



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 2013

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 2013.

A2. Significant Accounting Policies

The financial statements of the Group have been prepared in accordance with Financial Reporting Standards (FRS) and the Companies Act, 1965 in Malaysia.

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (MASB) but have not been adopted by the Group:

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

- Amendments to FRS 101, *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2013

- FRS 10, *Consolidated Financial Statements*
- FRS 11, *Joint Arrangements*
- FRS 12, *Disclosure of Interests in Other Entities*
- FRS 13, *Fair Value Measurement*
- FRS 119, *Employee Benefits* (2011)
- FRS 127, *Separate Financial Statements* (2011)
- FRS 128, *Investments in Associates and Joint Ventures* (2011)
- IC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*
- Amendments to FRS 7, *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*



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- Amendments to FRS 1, *First-time Adoption of Malaysian Financial Reporting Standards – Government Loans*
- Amendments to FRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)*
- Amendments to FRS 101, *Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)*
- Amendments to FRS 116, *Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)*
- Amendments to FRS 132, *Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)*
- Amendments to FRS 134, *Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)*
- Amendments to FRS 10, *Consolidated Financial Statements: Transition Guidance*
- Amendments to FRS 11, *Joint Arrangements: Transition Guidance*
- Amendments to FRS 12, *Disclosure of Interests in Other Entities: Transition Guidance*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014

- Amendments to FRS 10, *Consolidated Financial Statements: Investment Entities*
- Amendments to FRS 12, *Disclosure of Interests in Other Entities: Investment Entities*
- Amendments to FRS 127, *Separate Financial Statements (2011): Investment Entities*
- Amendments to FRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2015

- FRS 9, *Financial Instruments* (2009)
- FRS 9, *Financial Instruments* (2010)
- Amendments to FRS 7, *Financial Instruments: Disclosures – Mandatory Date of FRS 9 and Transition Disclosures*

The Group plans to apply those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 July 2012 and 1 January 2013, except for FRS 11, FRS 12, FRS 128, IC Interpretation 20, Amendments to FRS 1, Amendments to FRS 11 and Amendments to FRS 12 which are not applicable to the Group from the annual period beginning on 1 April 2013.



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

The Group has subsidiaries which fall within the scope of IC Interpretation 15, Agreements for the Construction of Real Estate. The Group and these subsidiaries will be exempted from adopting Malaysian Financial Reporting Standards (MFRSs) and as such is referred to as a “Transitioning Entity”. Being a Transitioning Entity, the Group is required to adopt MFRSs for annual period beginning on 1 April 2014.

The Group’s and the Company’s financial statements for annual period beginning on 1 April 2014 will be prepared in accordance with the MFRSs issued by MASB and International Financial Reporting Standards (IFRSs). As a result, the Group will not be adopting FRSs, Interpretations and amendments that are effective for annual periods beginning on or after 1 January 2014 and 1 January 2015.

A3. Auditors’ Report on Preceding Annual Financial Statements

The most recent annual audited financial statements for the year ended 31 March 2013 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 2013.



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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:

- 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.

Segment reporting for the period ended 30 September 2013

	Replication of Optical Discs RM'000	Property Development RM'000	Others RM'000	Group RM'000
Revenue				
Segment revenue	4,533	219	-	4,752
Adjustments on consolidation	-	(219)	-	(219)
Total revenue	<u>4,533</u>	<u>-</u>	<u>-</u>	<u>4,533</u>
Results				
Segment results	(577)	(537)	(66)	(1,180)
Net Finance income/(costs)	11	(49)	-	(38)
(Loss)/Profit before tax	<u>(566)</u>	<u>(586)</u>	<u>(66)</u>	<u>(1,218)</u>
Adjustments on consolidation				(32)
Taxation	<u>-</u>	<u>(5)</u>	<u>-</u>	<u>(5)</u>
(Loss)/Profit for the period				(1,255)
Other comprehensive income for the period, net of tax				-
Total comprehensive (loss)/income for the period				<u>(1,255)</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.



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A9. Contingent Liabilities

The contingent liabilities of the Group as at 25 November 2013 amounted to RM9.12 million (31 March 2013: RM6.16 million) representing 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 25 November 2013, 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 2013**

B1. Review of Performance

	Quarter Ended 30/9/2013 RM'000	Quarter Ended 30/9/2012 RM'000
Revenue	1,906	3,585
(Loss)/Profit before taxation	(641)	145

The Group recorded lower revenue for the current quarter ended 30 September 2013 of RM1.906 million as compared to RM3.585 million for the corresponding quarter last year. This is mainly due to the property division which did not generate any revenue in the current quarter as compared to RM1.135 million in the corresponding quarter last year. The revenue generated during the corresponding quarter last year was mainly from sales of inventory properties.

The manufacturing and replication of optical disc division recorded lower revenue of RM1.906 million in the current quarter under review as compared to RM2.45 million for the corresponding quarter last year due to softer demand.

The Group recorded loss before tax for the current quarter ended 30 September 2013 of RM0.641 million as compared to profit before tax of RM0.145 million for the corresponding quarter last year. This is mainly due to lack of revenue from the property division whilst in the corresponding quarter last year the profits generated were mainly from sales of inventory properties.

The replication of optical disc division also recorded loss before tax of RM0.287 million in the current quarter ended 30 September 2013 as compared to loss before tax of RM0.340 million for the corresponding quarter last year due to low sales volume whilst still incurring factory overheads.

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B2. Comparison Against Preceding Quarter's Results

	Quarter Ended 30/9/2013 RM'000	Quarter Ended 30/6/2013 RM'000
Revenue	1,906	2,627
(Loss) before taxation	(641)	(609)

The Group recorded lower revenue of RM1.906 million or 27% lower for the current quarter ended 30 September 2013 as compared to the preceding quarter ended 30 June 2013.

With still no revenue from the property division, the manufacturing and replication of optical discs division also recorded lower revenue from RM2.627 million in the preceding quarter to RM1.906 million in the current quarter under review due to softer demand.

The Group also recorded loss before tax for the current quarter ended 30 September 2013 of RM0.641 million as compared to a loss before tax of RM0.609 million for the preceding quarter. The manufacturing division is experiencing softer demand.

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B3. Prospects for the current financial year

We are excited with the prospects of the property segment for the Group for the current financial year and beyond having recently entered into a Joint Venture Agreement to develop a piece of freehold land, situated within the neighbouring mature areas of Bandar Baru Permas Jaya, Taman Johor Jaya, Taman Molek and strategically located alongside the Pasir Gudang Highway, into a mixed development consisting 2 blocks of 25-storey serviced apartments with commercial lots at Levels 1 & 2, car parks at Levels 2 to 6. The land is also within 10 minutes to the Custom & Immigration Quarantine (CIQ) Complex via the nearby Eastern Dispersal Link (EDL). As this project's Development Order has already been approved, barring unforeseen circumstances, we should be able to launch this project in the fourth quarter of the current financial year.

On the manufacturing front, the Group's replication of optical disc division has commenced providing a newly created remastering service whereby the sound (audio) quality is enhanced from the standard 16-bits to 24-bits. Such remastered products are now being marketed by our clients and our logo STEIGERN Audiophile or GIPFEL Audio-Pro is highlighted on the album cover of such audio compact discs.

B4. Profit Forecast

The Group has not provided any profit forecast or profit guarantee in any public document in respect of the current quarter ended 30 September 2013.

B5. Income Tax Expense

	3 months ended		Cumulative 12 months	
	30/9/2013	30/9/2012	30/9/2013	30/9/2012
	RM'000	RM'000	RM'000	RM'000
Estimate tax payable				
- Malaysian tax expense	3	118	5	280
- Deferred taxation	-	-	-	-
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	3	118	5	280
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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

There was no corporate proposal announced but not completed as at the date of this report.

B8. Borrowings and Debt Securities

Total Group borrowings as at 30 September 2013 are as follows:-

	Short Term Borrowings RM'000	Long Term Borrowings RM'000
Secured		
- Finance lease liabilities and term loans	3,542	5,796
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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.

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 2013, there are no financial liabilities measured at fair value through profit or loss.

B11. Material Litigations

The Group does not have any material litigation up to 25 November 2013, being a date not earlier than seven days from the date of this interim financial report.



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B12. Dividends

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

B13. (Loss)/Earnings Per Share

The basic (loss)/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	
	30/9/2013	30/9/2012
	RM'000	RM'000
(Loss)/Profit for the period attributable to ordinary shareholders of parent	(644)	26
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	Quarter Ended	
	30/9/2013	30/9/2012
(Loss)/Earnings per share(sen)	(0.16)	0.01
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B14. Realised and Unrealised Losses Disclosures

The (accumulated losses) / retained earnings of the Company and its subsidiaries as at 30 September 2013, analysed as follows:-

	As at	As at
	30/9/2013	30/6/2013
	RM'000	RM'000
Total (accumulated losses) / retained earnings of the Company and its subsidiaries:		
- realised	3,771	4,398
- unrealised	(74)	(74)
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	3,697	4,324
Less : Consolidation adjustments	(4,986)	(4,970)
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Total (accumulated losses) / retained earnings	(1,289)	(646)
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B15. Notes to the Statements of Comprehensive Income

	3 months ended		Cumulative 12 months	
	30/9/2013	30/9/2012	30/9/2013	30/9/2012
	RM'000	RM'000	RM'000	RM'000
Interest income	(39)	(9)	(56)	(26)
Interest expense	55	18	94	50
Depreciation and amortisation	231	164	418	401
Loss/(Gain) on disposal of property, plant and equipment	-	-	-	(102)

B16. Authorisation for Issue

This Interim Financial Report of GSB Group Berhad for the first financial quarter ended 30 September 2013 was authorised for issuance by the Board of Directors of the Company in accordance with a resolution dated 28 November 2013.

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