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 FOURTH QUARTER ENDED 31 MARCH 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 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, 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 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*

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".

The new Companies Act 2016 (the "Act") came into operation on 31 January 2017, except for Section 241 and Division 8 of Part III of the Act. Amongst the key changes introduced in the new Act which will affect the financial statements of the Group and the Company includes:

a) removal of the authorized share capital;
b) shares of the Company will cease to have par or nominal value; and
c) the Company's share premium account will become part of the Company's share capital.

Notwithstanding this provision, the Group and the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account for purposes as set out in Section 618 (3) of the Act. There is no impact on the number of ordinary share in issue or the relative entitlement of any of the members as a result of this transition.

The adoption of the Act is not expected to have any financial impact on the Group and the Company for the current financial period as any accounting implications will only be applied prospectively, if applicable.

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 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.

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 12 months ended 31 March 2017

	Property Development RM'000	Replication of Optical Discs RM'000	Others RM'000	Group RM'000
Revenue				
Segment revenue	41,173	6,096	-	47,269
Adjustments on consolidation	(13,953)	-	-	(13,953)
Total revenue	27,220	6,096	-	33,316
Results				
Segment results	5,216	(840)	(284)	4,092
Net finance costs	(1,053)	2	-	(1,051)
Subtotal	4,163	(838)	(284)	3,041
Adjustments on consolidation				(3,890)
Taxation				(1,054)
Loss				(1,903)
Other comprehensive income for the period, net of tax				-
Total comprehensive expense				(1,903)

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 26 May 2017 amounted to RM44.44 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 26 May 2017, being a date not earlier than seven days from the date of this interim financial report.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA FOR THE INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 MARCH 2017

B1. Review of Performance

	Quarter Ended 31/03/2017 RM'000	Quarter Ended 31/03/2016 RM'000
Revenue	8,284	4,154
Loss before taxation	(1,347)	(261)

The group has recorded higher revenue for the current quarter under review of RM8.3 million as compared to RM4.2 million for the corresponding quarter last year. There is a significant increase in revenue of property division to RM6.6 million as compared to RM2.5 million mainly due to revenue recognised in development projects in Bentong and Plentong that consists of shoplots and residential units as the construction progress picked up pace during the quarter under review.

As for the manufacturing and replication of optical disc division, revenue recorded during the current quarter under review is similar to the corresponding quarter last year.

Despite the higher revenue contributed by property division, the Group still recorded a loss before tax in the current quarter under review of RM1.3 million as compared to RM0.3 million loss in the corresponding quarter last year.

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B2. Comparison Against Preceding Quarter's Results

	Quarter Ended 31/03/2017 RM'000	Quarter Ended 31/12/2016 RM'000
Revenue	8,284	6,192
Loss before taxation	(1,347)	(606)

The group has recorded higher revenue for the current quarter under review of RM8.3 million as compared to RM6.2 million for the preceding quarter. During the quarter under review, revenue for the property division increased by RM1.6 million from RM5 million in the preceding quarter. This is mainly due to revenue recognised in development projects in Bentong and Plentong that consists of shoplots and residential units as the construction progress picked up pace during the quarter under review. Revenue for the manufacturing and replication of optical disc division has increased slightly from RM1.1 million to RM1.6 million as compared to the preceding quarter.

Despite the higher revenue achieved in current quarter under review, the Group still recorded a loss before tax of RM1.3 million as compared to RM0.6 million loss in preceding quarter. This is mainly due to provision for liquidated and ascertained damages (LAD) for Plentong project during the quarter under review.

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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

	3 months ended		Cumulative 12 months	
	31/3/2017 RM'000	**31/3/2016 RM'000**	**31/3/2017 RM'000**	**31/3/2016 RM'000**
Estimate tax expense/(income)				
- Current tax (income)/expense	540	251	1,505	637
- Deferred tax expense/(income)	(444)	(65)	(451)	(271)
	96	186	1,054	366

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 26 May 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	2,426	368
Estimated expenses for the Proposed Private Placement	Immediate	350	350	-
Total		8,800	8,432	368

B8. Borrowings and Debt Securities

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

	Short Term Borrowings RM'000	**Long Term Borrowings RM'000**
Secured		
- Finance lease liabilities, bank overdrafts, term loans	26,224	22,378

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 31 March 2017, 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 26 May 2017, 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. 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 528,000,000 ordinary shares.

	Quarter Ended	
	31/3/2017 RM'000	**31/3/2016 RM'000**
Loss for the period attributable to ordinary shareholders of parent	(1,440)	(447)
Weighted average number of ordinary shares	528,000,000	465,726,776

	Quarter Ended	
	31/12/2017	**31/3/2016**
Loss per share (sen)		
- Basic	(0.27)	(0.08)
- Diluted	(0.27)	(0.10)

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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:-

	As at 31/3/2017 RM'000	**As at 31/3/2016 RM'000**
Total accumulated losses /(retained earnings) of the Company and its subsidiaries:		
- realized	(4,832)	(3,243)
- unrealized	(410)	(77)
	(5,242)	(3,320)
Less : Consolidation adjustments	11,970	8,145
Total accumulated losses	6,728	4,825

B15. Notes to the Statements of Comprehensive Income

	3 months ended		**Cumulative 12 months**	
	31/3/2017 RM'000	**31/3/2016 RM'000**	**31/3/2017 RM'000**	**31/3/2016 RM'000**
Interest (income)	(48)	(102)	(137)	(226)
Interest expense	607	261	1,214	1,169
Depreciation and amortization	477	795	1,043	1,572

B16. Authorisation for Issue

This Interim Financial Report of GSB Group Berhad for the financial quarter ended 31 March 2017 was authorised for issuance by the Board of Directors of the Company in accordance with a resolution dated 29 May 2017.

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