



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 2015

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 does 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 2015.

A2. Significant Accounting Policies

The financial statements of the Group have been prepared in accordance with Financial Reporting Standards (FRS) and the requirements of 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 2014

- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)*
- Amendments to FRS 2, *Share-based Payment (Annual Improvements 2010-2012 Cycle)*
- Amendments to FRS 3, *Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to FRS 8, *Operating Segments (Annual Improvements 2010-2012 Cycle)*
- Amendments to FRS 13, *Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to FRS 116, *Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)*
- Amendments to FRS 119, *Employee Benefits – Defined Benefit Plans: Employee Contributions*
- Amendments to FRS 124, *Related Party Disclosures (Annual Improvements 2010-2012 Cycle)*
- Amendments to FRS 138, *Intangible Assets (Annual Improvements 2010-2012 Cycle)*
- Amendments to FRS 140, *Investment Property (Annual Improvements 2011-2013 Cycle)*



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FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016

- Amendments to FRS 5, *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)*
- Amendments to FRS 7, *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*
- Amendments to FRS 10, *Consolidated Financial Statements* and FRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- Amendments to FRS 10, *Consolidated Financial Statements*, FRS 12, *Disclosure of Interests in Other Entities* and FRS 128, *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*
- Amendments to FRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*
- FRS 14, *Regulatory Deferral Accounts*
- Amendments to FRS 101, *Presentation of Financial Statements – Disclosure Initiative*
- Amendments to FRS 116, *Property, Plant and Equipment* and FRS 138, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to FRS 119, *Employee Benefits (Annual Improvements 2012-2014 Cycle)*
- Amendments to FRS 127, *Separate Financial Statements – Equity Method in Separate Financial Statements*
- Amendments to FRS 134, *Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- FRS 9, *Financial Instruments (2014)*

The Group plans to apply the abovementioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 April 2015 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 July 2014, except for Amendments to FRS 2, and Amendments to FRS 119 which are not applicable to the Group.
- from the annual period beginning on 1 April 2016 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2016, except for Amendments to FRS 5, Amendments to FRS 11, FRS 14 and Amendments to FRS 119 which are not applicable to the Group.



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The Group's financial statements for annual period beginning on 1 April 2017 will be prepared in accordance with the Malaysian Financial Reporting Standards (MFRSs) issued by the MASB and International Financial Reporting Standards (IFRSs).

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group except as mentioned below:

FRS 9 replaces the guidance in FRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The Group is currently assessing the financial impact that may arise from the adoption of FRS 9.

The Group falls within the scope of IC Interpretation 15, *Agreements for the Construction of Real Estate*. Therefore, the Group is currently exempted from adopting the Malaysian Financial Reporting Standards ("MFRS") and is referred to as a "Transitioning Entity".

A3. Auditors' Report on Preceding Annual Financial Statements

The most recent annual audited financial statements for the year ended 31 March 2015 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 2015.



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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 6 months ended 30 September 2015

	Replication of Optical Discs RM’000	Property Development RM’000	Others RM’000	Group RM’000
Revenue				
Segment revenue	2,894	10,789	-	13,683
Adjustments on consolidation	-	(3,023)	-	(3,023)
Total revenue	<u>2,894</u>	<u>7,766</u>	<u>-</u>	<u>10,660</u>
Results				
Segment results	(476)	4,604	(78)	4,050
Net Finance income/(costs)	(4)	(1,080)	-	(1,084)
Subtotal	(480)	3,524	(78)	2,966
Adjustments on consolidation		(1,110)	(193)	(1,303)
Taxation				(443)
Profit/(Loss)				<u>1,220</u>
Other comprehensive income for the period, net of tax				-
Total comprehensive profit/(loss)				<u>1,220</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 23 November 2015 amounted to RM33.369 million (31 March 2015: RM33.96 million) representing corporate guarantees given by the Company for banking facilities extended to subsidiary companies.



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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 23 November 2015, 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 2015**

B1. Review of Performance

	Quarter Ended 30/9/2015 RM'000	Quarter Ended 30/9/2014 RM'000
Revenue	5,472	1,851
Profit/(Loss) before taxation	1,708	(890)

The Group recorded significantly higher revenue for the current quarter under review of RM5.47 million as compared to RM1.85 million for the corresponding quarter last year.

The manufacturing and replication of optical disc division recorded lower revenue of RM1.1 million in the current quarter under review compared to RM1.85 million in the corresponding quarter last year due to softer demand.

The property division recorded significantly higher revenue of RM4.37 million in the current quarter under review compared to nil revenue in the corresponding quarter last year, due to the ongoing projects in Bentong, Pahang and also Plentong, Johor Bahru.

The Group recorded a profit before tax in the current quarter under review of RM1.7 million as compared to loss before tax of RM890,000 in the corresponding quarter last year as there was recognition of other income being compensation sum arising from a Termination and Settlement Agreement of a joint venture project.

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B2. Comparison Against Preceding Quarter's Results

	Quarter Ended 30/9/2015 RM'000	Quarter Ended 30/6/2015 RM'000
Revenue	5,472	5,188
Profit/(Loss) before taxation	1,708	(44)

The Group recorded higher revenue for the current quarter under review of RM5.47 million as compared to RM5.18 million for the preceding quarter.

The manufacturing and replication of optical disc division recorded lower revenue of RM1.1 million in the current quarter under review compared to RM1.8 million in the preceding quarter due to softer demand.

The property division recorded significantly higher revenue of RM4.37 million in the current quarter under review compared to RM3.39 million in the preceding quarter, due to the ongoing projects in Bentong, Pahang and also Plentong, Johor Bahru.

The Group recorded a profit before tax for the current quarter under review of RM1.7 million compared to a loss before tax of RM44,000 in the preceding quarter as there was recognition of other income being compensation sum arising from a Termination and Settlement Agreement of a joint venture project.

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B3. Prospects for the current financial year

The Group is developing its property projects in Plentong, Johor Bahru and also Bentong, Pahang. Contributions from these projects began to flow in during the final quarter of the previous financial year ended 31 March 2015 and expected to continue to do so in the current financial year ending 31 March 2016.

Other projects in the pipeline are in Klang, Selangor and Kelana Jaya, Selangor, currently still awaiting certain approvals from authorities.

New acquisitions of lands in Shah Alam, Selangor and also Bentong, Pahang have been approved by shareholders and pending completion.

The Group is also continually looking to grow our property development segment via joint venture developments or acquisition of strategic land bank.

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 2015.

B5. Income Tax Expense

	3 months ended		Cumulative 12 months	
	30/9/2015	30/9/2014	31/3/2016	31/3/2015
	RM'000	RM'000	RM'000	RM'000
Estimate tax expense/(income)				
- Current tax expense/(income)	311	1	491	1
- Deferred tax expense/(income)	3	-	(48)	-
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	314	-	443	1
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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.

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B7. Status of Corporate Proposals Announced

As at 23 November 2015, being a date not earlier than seven days from the date of this interim financial report, the proceeds from private placement of 40,000,000 new ordinary shares of RM0.10 each completed on 9 April 2014 has been fully utilised as follows:-

Utilisation of Proceeds

			Utilization from the proceeds received	Unutilized
Utilization For	Estimated Timeframe	RM'000	RM'000	RM'000
Payment to contractor for earthworks for the project in Johor Bahru	Expected to be utilised by December 2015	849	849	-
Payment to contractor for piling works for the project in Johor Bahru	Expected to be utilised by December 2015	3,000	3,000	-
Estimated expenses for the Proposed Private Placement	Immediate	151	151	-
Total		4,000	4,000	-

B8. Borrowings and Debt Securities

Total Group borrowings as at 30 September 2015 are as follows:-

	Short Term Borrowings RM'000	Long Term Borrowings RM'000
Secured		
- Finance lease liabilities, bank overdrafts, term loans	15,515	21,345
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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.



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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 2015, analysed as follows:-

	As at 30/9/2015 RM'000	As at 30/9/2014 RM'000
Total (retained earnings)/accumulated losses of the Company and its subsidiaries:		
- realised	(5,791)	(1,621)
- unrealised	139	(40)
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	(5,652)	(1,661)
Less : Consolidation adjustments	7,644	5,209
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Total accumulated losses	1,992	3,548
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B15. Notes to the Statements of Comprehensive Income

	3 months ended		Cumulative 12 months	
	30/9/2015 RM'000	30/9/2014 RM'000	31/03/2016 RM'000	31/03/2015 RM'000
Interest (income)	(62)	(49)	(176)	(80)
Interest expense	642	217	1,261	340
Depreciation and amortization	270	202	631	502
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B16. Authorisation for Issue

This Interim Financial Report of GSB Group Berhad for the first financial quarter ended 30 September 2015 was authorised for issuance by the Board of Directors of the Company in accordance with a resolution dated 27 November 2015.

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