



**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 THIRD QUARTER ENDED 31 DECEMBER 2016**

**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 2016.

**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 January 2016***

- FRS 14, *Regulatory Deferral Accounts*
- 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*, 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*
- 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 2017***

- Amendments to FRS 107, *Statement of Cash Flows – Disclosure Initiative*
- Amendments to FRS 112, *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*



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

- FRS 9, *Financial Instruments (2014)*

***FRSs, Interpretations and amendments effective for a date yet to be confirmed***

- 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*

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

- 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 April 2016, except for FRS 14, Amendments to FRS 10, and FRS 12 which are not applicable to the Group and the Company.
- from the annual period beginning on 1 April 2017 for those amendments that are effective for annual periods beginning on or after 1 April 2017.

The Group's financial statements for annual period beginning on 1 April 2018 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 and interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group.

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 2016 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.



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**A6. Dividends Paid**

No dividend has been paid during the current interim reporting period under review.

**A7. Segment Reporting**

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

The Group is organized into two main business segments:

- Development of residential and commercial properties for sale and rental
- Manufacturing and replication of optical discs

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 9 months ended 31 December 2016**

	<b>Property Development RM'000</b>	<b>Replication of Optical Discs RM'000</b>	<b>Others RM'000</b>	<b>Group RM'000</b>
<b>Revenue</b>				
Segment revenue	27,518	4,452	-	31,970
Adjustments on consolidation	(6,938)	-	-	(6,938)
Total revenue	20,580	4,452	-	25,032
<b>Results</b>				
Segment results	3,383	(766)	(121)	2,496
Net finance costs	(784)	(113)	-	(897)
Subtotal	2,599	(879)	(121)	1,599
Adjustments on consolidation				(1,101)
Taxation				(961)
Loss				(463)
Other comprehensive income for the period, net of tax				-
Total comprehensive expense				(463)

**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 24 February 2017 amounted to RM46.44 million (31 March 2016: RM48.45 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 24 February 2017, 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 THIRD QUARTER  
ENDED 31 DECEMBER 2016**

**B1. Review of Performance**

	<b>Quarter Ended 31/12/2016 RM'000</b>	<b>Quarter Ended 31/12/2015 RM'000</b>
Revenue	6,192	2,755
Loss before taxation	(606)	(2,366)

The group has recorded higher revenue for the current quarter under review of RM6.2 million as compared to RM2.8 million for the corresponding quarter last year. There is a significant increase in revenue of property division to RM5 million as compared to RM1 million mainly due to revenue recognised in a Bentong project consisting of shoplots.

As for the manufacturing and replication of optical disc division, revenue recorded during the current quarter under review registered a decline to RM1.2 million from RM1.7 million due to soft demand.

Despite the higher revenue contributed by property division, the Group still recorded a loss before tax in the current quarter under review of RM0.6 million as compared to RM2.3 million loss in the corresponding quarter last year.

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

	<b>Quarter Ended 31/12/2016 RM'000</b>	<b>Quarter Ended 30/9/2016 RM'000</b>
Revenue	6,192	12,019
(Loss)/Profit before taxation	(606)	873

The group has recorded significantly lower revenue for the current quarter under review of RM6.2 million as compared to RM12 million for the preceding quarter. Revenue for the property division decreased from RM10.9 million in the preceding quarter to RM5 million in the current quarter under review. This is mainly due to lower sales during the current quarter under review. Revenue for the manufacturing and replication of optical disc division remained similar at RM1.1 million for each quarter.

As a result of the lower revenue, the Group recorded a loss before tax in the current quarter under review of RM0.6 million compared to a profit before tax of RM0.9 million in the preceding quarter.

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

The Group is currently developing its property projects in Plentong, Johor Bahru and also Bentong, Pahang. Despite the current weak sentiments in the property development segment, the Group is persevering on offering reasonably priced properties in strategic locations.

The Group's development activities in Plentong should see increased activities with the construction of its main structure whilst the development activities in Bentong are progressing as scheduled.

**B4. Profit Forecast**

The Group has not provided any profit forecast or profit guarantee in any public document in respect of the interim financial period under review.

**B5. Income Tax Expense**

	<b>3 months ended</b>		<b>Cumulative 12 months</b>	
	<b>31/12/2016</b>	<b>31/12/2015</b>	<b>31/3/2017</b>	<b>31/3/2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Estimate tax expense/(income)				
- Current tax (income)/expense	183	(303)	961	188
- Deferred tax expense/(income)	-	20	-	(28)
	<hr/>	<hr/>	<hr/>	<hr/>
	183	(283)	961	160
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The effective tax rate is higher than the statutory tax rate due to 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**

As at 24 February 2017, being a date not earlier than seven days from the date of this interim financial report, the utilisation of proceeds from private placement of 88,000,000 new ordinary shares of RM0.10 each completed on 18 December 2015 is as follows:-

*Utilisation of Proceeds*

			Utilisation from the proceeds received	Unutilised
Utilisation For	Estimated Timeframe	RM'000	RM'000	RM'000
Payment to contractor for the remaining piling works for the project in Johor Bahru	Within 18 months	1,186	1,186	-
Payment to contractor for the remaining basement infrastructure works for the project in Johor Bahru	Within 18 months	4,470	4,470	-
Payment to contractor for part of the initial building works for the project in Johor Bahru	Within 18 months	2,794	1,225	1,569
Estimated expenses for the Proposed Private Placement	Immediate	350	350	-
<b>Total</b>		<b>8,800</b>	<b>7,231</b>	<b>1,569</b>

**B8. Borrowings and Debt Securities**

Total Group borrowings as at 31 December 2016 are as follows:-

	<b>Short Term Borrowings RM'000</b>	<b>Long Term Borrowings RM'000</b>
Secured		
- Finance lease liabilities, bank overdrafts, term loans	24,767	24,249
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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 31 December 2016, analysed as follows:-

	<b>As at 31/12/2016 RM'000</b>	<b>As at 31/12/2015 RM'000</b>
Total accumulated losses /(retained earnings) of the Company and its subsidiaries:		
- realised	(3,884)	(4,577)
- unrealised	(62)	(20)
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	(3,946)	(4,597)
Less : Consolidation adjustments	<hr/>	<hr/>
	9,234	8,642
Total accumulated losses	<hr/>	<hr/>
	5,288	4,046
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**B15. Notes to the Statements of Comprehensive Income**

	<b>3 months ended</b>		<b>Cumulative 12 months</b>	
	<b>31/12/2016</b>	<b>31/12/2015</b>	<b>31/3/2017</b>	<b>31/3/2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Interest (income)	(60)	(52)	(184)	(124)
Interest expense	333	348	1,082	913
Depreciation and amortization	176	101	566	732
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**B16. Authorisation for Issue**

This Interim Financial Report of GSB Group Berhad for the financial quarter ended 31 December 2016 was authorised for issuance by the Board of Directors of the Company in accordance with a resolution dated 27 February 2016.

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