2.94 million for the corresponding quarter last year. The sales during the current quarter were lower due to fewer replication orders from our clients in view of the soft demand experienced by our clients during the period when the Olympic Games were held from 27 July 2012 to 12 August 2012, followed by the month long Hari Raya celebrations from 19 August 2012 onwards.

The Group recorded lower profit before tax for the current quarter ended 30 Sept 2012 of RM0.145 million as compared to profit before tax of RM4.324 million for the corresponding quarter last year. This is mainly due to the recognition of gain on sale of hotel of RM4.97 million during the corresponding quarter last year.



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

	<b>Quarter Ended 30/09/2012 RM'000</b>	<b>Quarter Ended 30/6/2012 RM'000</b>
Revenue	3,585	4,486
Profit before taxation	145	482

The Group recorded lower revenue of RM3.585 million or 20% lower for the current quarter ended 30 Sept 2012 as compared to the preceding quarter ended 30 June 2012.

This is mainly due to lower revenue from the replication of optical disc division of RM2.45 million in the current quarter under review as compared to RM3.271 million for the preceding quarter. The sales from replication of optical discs during the current quarter were significantly lower due to fewer replication orders from our clients in view of the soft demand experienced by our clients during the period when the Olympic Games were held from 27 July 2012 to 12 August 2012, followed by the month long Hari Raya celebrations from 19 August 2012 onwards.

In addition, sales from the property division were also marginally lower in the current quarter ended 30 Sept 2012 whereby RM1.135 million were recorded compared to RM1.215 million for the preceding quarter.

The Group recorded lower profit before tax for the current quarter ended 30 Sept 2012 of RM0.145 million as compared to a profit before tax of RM0.482 million for the preceding quarter. This is mainly due to the loss from the replication of optical disc division of RM0.34 million in the current quarter under review as compared to profit of RM0.062 million for the preceding quarter. The sales from replication of optical discs division during the current quarter were significantly lower due to fewer replication orders from our clients in view of the soft demand experienced by our clients as mentioned above.



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

It is based on the acceptance by the Malaysian population for usage of CD and DVD as a medium for entertainment, data storage, education and also statutory reporting 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 such products manufactured by the Group.

The Group's venture into property development business has been contributing positively to the performance of the Group and thus the Group will continue to scrutinize viable opportunities to further expand this 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 2nd quarter ended 30 September 2012.

**B5. Income Tax Expense**

	<b>3 months ended</b>		<b>Cumulative 12 months</b>	
	<b>30/09/2012</b>	<b>30/09/2011</b>	<b>30/09/2012</b>	<b>30/09/2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Estimate tax payable				
- Malaysian tax expense	118	1,236	280	1,365
- Deferred taxation	-	(845)	-	(836)
	<hr/>	<hr/>	<hr/>	<hr/>
	118	391	280	529
	<hr/>	<hr/>	<hr/>	<hr/>

The overall effective tax rate of the Group for the 6 months ended 30 September 2012 is higher as compared to the statutory tax rate due losses incurred by certain subsidiary companies.

**B6. Investment in Quoted Securities**

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



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**B7. Status of Corporate Proposals Announced**

On 21 January 2011, GSB Group Berhad's 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 22 November 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 from the 100% sales proceed received	Unutilized
Utilization For	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	1,158	-
Estimated expense for the Proposed Disposal (#)	Within 3 months	543	538	5
Working Capital (*) (#)	Within 24 months	12,389	8,643	3,746
<b>Total</b>		<b>22,000</b>	<b>18,249</b>	<b>3,751</b>

(\*) Working Capital

	RM'000	Utilized (RM'000)	Carried Forward (RM'000)
Salary (#)	3,357	2,546	811
Raw materials	5,200	2,265	2,935
Payment to main contractor for construction work	3,832	3,832	-
<b>Total</b>	<b>12,389</b>	<b>8,643</b>	<b>3,746</b>

Note (#): The expenses for the Proposed Disposal has been finalised at RM543,000 (previously reported as RM600,000). The difference of RM57,000 is now transferred into Working Capital's Salary.





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**B8. Borrowings and Debt Securities**

Total Group borrowings as at 30 September 2012 are as follows:-

	<b>Short Term Borrowings RM'000</b>	<b>Long Term Borrowings RM'000</b>
Secured		
- Finance lease liabilities and short term loans	413	6,020

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 30 September 2012, 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 22 November 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.

	<b>Quarter Ended</b>	
	<b>2012</b>	<b>2011</b>
	<b>30/09/2012</b>	<b>30/09/2011</b>
	<b>RM'000</b>	<b>RM'000</b>
Profit for the period attributable to ordinary shareholders of parent	26	3,933



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	<b>Quarter Ended</b>	
	<b>2012</b> <b>30/09/2012</b>	<b>2011</b> <b>30/09/2011</b>
Earnings per share (in sen)	0.01	0.98

**B14. Realised and Unrealised Losses Disclosures**

The (accumulated losses) / retained earnings of the Company and its subsidiaries as at 30 September 2012, analysed as follows:-

	<b>As at</b> <b>30/09/2012</b> <b>RM'000</b>	<b>As at</b> <b>30/06/2012</b> <b>RM'000</b>
Total (accumulated losses) / retained earnings of the Company and its subsidiaries:		
- realised	642	583
- unrealised	(36)	(4)
	<hr/> 606	<hr/> 579
Less : Consolidation adjustments	(851)	(851)
	<hr/> Total (accumulated losses) / retained earnings	<hr/> Total (accumulated losses) / retained earnings
	(245)	(272)

**B15. Notes to the Statements of Comprehensive Income**

	<b>3 months ended</b>		<b>Cumulative 12 months</b>	
	<b>30/09/2012</b> <b>RM'000</b>	<b>30/09/2011</b> <b>RM'000</b>	<b>30/09/2012</b> <b>RM'000</b>	<b>30/09/2011</b> <b>RM'000</b>
Interest income	(9)	(18)	(26)	(56)
Interest expense	18	265	50	539
Depreciation and amortisation	164	141	401	492
Gain on disposal of property, plant and equipment	-	(4,975)	(102)	(5,163)
Write back of doubtful debts	-	-	-	(19)

**B16. Authorisation for Issue**

This Interim Financial Report of GSB Group Berhad for the first financial quarter ended 30 September 2012 was authorised for issuance by the Board of Directors of the Company in accordance with a resolution dated 28 November 2012.