



**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 SECOND QUARTER ENDED 31 DECEMBER 2017**

**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 2017.

**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, 2016 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 2018***

- FRS 9, *Financial Instruments (2014)*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards (Annual Improvements to FRS Standards 2014-2016 Cycle)*
- Amendments to FRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to FRS 4, *Insurance Contracts – Applying FRS 9 Financial Instruments with FRS 4 Insurance Contracts*
- Amendments to FRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to FRS Standards 2014-2016 Cycle)*
- Amendments to FRS 140, *Investment Property – Transfers of Investment Property*

***FRSs, Interpretations and amendments effective for annual periods beginning on or after 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 plans to apply the abovementioned accounting standards, amendments and interpretations for the annual period beginning on 1 April 2018 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 April 2018.



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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".

The preparation of unaudited condensed financial statements in conformity with the FRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the unaudited condensed financial statements, and the reported amounts of income and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group and the Company's accounting policies. Although these estimates and assumptions are based on the Directors' best knowledge of current events and actions, actual results may differ from those estimates

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

The most recent annual audited financial statements for the year ended 31 March 2017 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 interim reporting period under review.



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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:

- 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 2017**

	<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	42,192	4,050	-	46,242
Adjustments on consolidation	(24,542)	-	-	(24,542)
Total revenue	17,650	4,050	-	21,701
<b>Results</b>				
Segment results	97	(134)	(99)	(136)
Net finance costs	(1,462)	-	-	(1,462)
Subtotal	(1,365)	(134)	(99)	(1,598)
Adjustments on consolidation				(2,457)
Taxation				(3)
Loss				(4,058)
Other comprehensive income for the period, net of tax				-
Total comprehensive expense				(4,058)

**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 28 February 2018 amounted to RM67.7 million (31 March 2017: RM45.95 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.



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**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 28 February 2018, 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 SECOND QUARTER  
ENDED 31 DECEMBER 2017**

**B1. Review of Performance**

	<b>Quarter Ended 31/12/2017 RM'000</b>	<b>Quarter Ended 31/12/2016 RM'000</b>
Revenue	14,425	6,192
Profit/(Loss) before taxation	1,699	(607)

The Group has recorded higher revenue for the current quarter under review of RM14.4 million as compared to RM6.2 million for the corresponding quarter last year. There is a significant increase in revenue of property division is mainly due to construction progress picked up pace on Plentong and the launching of new residential development project in Bentong.

As for the manufacturing and replication of optical disc division, revenue recorded during the current quarter under review decreased slightly to RM1.0 million from RM1.2 million in the corresponding quarter last year.

The Group recorded a profit before tax of RM1.7 million in the current quarter under review, contributed mainly from the construction progress of development projects in Plentong and Bentong.

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

	<b>Quarter Ended 31/12/2017 RM'000</b>	<b>Quarter Ended 30/09/2017 RM'000</b>
Revenue	14,425	4,555
Profit/(Loss) before taxation	1,699	(5,162)

The Group has recorded higher revenue for the current quarter under review of RM14.4 million as compared to RM4.5 million for the preceding quarter. Revenue for the property division increased from 3.4 million in the preceding quarter to RM13.4 million in the current quarter under review. This is mainly due to revenue recognised in development projects in Plentong as the construction progress picked pace during the quarter under review.

However, revenue for the manufacturing and replication of optical disc division decreased from RM1.2 million in the preceding quarter to RM1.0 million in the current quarter under review due to softer demand.

The Group recorded a profit before tax of RM1.7 million as compared to RM5.2 million loss in the preceding quarter, contributed mainly from the property division's construction of residential development project in Plentong.

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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 in Bentong, Pahang. Despite the current weak sentiments in the property development segment, the Group is persevering on offering reasonably priced properties in strategic locations as the Group is committed in creating and delivering high customer value and satisfaction.

The Group's development activities in Plentong should see increased activities with the construction of its main structure. The residential project in Bentong has been completed and handed over, whilst the commercial project in Bentong is yet to be completed. In addition, a new residential project in Bentong has been launched in the current financial year and the construction is currently in progress.

**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**

	3 months ended		Cumulative 9 months	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	RM'000	RM'000	RM'000	RM'000
Estimate tax expense/(income)				
- Current tax (income)/expense	-	183	3	961
- Deferred tax expense/(income)	-	-	-	-
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	-	183	3	961
	<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. Borrowings and Debt Securities**

Total Group borrowings as at 31 December 2017 are as follows:-

	<b>Short Term Borrowings RM'000</b>	<b>Long Term Borrowings RM'000</b>	<b>Total Borrowings RM'000</b>
Secured			
- Finance lease liabilities, bank overdrafts, term loans	24,131	38,608	62,739

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>	<b>Total Borrowings RM'000</b>
Secured			
- Finance lease liabilities, bank overdrafts, term loans	24,767	24,249	49,016

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.

**B8. Derivative Financial Instruments**

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

**B9. Fair Value Changes of Financial Liabilities**

As at 31 December 2017, there are no financial liabilities measured at fair value through profit or loss.

**B10. Material Litigations**

The Group does not have any material litigation up to 28 February 2018, being a date not earlier than seven days from the date of this interim financial report.

**B11. Dividends**

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





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**B12. Loss Per Share**

The basic loss per share of the Group have been computed by dividing the net loss attributable to ordinary shareholders of the Company for the current financial quarter by the weighted average number of ordinary shares in issue of 528,018,909 ordinary shares.

	<b>Quarter Ended</b>	
	<b>31/12/2017</b>	<b>31/12/2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Profit/(Loss) for the period attributable to ordinary shareholders of parent	1,699	(789)
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Weighted average number of ordinary shares	528,018,909	528,000,000
	<b>31/12/2017</b>	<b>31/12/2016</b>
Earnings/(Loss) per share (sen)		
- Basic	0.32	(0.15)
- Diluted	0.32	(0.15)
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**B13. Realised and Unrealised Losses Disclosures**

The accumulated losses / retained earnings of the Company and its subsidiaries as at 31 December 2017, analysed as follows:-

	<b>As at 31/12/2017 RM'000</b>	<b>As at 31/12/2016 RM'000</b>
Total accumulated losses /(retained earnings) of the Company and its subsidiaries:		
- realized	(3,253)	(3,884)
- unrealized	(388)	(62)
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	(3,641)	(3,946)
Less : Consolidation adjustments	14,439	9,234
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Total accumulated losses	10,798	5,288
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**B14. Notes to the Statements of Comprehensive Income**

	<b>3 months ended</b>		<b>Cumulative 9 months</b>	
	<b>31/12/2017 RM'000</b>	<b>31/12/2016 RM'000</b>	<b>31/12/2017 RM'000</b>	<b>31/12/2016 RM'000</b>
Interest (income)	(32)	(52)	(141)	(184)
Interest expense	294	348	1,604	1,082
Depreciation and amortization	139	101	515	566
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**B15. Authorisation for Issue**

This Interim Financial Report of GSB Group Berhad for the financial quarter ended 31 December 2017 was authorised for issuance by the Board of Directors of the Company in accordance with a resolution dated 28 February 2018.

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