



GSB GROUP BERHAD
287036-X



2017

ANNUAL REPORT

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CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I hereby present the Annual Report and Audited Financial Statements of GSB Group Berhad ("GSB Group" or "the Group") for the financial year ended 31 March 2017.

FINANCIAL PERFORMANCE

For the financial year under review, the continuing operations of GSB Group recorded a revenue of RM33,316,284 and a loss after tax of RM1,915,542 in comparison to a revenue of RM17,569,016 and a loss after tax of RM1,299,501 in the preceding financial year.

The property development segment's revenue has increased from RM11,323,078 to RM27,220,083 and registered a profit of RM1,522,165 as compared to segment profit of RM2,011,632 in the preceding financial year. The revenue contribution from our replication of compact discs and digital versatile discs segment has decreased from RM6,245,938 to RM6,096,201 but there is a decrease in segment loss from RM1,221,414 to RM839,896.

On a positive note, the assets for the Group grew further from RM146,257,000 to RM166,613,000 contributed mainly by increase in property development segment's assets from RM124,457,000 to RM146,430,000.

CORPORATE DEVELOPMENTS

Forging ahead to grow our Property Development Segment

Our Group currently has a total landbank of 46.53 acres, of which 43.81 acres are owned by our Group and located in Shah Alam and Klang, Selangor and Bentong, Pahang while the remaining 2.72 acres via joint venture development project located in Johor Bahru, Johor.

Our Group is currently developing a mixed development known as "g Residence" in Johor Bahru and commercial and residential developments known as Bentong Avenue and Valleyview33 respectively in Bentong. These projects attributed to the 140% increase in revenue from the property development segment year-on-year as sales and progress of construction picked up pace during the financial year under review.

The Group's two plots of adjoining leasehold lands measuring in aggregate of approximately 2.22 acres located at Seksyen 15, Shah Alam, Daerah Petaling, Selangor will enable our Group to benefit from the vibrant growth in Shah Alam and the strong demand for strategically located quality properties in the vicinity. This project is initially expected to be launched in the financial year ending 31 March 2018, however in light of the current weak sentiments in the property development segment and also that we are in the process of amalgamating the two plots of lands, we expect to defer the launch to the following financial year ending 31 March 2019.

To further strengthen our Group's foothold in Bentong, Pahang, our Group is in the midst of working towards completion of the acquisition of a piece of freehold land measuring approximately 52.08 acres in Bentong, Pahang. The said acquisition is pending payment of balance purchase price and is expected to be completed in the financial year ending 31 March 2018.

However, shareholders and stakeholders, rest assured we will not rest on our laurels and will continue to grow our property development segment. The Group is currently focusing on its ongoing projects' sales and construction amidst a very challenging market.

Manufacturing and replication of optical discs

Our Group takes cognisance of the way this industry is facing tough challenges and is implementing cost cutting measures.

CORPORATE GOVERNANCE

The Board of Directors of the Group emphasises on corporate governance and at all times looking at value creation for our shareholders. Measures taken and implemented have been outlined in this Annual Report under the Statement on Corporate Governance, the Statement on Risk Management and Internal Control, and the Audit Committee Report.

CORPORATE SOCIAL RESPONSIBILITY

Our Company recognises that its businesses have direct and indirect impact on the communities in which we operate. We bear a special responsibility to use our knowledge and experience for the betterment of society and to further develop and initiate improvements for and with society. Some of our initiatives in contributing towards being a positive global citizen included initiatives that were carried out through efforts in the workplace, the marketplace and the environment, which are highlighted in the Corporate Social Responsibility Statement in this Annual Report.

APPRECIATION

On behalf of the Board of Directors, I wish to extend my heartfelt gratitude to all our shareholders for their steadfast support and confidence in the Group.

My sincere appreciation also goes to the various government authorities, business associates, clients, financiers and partners for their continuing support.

To our management and employees, thank you for the unwavering commitment and dedication to the progress of GSB Group.

Loy Kwee Keow
Senior Independent Non-Executive Chairman

MANAGEMENT DISCUSSION & ANALYSIS

The Management Discussion and Analysis aims to provide our shareholders and other stakeholders with an overview of our business, operations and financial performance of the Group in the financial year ended 31 March 2017.

1. OVERVIEW OF GROUP'S BUSINESS AND OPERATIONS

Business and operations

The Group has two significant business segments which offer different products and services, and are managed separately because they are of different industry and also require different marketing strategies. For each of the business segments, the Group's Managing Director reviews internal management reports at least on a quarterly basis:

Significant business segments:

1. Property development of residential and commercial properties; and
2. Manufacturing and replication of optical discs.

Property development:

- Our products are principally residential landed properties, serviced apartments, and commercial properties;
- Our current projects are located in Bentong, Pahang and Plentong, Johor Bahru;
- We are a major property developer in Bentong having acquired the subsidiary company which has been developing there since 1997. However, as for Plentong, it is our first foray into the Johor Bahru market; and
- Our products are targeted at end-user market within the locality of our projects and are not high-end projects, hence we remain optimistic of our prospects.

Manufacturing:

- We manufacture optical discs such as Digital Versatile Disc (DVD), Audio Compact Disc (ACD), Video Compact Disc (VCD) and CD-ROM;
- Our company was incorporated in 1992 and we were certified by the Malaysia Book of Records as the first compact discs replication plant in Malaysia;
- We own and operate from our factory in Cheras, Kuala Lumpur;
- We are ISO-Certified and have upgraded our certification standard to the latest ISO 9001:2015 (Quality Management System) and ISO 14001:2015 (Environmental Management System) since January 2017;
- We hold a significant market share in Malaysia, whilst our exports account for approximately 12.5% of our turnover for this business segment for the current financial year under review;
- Our customers are largely movie/audio copyright distributors and companies undertaking production of annual report for publicly listed entities; and
- Moving forward, we expect this segment's operating environment to be tougher in light of softer demand, increasing raw material costs and a volatile ringgit.

FINANCIAL YEAR ENDED 31 MARCH	2013	2014	2015	2016	2017
(RM'000s)					
Revenue	14,474	11,736	18,928	17,569	33,316
Profit/(Loss) before taxation	1,182	(1,812)	(1,118)	(934)	(863)
Profit/(Loss) for the year	557	(1,805)	(1,373)	(1,300)	(1,915)

MANAGEMENT DISCUSSION & ANALYSIS

(cont'd)

Objectives and strategies	<p>Property development:</p> <ul style="list-style-type: none"> ▪ For our Bentong projects, we will continue to build on our brand name in Bentong and follow up with launches in small parcels ensuring marketability and sustainability of earnings; ▪ As for our Plentong project, we are progressing with our construction of the main structure and optimistic that we can garner more potential buyers' interest upon seeing the construction progress; ▪ The Group's other land banks in Klang and also Shah Alam are in planning stage to further enhance expected returns compared to the initial plans; and ▪ The Group is also evaluating potential joint-ventures so that we will not be limited by our own capital constraints, whilst still returning value to our shareholders. <p>Manufacturing:</p> <ul style="list-style-type: none"> ▪ We aim to maintain market leadership by implementing prudent measures, improving operational efficiency and focusing on product and service quality for our customers; ▪ To minimise impact of rising raw material costs, we are also educating our customers on the changes in the industry and gradually implementing higher selling prices for our products; ▪ We are also adopting a more selective approach on doing business with our customers to improve our margins and to improve sales collection; and ▪ We are implementing cost cutting measures via reducing manpower requirements, reducing electricity costs by realigning shifts for improvement in production yield.
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2. REVIEW OF FINANCIAL RESULTS AND FINANCIAL CONDITION

Revenue	<p>The Group's revenue increased from RM17.6 million to RM33.3 million during the financial year under review, an increase of 90% as compared to the previous financial year.</p> <p>The increase in the Group's revenue was mainly due to the increase in revenue from the Property development segment. The following discusses the revenue of each segment:</p> <p>Property development:</p> <ul style="list-style-type: none"> ▪ The contribution in revenue from this division increased from RM11.3 million to RM27.2 million, an increase of 140%; ▪ Our sales % increased from 60% to 83% and 30% to 31% year-on-year for our Bentong and Plentong projects respectively; and ▪ Our stages of completion for our Bentong and Plentong projects are 78% and 20% respectively. <p>Manufacturing:</p> <ul style="list-style-type: none"> ▪ The contribution in revenue from this division decreased marginally from RM6.2 million to RM6.1 million; and ▪ Market demand continued to be soft for this industry.
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MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

Profit and Loss before tax	<p>The Group achieved lower Loss Before Tax of RM863,000 on the back of higher revenue, compared to Loss Before Tax of RM934,000 in the previous financial year.</p> <p>Significant changes on Loss Before Tax can be attributed to the following:</p> <ul style="list-style-type: none"> ▪ Other Income arising from termination of joint venture agreement in relation to a land in SS6 Kelana Jaya, amounting to RM709,692; and ▪ Other Income arising from termination of joint venture agreement in relation to a land in Bentong, Pahang, amounting to RM2,135,660. <p>Adjusting for the above Other Incomes, had there were no such incomes, the Loss Before Tax for the previous financial year would have widened from RM934,000 to RM3,779,352, whereby it would have been 21.5% loss as a percentage of revenue for the previous financial year. This when compared to current financial year's loss of just 2.5% as a percentage of revenue, represents a significant improvement in the results for the Group.</p>
Assets	<p>There are no significant changes for non-current assets but for current assets, there are significant changes in the following:</p> <p>Trade and Other Receivables Trade and other receivables increased from RM28.7 million to RM45.1 million due to significant increase in Revenue and also increase in deposits paid towards a land acquisition in Bentong, Pahang.</p> <p>Property Development Costs Property development costs increased from RM47.8 million to RM52.4 million due to increased construction activities in the Group's projects in Bentong, Pahang and Plentong, Johor.</p>
Liabilities	<p>Trade and Other Payables Trade and other payables increased from RM23.3 million to RM47.9 million due to increased construction activities in the Group's projects in Bentong, Pahang and Plentong, Johor Bahru.</p>
Capital expenditure requirements & Capital commitments	<p>The Group's purchase of a land in Bentong, Pahang is pending a payment of approximately RM11 million as at 31 March 2017, which is approximately 37% of the total purchase consideration of RM29.5 million.</p>
Capital structure and capital resources	<p>The Group's borrowings decreased by 5.5% from RM51.5 million at the end of the previous financial year to RM48.6 million primarily due to:-</p> <ul style="list-style-type: none"> ▪ Repayment of term loan borrowings of RM2.4 million. <p>Therefore the Group's net gearing ratio (total group borrowings net of cash in hand and at banks over the group's total equity) has maintained at 0.77 times.</p>

MANAGEMENT DISCUSSION & ANALYSIS

(cont'd)

<p>Known trends and events</p>	<p>Property development:</p> <ul style="list-style-type: none"> ▪ The property market continues to remain soft; ▪ Loan rejection for homebuyers remain the main reason for lower sales though bookings are encouraging; and ▪ We are banking on good products at good locations to sell our property units. <p>Manufacturing:</p> <ul style="list-style-type: none"> ▪ The Group is experiencing declining sales in the Manufacturing segment due to lower demand for optical discs replication. We take cognisance of the way this industry is facing tough challenges viz-a-viz the ever evolving apps market in today's digital world; and ▪ Although the revenue from the Manufacturing segment is maintained as compared to the previous financial year, we expect this segment's operating environment to be tougher in light of softer demand, increasing raw material costs and a volatile Ringgit.
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3. REVIEW OF OPERATING ACTIVITIES

<p>Operating activities</p>	<p>The Group's revenue increased significantly by 90% from RM17.6 million in the previous financial year to RM33.3 million in the current financial year under review. The increase was on the back of significant increase in contribution from the property development segment which saw an increase from RM11.3 million to RM27.2 million as sales increased and progress of construction improved.</p> <p>The Group's unbilled sales from its property development segment based on units sold stood at RM81 million as at the financial year ended 31 March 2017.</p> <p>The Bentong projects in Pahang known as Bentong Avenue and Valleyview33 achieved take-up rates of approximately 83% and 78% completed.</p> <p>The Plentong Johor Bahru project known as "g'Residence" achieved 31% take-up rate whilst construction is at 20%.</p> <p>The contribution in revenue from the Manufacturing segment decreased marginally from RM6.2 million to RM6.1 million.</p>
<p>Status of acquisitions or projects undertaken that may impact the operating activities</p>	<ul style="list-style-type: none"> ▪ The Group's acquisition of a 52.08-acre freehold land in Bentong, Pahang that is adjacent to the Group's current development in Bentong is currently pending payment of the balance purchase price on or before 31 July 2017 with an automatic extension of time until 31 January 2018; ▪ Our Kebenaran Merancang ("KM") for our 6.06-acre land in the vicinity of Bukit Tinggi, Klang, which consists of townhouses, cluster homes and semi-detached homes within a gated-guarded concept, had expired and the Group plans to amend the existing layout plan to medium cost apartments to suit the current market conditions and also to increase the gross development value of the land; and ▪ The Group's two plots of adjoining leasehold lands (totaling 2.22 acres) in Section 15, Shah Alam, Selangor has a KM. The amalgamation application for the two plots is in progress and will take 4 to 5 months. Once the amalgamation is approved, the KM will be valid for 12 months from the said approval.

MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

4. ANTICIPATED OR KNOWN RISKS

<p>Anticipated or known risks and plans/strategies to mitigate such risks</p>	<p>Foreign currency risk:</p> <ul style="list-style-type: none"> ▪ Approximately 12.5% of the Group's Manufacturing segment operations are exports; ▪ The major raw material in the production process in the Manufacturing segment is purchased mainly in United States Dollar denomination; and ▪ Foreign currency exposure is managed by a policy of matching as far as possible receipts and payments in each individual currency. <p>Liquidity and cash flow risk:</p> <ul style="list-style-type: none"> ▪ The Group's exposure to liquidity and cash flow risk arises mainly from general funding and business activities; and ▪ The Group has to practice prudent liquidity risk management by maintaining sufficient cash balances and the availability of funding through certain credit facilities, and stakeholders.
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5. FORWARD-LOOKING STATEMENT

<p>Trend and outlook</p>	<p>Property development:</p> <ul style="list-style-type: none"> ▪ Moving forward, the property industry in Malaysia will be sustained via more developments of affordable homes for the next two to three years; ▪ The Group is revisiting its layout planning for its other land banks in Seksyen 15 Shah Alam and Bukit Tinggi Klang to cater for affordable homes pricing; ▪ The Group hopes that with better construction progress at our Project in Plentong Johor, sales will improve and establish our brand name as a new developer in Johor Bahru. <p>Manufacturing:</p> <ul style="list-style-type: none"> ▪ As the Group is experiencing declining sales in the Manufacturing segment due to lower demand for optical discs replication, measures have been taken to lower our operating costs whilst at the same time to gain more customers over from smaller manufacturers facing the same issues within the industry.
<p>Dividend policy</p>	<p>At this juncture, the Board has not established a formal dividend policy because there is a need to conserve cash for working capital requirements.</p>

CORPORATE INFORMATION

BOARD OF DIRECTORS

Loy Kwee Keow
(Senior Independent Non-Executive Chairman)

Gan Pik Mui
(Managing Director)

Ir. Liaw Boo Lai @ Leow Bong Lai (D.S.M.)
(Independent Non-Executive Director)

Gan Boon Kat
(Non-Independent Non-Executive Director)

AUDIT COMMITTEE

Loy Kwee Keow - Chairman
(Senior Independent Non-Executive Chairman)

Ir. Liaw Boo Lai @ Leow Bong Lai (D.S.M.)
(Independent Non-Executive Director)

Gan Boon Kat
(Non-Independent Non-Executive Director)

NOMINATION COMMITTEE

Loy Kwee Keow - Chairman
(Senior Independent Non-Executive Chairman)

Ir. Liaw Boo Lai @ Leow Bong Lai (D.S.M.)
(Independent Non-Executive Director)

Gan Boon Kat
(Non-Independent Non-Executive Director)

COMPANY SECRETARIES

Leong Shiak Wan
(MAICSA 7012855)
Zuriati Binti Yaacob
(LS0009971)

REGISTERED OFFICE

Level 8, Symphony House
Block D13, Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Tel No.: (+603) 7841 8000
Fax No.: (+603) 7841 8199

SHARE REGISTRAR

Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Malaysia
Tel No.: (+603) 2783 9299
Fax No.: (+603) 2783 9222

CORPORATE OFFICE / PRINCIPAL PLACE OF BUSINESS

No. 9, Jalan 3/91A
Taman Shamelin Perkasa
56100 Cheras
Kuala Lumpur
Malaysia
Tel No.: (+603) 9281 1188
Fax No.: (+603) 9287 9959
Website: www.gsbsummit.com

AUDITORS

KPMG PLT (Firm No AF 0758)
Chartered Accountants
Level 10, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan
Malaysia

PRINCIPAL BANKERS

Ambank (M) Berhad
AmInvestment Services Berhad
CIMB Bank Berhad
Hong Leong Bank Berhad
OCBC Bank (Malaysia) Berhad
United Overseas Bank (Malaysia) Bhd

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad
Stock Name: GSB
Stock Code: 7077

LEGAL STATUS

Public listed company limited by shares
Domicile and incorporated in Malaysia

CORPORATE STRUCTURE



GSB GROUP BERHAD
287036-X

subsidiaries

100%

BANDA INDUSTRIES SDN BHD (75604-P)
Property Development

100%

GSB HOTEL SDN BHD (829341-D)
Property Development

100%

GSB MANAGEMENT SDN BHD (196027-K)
Property Development and Construction

100%

GSB PROPERTIES SDN BHD (807671-T)
Property Development

100%

GSB SUMMIT AUDIO (M) SDN BHD (173431-U)
Dormant

100%

GSB SUMMIT CD (M) SDN BHD (226197-M)
Manufacture of compact discs and digital versatile discs

100%

GSB SUMMIT DEVELOPMENT SDN BHD (457212-A)
Property Development

100%

SERTA USAHA SDN BHD (116386-U)
Property Development

PROFILE OF DIRECTORS

LOY KWEE KEOW

Senior Independent Non-Executive Chairman

LOY KWEE KEOW, a Malaysian, aged 58, male, is the Senior Independent Non-Executive Chairman of the Company and was appointed to the Board on 24 May 2005. He was appointed as Chairman of the Audit Committee and Nomination Committee on 30 December 2005 and 30 May 2013 respectively.

Mr. Loy is a member of the Chartered Institute Management Accountants and the Malaysian Institute of Accountants and has been appointed as accountant in several reputable companies.

He is currently an Occupational Safety and Health Practitioner. He is also attached to Sustainable Certification Pte Ltd, a certifying body for ISO 9001, ISO 14001, OHSAS 18001 and ISO 22000 from Australia. He holds a Master of Science in Occupational Safety & Health from University Utara Malaysia.

He has developed and assisted numerous business organizations in achieving ISO certification from the International Certifying Body. He is actively involved with Occupational Health & Safety issues in the construction industries for 14 years and later branched into other industries. He has been conducting trainings, seminars and talks for multinational companies, small and medium companies and large local corporations. He brings with him many years of experience and practical knowledge in the Occupational Health & Safety and Environmental areas. He specialized in the implementation of Safety Management System, Airborne Contaminants & Noise Exposure Monitoring, Engineering Control Equipment Monitoring and Indoor Air Quality Assessment. He is a registered Safety Health Officer, a competent person for Industrial Hygiene & Noise and IAQ Assessor registered with the Department of Occupational Safety & Health, Malaysia.

GAN PIK MUI

Managing Director

GAN PIK MUI, a Malaysian, aged 46, female, is Managing Director of the Company and was appointed to the Board on 21 December 2006.

Ms. Gan is a Chartered Accountant of the Malaysian Institute of Accountants. She holds a Bachelor of Arts (Hons) in Accounting and Financial Management from the University of Essex, England, a Master of Science in Management from City University of London and she is also a fellow member of the Association of Chartered Certified Accountants.

She was previously with KPMG Management Consulting for 3 years as a Senior Consultant involved in the area of corporate restructuring acting as a financial consultant to quoted and unquoted clients for Scheme of Arrangement pursuant to Section 176 of the Companies Act of Malaysia and informal scheme of arrangement through Corporate Debt Restructuring Committee of Malaysia before leaving for England where she was attached with a property management company in London for a year.

She is the daughter of Dato' Gan Seng Biang, a substantial shareholder of the Company, and sister of Mr. Gan Boon Kat, a director of the Company.

IR. LIAW BOO LAI @ LEOW BONG LAI (D.S.M.)

Independent Non-Executive Director

IR. LIAW BOO LAI @ LEOW BONG LAI (D.S.M.), a Malaysian, aged 75, male, is an Independent Non-Executive Director of the Company and was appointed to the Board on 31 May 2005. He was appointed as a member of the Audit Committee and Nomination Committee on 6 September 2005 and 30 May 2013 respectively.

Ir. Liaw graduated with a degree in Mechanical Engineering. He is a member of the Professional Engineer, Malaysia. He was an engineer in Lee Wah Engine Work Pte. Ltd. from 1970 till 1974. In 1975, he held the post of a Manager in Euco Metal Sdn Bhd and was subsequently appointed as a Director of Sun Engineering and Construction Sdn Bhd, a position he held for more than 22 years until 2001.

Presently, he is the Advisor to Malaysia Aquaculture Development Association, the Vice President of Persatuan I-Ching and also Director of KGC Eco Resort Sdn Bhd.

PROFILE OF DIRECTORS

(cont'd)

GAN BOON KAT

Non-Independent Non-Executive Director

GAN BOON KAT, a Malaysian, aged 52, male, is a Non-Independent Non-Executive Director of the Company and was appointed to the Board on 21 December 2006. He was appointed as a member of the Audit Committee and Nomination Committee on 1 August 2011 and 30 May 2013 respectively.

Mr. Gan has over 20 years of experience in the property industry. He was attached to Goldhill Realty from 1993 to 2000 as Real Estate Consultant.

He is currently holding the post of a Director in a family-run property development and construction business. His responsibilities in the company includes overseeing the operations of the property and construction division, controlling all aspects of the development including planning, costing, feasibility, implementation, scheduling, award of tenders and due diligence. He is also responsible for sourcing and evaluating business opportunities and craft action plans necessary to achieve company's objective.

He is the brother of Ms. Gan Pik Mui, Managing Director of the Company and son of Dato' Gan Seng Biang, a substantial shareholder of the Company.

Note:

Other than as disclosed, all directors do not have any family relationships with any director and/or substantial shareholder of the Company and do not hold any directorship in other public companies. All directors have no personal interest in any business arrangements involving the Company. All directors have not been convicted for any offence and have attended the Board of Directors' meetings of the Company for the financial year ended 31 March 2017 as disclosed in page 15 of this Annual Report.

KEY SENIOR MANAGEMENT PROFILE

GAN PIK MUI

Malaysian, aged 46, female

Managing director

Please refer to the Profile of Directors for GAN PIK MUI's profile.

GAN BOON KAT

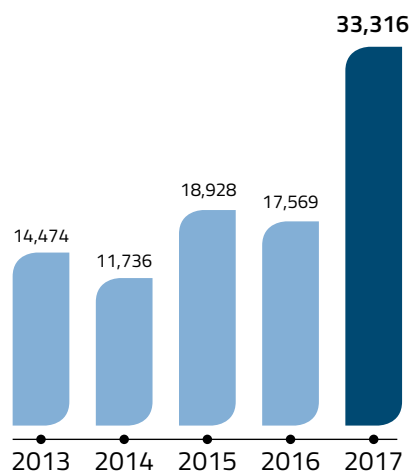
Malaysian, aged 52, male

Non-Independent Non-Executive Director

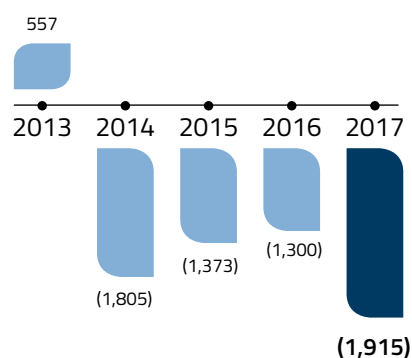
Please refer to the Profile of Directors for GAN BOON KAT's profile.

GROUP FIVE-YEAR FINANCIAL HIGHLIGHTS

REVENUE (RM'000)



PROFIT/LOSS FOR THE YEAR (RM'000)



FINANCIAL YEAR ENDED 31 MARCH

2013

2014

2015

2016

2017

FINANCIAL PERFORMANCE (in RM'000)

Revenue	14,474	11,736	18,928	17,569	33,316
Profit/(Loss) before taxation	1,182	(1,812)	(1,118)	(934)	(863)
Profit/(Loss) for the year	557	(1,805)	(1,373)	(1,300)	(1,915)

FINANCIAL POSITION (in RM'000)

Total Assets	56,331	71,128	120,181	146,257	166,613
Total Liabilities	14,114	23,369	69,795	88,424	110,531
Net Current Assets	16,877	12,027	44,807	42,925	31,760
Net Assets	42,217	47,759	50,385	57,833	56,082
Total Borrowings	8,124	13,758	37,331	51,448	48,601
Equity Attributable to Owners of the Company	42,217	47,759	50,385	57,833	56,082
Issued Share Capital	40,000	40,000	44,000	52,800	53,740

KEY FIGURES

Earnings/(Loss) Per Share (sen)	0.14	(0.45)	(0.31)	(0.28)	(0.36)
Net Assets Per Share (sen)	10.55	11.94	11.45	10.95	10.44
Net Debt to Equity Ratio	0.08	0.18	0.56	0.77	0.77

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors (“**the Board**”) fully appreciate the importance of adopting high standards of corporate governance within the Group to ensure that the recommendation of the Malaysian Code on Corporate Governance 2012 (“**the Code**” or “**MCCG 2012**”) are practiced throughout the Group as a mean of managing the business and affairs of the Group with integrity and professionalism so as to enhance business prosperity and corporate accountability in order to protect the interest of shareholders, whilst ensuring at the same time the interest of other stakeholders are safeguarded.

As such, the Board strives to adopt the substance behind corporate governance prescriptions and not merely the form. The Board is thus fully committed to the maintenance of high standards of corporate governance by supporting and implementing the prescriptions of the principles and recommendations set out in the Code respectively.

The Board is pleased to provide the following statements, which outline the main corporate governance principles and practices that were in place throughout the financial year, unless otherwise stated.

BOARD OF DIRECTORS

BOARD AND MANAGEMENT RESPONSIBILITIES

The Board is fully aware of its continuing responsibilities over the stewardship of the Group’s strategic direction and ultimately the enhancement of shareholders’ value. The Board delegates the responsibility of implementing the Board’s approved strategies and policies to the Management led by the Managing Director.

The Board assumes the following responsibilities:

- Reviewing and adopting the overall strategic plans for the Group’s two core businesses;
- Setting policies appropriate for the businesses and corporate governance of the Group;
- Reviewing and approving annual budget and monitoring Management’s performance;
- Overseeing and evaluating the performance of the Group’s businesses including but not limited to quarterly and annual financial statements;
- Reviewing and approving material acquisitions and disposals;
- Reviewing and approving issuance of new securities such as private placements and employee share option scheme;
- Reviewing internal control systems and identifying principal risks to ensure the implementation of a risk management system to manage these risks;
- Establishing succession planning, including appointing, training, fixing the compensation of and where appropriate, replacing Board and Management;
- Overseeing the adequate communication to shareholders and relevant stakeholders of the Group;
- Reviewing the adequacy and integrity of the Group’s information systems; and
- Overseeing and evaluating the conduct of business of the Group to ensure compliance with legal and regulatory requirements.

In assisting the discharge of its stewardship role, the Board has established Board Committees, as deliberated in the ensuing section below.

There is a clear division of responsibilities between the Board and the Management. The Managing Director is responsible for the day-to-day management of the Group and the implementation of strategies and policies set by the Board under delegated authority from the Board. In carrying out her responsibilities, the Managing Director ensures that all reports to the Board present a true and fair view of the Group’s financial position and operational performance. The Management of the Group’s two core businesses reports to the Managing Director separately as there are of different industry. The Board has adopted a policy on delegation of approving authority and authority limits. The policy applies to members of the Board, the Managing Director and key senior management personnel. It establishes the authority of each of these groups to act effectively and make decisions in relation to the activities of the Group.

The Group is led and managed by an effective Board comprising members with wide range of business experiences and expertise required to successfully direct and supervise the Group’s business activities, which are vital to the success of the Group.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

Board Balance

The existing Board members consist of four (4) members, a Senior Independent Non-Executive Chairman, a Managing Director with one (1) independent non-executive Director and one (1) non-independent non-executive Director. The present Board composition has been maintained in line with the needs of the Company and in compliance with Bursa Malaysia Securities Berhad ("**Bursa Securities**") Main Market Listing Requirements ("**Listing Requirements**") that stipulates at least two (2) Directors or one third of the Board of the Company, whichever is higher, are independent Directors. A brief profile of each Director is presented on pages 10 to 11 in this Annual Report. The members of the Board have diverse professional and entrepreneurial background, varied skills and experiences for effective oversight of the Group. The Independent Non-Executive Directors provide the necessary check and balance in the Board's exercise of its functions and independent evaluation of the Board's decision making process. The Board has female representative in accordance with the recommendation of the Code.

There is a clear division of responsibility between the Senior Independent Non-Executive Chairman and the Managing Director to ensure that there is a balance of power and authority. The Chairman is primarily responsible for the orderly conduct and working of the Board whilst the Managing Director is responsible for the day-to-day running of the business, organisational effectiveness and implementation of Board policies and decisions.

More than half of the Directors, 3 out of 4 Board members, are non-executive Directors, 2 of whom are considered by the Board to be independent. The presence of non-executive Directors provides significant contributions towards the formulation of policies and decision-making. The presence of independent non-executive Directors is essential as they provide an unbiased and independent view, advice and judgment to the decision-making of the Board and provide a capable check and balance for the Executive Director, thereby ensuring that no one individual or group dominates the Board decision-making process. The Senior Independent Non-Executive Director to whom concerns regarding the Company may be conveyed is the Chairman of the Company.

The Nomination Committee (more details on page 15 in this Annual Report) and the Board have upon their annual assessment, concluded that each of the Independent Non-Executive Directors continues to demonstrate conduct and behaviour that are essential indicators of independence as set out in the Listing Requirements.

The Board is satisfied that the current Board composition fairly reflects the investment of minority shareholders in the Company.

Recommendation 3.2 of the Code recommends that the tenure of an Independent Director should not exceed nine (9) years cumulatively. Upon completion of the nine (9) years, an Independent Director may continue to serve on the Board subject to his re-designation as a Non-Independent Director. The Nomination Committee had assessed the independence of Mr Loy Kwee Keow and Ir. Liaw Boo Lai @ Leow Bong Lai (D.S.M.), who each has served on the Board as Independent Non-Executive Directors of the Company for a cumulative term of more than nine (9) years and the Board has recommended that the approval of the shareholders be sought to re-appoint Mr Loy Kwee Keow and Ir. Liaw Boo Lai @ Leow Bong Lai (D.S.M.) as Independent Non-Executive Directors.

Board Charter and Code of Conduct

The primary objective of the Company's Charter is to set out the roles and responsibilities of the Board including their Code of Conduct. The Board is guided by the Charter and Code of Conduct which provides reference for Directors in relation to the Board's role, powers, duties, functions and ethical values. The Board will annually review and update the Board Charter and Code of Conduct in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board's responsibility.

In accordance with the Recommendation 1.3 of the Malaysian Code on Corporate Governance 2012, the Board should ensure the implementation of appropriate internal systems which facilitate whistleblowing.

The Group has in place a Whistleblowing Programme which offers all stakeholders such as suppliers, vendors, dealers, partners and employees the ability to raise issues of concern about the Group in a totally confidential way, with guaranteed protection from any reprisal for honest reporting through the Whistleblowing channels. This programme is governed by the Group's Whistleblowing policy and overseen by the Audit Committee. Information on the policy and procedures relating to the Whistleblowing Programme is available at our corporate website. The Group believes this programme is very much in keeping with the Group's long-standing commitment to the highest professional standards.

The Board Charter and Code of Conduct was last reviewed on 27 February 2017 and is accessible at the Company's website at www.gsbsummit.com.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

Sustainability

The Board has taken steps to ensure that the Group's strategies continue to promote sustainability, with attention given to environmental, social and governance aspects of the Group's business. More on the Group's Corporate Social Responsibility activities are as described on page 20 of this Annual Report.

Board Meeting

During the financial year ended 31 March 2017, the Board met a total of five (5) times. Details of the Director's attendance record are presented as below:-

Directors	Numbers of Meetings Held**	Number of Meetings Attended
Loy Kwee Keow	5	5
Ir. Liaw Boo Lai @ Leow Bong Lai (D.S.M.)	5	5
Gan Pik Mui	5	5
Gan Boon Kat	5	5

** Refers to the number of meetings held during the time the director in office

Fostering Commitment of the Board

The Group recognizes that its Directors may be invited to become Directors of other companies and that exposure to other organizations can broaden the experience and knowledge of its Directors and this will benefit the Group. Therefore the Group's Directors are at liberty to accept other board appointments as long as there is no conflict with the business of the Group and do not adversely affect the Directors' performance as a Board member. The directors will notify the Chairman before accepting any new directorship and the notification should include an indication of time that will be spent on the new appointment.

Board Committees

The Board has established Board Committee delegated with specific powers and responsibilities to assist it in carrying out its duties and functions. The Board Committee that has been established is the Audit Committee and the Nomination Committee.

Audit Committee

The Audit Committee is chaired by an independent non-executive Director who reports the outcome of Audit Committee Meetings to the Board. Its prime duties include the review of financial statements, quarterly results, accounting policies, appointment of External Auditors, review of audit plan and the auditors' remuneration. Full details of the Audit Committee terms of reference is available on the Company's website while the activities of the Audit Committee during the year are stated in pages 22 to 23 of the Annual Report.

Nomination Committee

The Nomination Committee comprises the following members:

- Loy Kwee Keow
- Ir. Liaw Boo Lai @ Leow Bong Lai (D.S.M.)
- Gan Boon Kat

The Chairman of the Nomination Committee is the Senior Independent Director identified by the Board. The Nomination Committee shall meet at least once a year to carry out the duties and responsibilities as stated below. The Nomination Committee shall meet to assess the effectiveness of the Board as a whole, the committees of the Board and for assessing the contribution of each individual director.

Criteria for assessing the suitability for new appointment or re-appointment of Directors include individuals knowledge and experience in the Group's core businesses, personal qualities, professional skills and also business development skills.

Full details of the Nomination Committee terms of reference is available on the Company's website.

The Nomination Committee convened meeting and tabled the annual assessment of all Directors and also concluded that each of the Independent Non-Executive Director continues to demonstrate conduct and behavior that are essential indicators of independence as set out in the Listing Requirements.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

The activities of the Nomination Committee for the financial year include:-

- review of the board composition with regard to the mix of skills, experience, independence and diversity (including gender diversity) whereby the Nomination Committee noted that the composition of directors and competencies of non-executive directors were sufficient for the required mix of skills to contribute effectively to the Company;
- the assessment undertaken by the Nomination Committee in respect of its board as a whole, the committees of the board and the contribution of each individual director including independent non-executive directors and the Managing Director was done via the following:
 1. Performance Evaluation Sheet – Individual Director Self / Peer Evaluation;
 2. Performance Evaluation Sheet – Board of Directors and Audit Committee; and
 3. Independent Directors' Self-Assessment Checklist.
- Review and recommend to the Board of Directors on the re-appointment of the Independent Directors who has served for more than nine (9) years whereby they have to be re-designated as non-independent directors if they continue to serve on board as recommended by MCCG 2012 unless they are re-appointed at an AGM.

Establishment of a Remuneration Committee has not been undertaken as the Board is of the view that remuneration of Directors has been expeditiously handled by the Board as a whole. The remuneration package of Directors is a matter for the Board as whole and individual directors are required to abstain from the discussion of their own remuneration.

In addition to the above Board Committees, the Board may, wherever required, set up other Board Committee delegated with specific power and responsibilities.

Supply of Information

The Chairman ensures that Directors have access to all information within the Group. Prior to each Board meeting, all Directors are provided with an agenda and board papers relevant to the business of the meeting to enable them to discuss and contribute to the meeting effectively. They were issued in sufficient time to enable the Directors to obtain further explanation, where necessary, in order to be properly briefed before the meeting.

The Board have direct access to members of the senior management team, the services of the Company Secretary and the internal and external auditors, to enable them to discharge their responsibilities. The Board shall also have full and unrestricted access to any information of the Group from any employee.

The Directors review and approve corporate announcements, including the announcement of the quarterly financial reports, prior to releasing of the announcement to the Bursa Securities.

From time to time, the Board determines, whether as a full board or in their individual capacity, to take independent professional advice, where necessary and in appropriate circumstances, in furtherance of their duties, at the Group's expense.

Qualified and Competent Company Secretaries

The Group engaged external qualified company secretaries from Symphony Corporatehouse Sdn. Bhd. The Company Secretaries are qualified to act as company secretary under Section 235 of the Companies Act, 2016. In order to ensure effective functioning of the Board, the Company Secretaries regularly update and advises the Board on new statutory and regulatory requirements relating to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements") and Companies Act in relation to the discharge of the Board's fiduciary duties and responsibilities.

The Company Secretaries attends all shareholders, Board and Board Committee meetings and ensures that all deliberations and decisions made by the shareholders, Board and Board Committee meetings are accurately minuted, and the records of the proceedings of the shareholders, Board and Board Committee meetings are properly kept. The Company Secretaries constantly keep themselves abreast of the evolving capital market environment, regulatory changes and developments in corporate governance through attendance at relevant conferences and training programmes.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

Board Gender Diversity

The Board subscribed to the gender diversity policy as evident from its current Board composition.

The Nomination Committee will take steps to ensure suitable women candidates are sought for consideration should there be a need to increase its current board size. Presently, with the current Directors' mix of experiences and expertise, the Board is of the view that the current size of members is sufficient in effectively addressing all issues affecting the Group.

Directors' Training

The Board as a whole recruits only individuals of sufficient caliber, knowledge and experience to discharge the duties of a Director appropriately. All the Directors have attended and completed the Mandatory Accreditation Programme as prescribed by Bursa Securities. The External Auditors also briefed the Board members on any changes to the Financial Reporting Standards that affect the Group's financial statements during the financial year.

The Board of Directors has assessed the training needs of the Directors in accordance with Paragraph 15.08(2) of Bursa Securities' Main Market Listing Requirements in order to effectively discharge their duties.

Conferences, seminars and training programmes attended by Directors in the financial year 2017 and up to the date of this report are as follows:-

Director	Name of conferences, seminars and training programmes attended
Loy Kwee Keow	<ul style="list-style-type: none"> ▪ Risk Management workshops conducted by Smart Focus Group on 15 February 2017 and 14 March 2017.
Ir. Liaw Boo Lai @ Leow Bong Lai (D.S.M.)	<ul style="list-style-type: none"> ▪ Risk Management workshops conducted by Smart Focus Group on 15 February 2017 and 14 March 2017 .
Gan Pik Mui	<ul style="list-style-type: none"> ▪ Risk Management workshops conducted by Smart Focus Group on 15 February 2017 and 14 March 2017. ▪ "The Release of The Malaysian Code on Corporate Governance" on 26 April 2017 conducted by the Securities Commission.
Gan Boon Kat	<ul style="list-style-type: none"> ▪ Risk Management workshops conducted by Smart Focus Group on 15 February 2017 and 14 March 2017.

The Directors will continue to undergo relevant training programme to further enhance their skills and knowledge wherever required, at the Group's expense. In addition, the Board is regularly updated on the latest updates on the Main Market Listing Requirements and other regulatory requirements relating to the discharge of Directors' duties and responsibilities.

Re-election of Directors

In accordance with the Company's Constitution, one-third of the Board members shall retire from office at each Annual General Meeting and they can offer themselves for re-election. Newly appointed Directors by the Board are subject to election by the shareholders at the next Annual General Meeting held following their appointments. These provide an opportunity for shareholders to renew their mandates. The election of each Director is voted on separately. To assist shareholders in their decision, sufficient information such as personal profile, meetings attendance and the shareholding in the Group of each Director standing for election are furnished in the Annual Report accompanying Notice of the Annual General Meeting.

The Company Secretaries will ensure that all appointments are properly made and that all information necessary is obtained, as well as legal and regulatory obligations are met.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

DIRECTORS' REMUNERATION

The Directors' fees are approved at the Annual General Meeting by the shareholders, based on the recommendation of the Board. All Directors are provided with Directors' fees with the Executive Director being provided with remuneration package which commensurate to their duties and responsibilities. The Board, as a whole, determines the remuneration packages of the Executive Director. The Directors involved do not participate in decision regarding their own remuneration packages.

The aggregate Directors' remuneration paid or payable or otherwise made available to all Directors of the Company during the financial year are as follows:

Remuneration	Group (RM'000)	Company (RM'000)
Fees	115	19
Salaries & Other Emoluments	275	-
Total	390	19

The number of Directors of the Company whose income from the Company falling within the following bands are:-

Range of Remuneration	No. of Executive Director	No. of Non-Executive Directors
RM 1 to RM 50,000	-	2
RM 50,000 to RM 100,000	-	-
RM 100,000 to RM 200,000	-	1
RM 200,000 to RM 300,000	1	-

SHAREHOLDERS AND INVESTORS

The Company recognises the importance of accountability to its shareholders through proper communication with them. The Annual General Meeting is the principal form of dialogue with the shareholders. Shareholders are notified of the meeting and provided with a copy of the Company's Annual Report before the meeting. All shareholders are encouraged to attend the Annual General Meeting and participate in its proceedings. Every opportunity is given to the shareholders to ask questions and seek clarification on the business and performance of the Group and Company.

In line with the recent amendments to the Bursa Securities' Main Market Listing Requirements in 2015, poll voting will be conducted for all resolutions of the upcoming Annual General Meeting and we will thereafter make an announcement of the detailed results showing the number of votes casted for and against each resolution. The Chairman of the meeting shall inform shareholders of voting by poll at the commencement of the general meeting.

The Company also ensures that its shareholders are well informed via proper procedures which have been established for the timely release of material share price-sensitive information, quarterly financial results, regulatory financial statements and other matters affecting shareholders' interests.

Shareholders and members of the public can also obtain information on the Group by accessing the Group's and also Bursa Securities' websites. There is also a continuous effort to enhance the Group's website at www.gsbsummit.com

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board acknowledges its responsibility for preparing the annual audited financial statements and ensures that the financial statements give a true and fair view of the state of affairs of the Company and Group.

The Board aims to present a balanced, clear and understandable assessment of the Company and Group's financial positions and prospects in the annual financial statements and quarterly announcement to the shareholders, investors and regulatory authorities. In this regard, the Board ensures that the Company and Group's financial statements are drawn up in accordance with Financial Reporting Standards and the Companies Act, 2016 in Malaysia.

A statement by Directors of their responsibilities in preparing the financial statement is included in this Annual Report.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

Internal Control

The Directors recognise the importance of monitoring sound internal control system to safeguard the shareholders' investment and the company's assets. In this regard, the Board has appointed an external professional firm to undertake the internal audit function and risk management function during the year with the aim to ensure its existing internal control system and risk management framework are effective and appropriate in mitigating against the Group's significant risks. The internal auditors report independently to the Audit Committee on a regular basis with their findings and these findings are further deliberated during the Board meeting.

Apart from the above, the Directors regularly reviewed and assessed the key risk areas and ensure that all significant risks are adequately addressed at various levels within the Group.

A statement by the Directors on the application of the principles set out in the Code is included in this Annual Report.

Relationship with the Auditors

The Board has established that the Audit Committee play the role of maintaining the appropriate relationship with the Company and Group auditors as stated on pages 22 to 23 of this Annual Report. The good relationship with the Company and Group auditors has always prevail and maintained on a transparent and professional basis.

The External Auditors are also invited to brief the Audit Committee on their audit findings and the committee also review the proposed fees for non-audit services, as required and subsequently recommend to the Board for approval.

The terms of reference of the Audit Committee is revised to incorporate the recommendations introduced in the Code involving policies and procedure to assess the suitability and independence of the External Auditors. The Board had agreed the requirement for oral/written assurance from the External Auditors confirming their independence and abided by the other recommendations on the engagement of the External Auditors for non-audit work and further reinforced the importance of assuring the independence of the External Auditors throughout the conduct of the audit engagement at all times.

The Board is satisfied with the objectivity, technical competence and audit independence of the External Auditors and views the External Auditors as having the ability to undertake their audit functions without any influence from the Group. The term of service of the external auditor is renewable every year subject to satisfactory performance.

This statement was made in accordance with a resolution of the Board dated 25 July 2017.

STATEMENT OF DIRECTORS' RESPONSIBILITY FOR PREPARING THE ANNUAL AUDITED ACCOUNTS

The Directors are responsible for the preparation of financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group as at the financial year end and of the results and cashflows of the Company and of the Group for the financial year then ended.

The Directors are accountable for ensuring that the Company keeps proper accounting and other records which disclose with reasonable accuracy at any time of the financial position of the Company to enable them to ensure that the financial statements are complied with approved accounting standards and the requirements of the Companies Act, 2016.

The Directors in preparing the financial statements have used suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates.

The Directors consider that all applicable approved accounting standards in Malaysia have been followed and confirmed that the financial statements have been prepared on a going concern basis.

The Directors are also responsible for safeguard of the assets of the Company and of the Group and for prevention and detection of material fraud and other irregularities.

This statement was made in accordance with a resolution of the Board dated 25 July 2017.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

The Group acknowledges that the corporate social responsibility is an important aspect of the Group business. The Group continues to undertake responsible practices that impact the society and environment in a positive manner and to inculcate a culture of responsibility in all aspects of the Group business.

The corporate social responsibility initiatives undertaken by the Group during the financial year are summarised below:

Environment

The Group complies with all relevant environmental laws and other requirements and raises the environmental awareness among employees. During the year, the Group was not penalised for any instance of non-compliance with environment laws and regulations.

Our Group's commitment in protecting and preserving the Earth's natural environment has always been our focal point. The ISO14001: 2004 certification has helped in many ways streamline our manufacturing process and producing optical discs that are safe and globally acceptable.

Our compliance with RoHS (Restriction of Hazardous Substance) a directive on the restriction of the use of six hazardous substances (lead, mercury, cadmium, hexavalent chromium, polybrominated biphenyls and polybrominated diphenylether) and REACH (Registration, Evaluation, Authorization of Chemicals) a regulation to improve the protection of human health and the environment from the risks posed by the properties of chemical substances are part of our efforts in producing a safe product. Both of these directives are adopted by the European Union (EU) and has been enforced since 2003 (RoHS) and 2007 (REACH) globally.

In addition, we are also in compliance with green technology ("Greentech") an application of the environmental science to conserve the natural environment and resources. We ensure our raw materials are purchased from Green suppliers and tested to be free from harmful and banned substances. Our manufacturing process are also planned to include proper control in key areas including recycling, waste treatment and energy conservation amongst others.

These compliance has helped enhance the Group's image and reputation as a company that is focus and socially responsible in protecting man and the environment.

Market Place

The Group is committed to ensure that the interests of all the important stakeholders – shareholders, suppliers and customers are being taken care. The Group emphasize on good corporate governance practices to meet shareholder expectations. For suppliers, the Group practice transparent and fair procurement policies. As for the customers, all manufacturing facilities within the Group are compliance with ISO9001:2008 Quality Management System, ISO14001:2004 Environmental Management System. The Group is committed to supply quality products and meeting customers' satisfactions through continual improvement in technology, process and services.

Our stand against piracy is one of the Group's main thrusts throughout the length and breadth of our organisation. We are the first and only company in Malaysia to be certified under the Content Delivery and Storage Association ("CDSA ") Anti-Piracy Compliance Programme since 2005. Today, we continue to be CDSA-compliant and go out all the way to ensure stringent anti-piracy measures are in place in all aspects of our business. The Group's commitment to transparency, accountability and integrity is reflected in our respect for individual's and organisation's intellectual property rights.

Workplace

The Group recognises the importance of ensuring a conducive and safe environment for employees to work in. The Group through its Occupational, Safety and Health Committee is actively ensuring safety, health and welfare of all employees are not being compromised. Consistent education, training, counseling or industrial accident prevention programmes are held to ensure a high level of awareness of safety requirements being disseminated to all employees and at all levels.

The Group constantly upgrades the employees' skill, knowledge and experiences that would enhance the individual employee's competency. Monthly contributions are made to Human Resource Development Fund to support the Government effort to encourage corporate bodies to invest in training and skills upgrading for employees.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

Caring for the society

The visit to The Hiichiikok Foundation Home For Children Care for children whom are either orphans, homeless, abused or from poor single parent households and underprivileged backgrounds in September 2015 brought joy to us.

On 11th March 2017, we continued to participate in charitable events viz-a-viz Lions Club of Puchong's 10th Anniversary Dinner Nite cum Charity Concert.

AUDIT COMMITTEE REPORT

MEMBERS

The Audit Committee comprises the following directors:-

Loy Kwee Keow

Chairman (Senior Independent Non-Executive Chairman)

Ir. Liaw Boo Lai @ Leow Bong Lai (D.S.M.)

Member (Independent Non-Executive Director)

Gan Boon Kat

Member (Non-Independent Non-Executive Director)

Duties and Functions

The Terms of Reference of the Audit Committee can be viewed at the Company's website.

The duties and functions shall be, amongst others:

Oversight of the External Auditor

- To discuss with the external auditor the audit plan before the audit commences the nature and scope of the audit;
- To review the independence and objectivity of the external auditor and their services, including non-audit services;
- To review the assistance given by the employees of the Group to the external auditor;
- To assess the performance of the external auditor;
- To discuss problems and reservations arising from the interim and final audits, the evaluation and findings of the system of internal controls and matters the external auditor may wish to discuss (in the absence of management where necessary). To also obtain oral/written confirmation from the external auditor on the status of their independence and whether the Management had given its full support and unrestricted access to information;
- To discuss with the external auditor their evaluation of the system of risk management and internal control;
- To keep under review the effectiveness of internal control systems, in particular, review the external auditor's management letter and management's response; and
- To consider and recommend the appointment of the external auditor, audit fees, non-audit professional services and question on any resignation or dismissal of the external auditor before making recommendation to the Board.

Oversight of the Internal Auditor

- To review the adequacy of the scope, functions and resources of the internal audit functions and that the internal auditor has the necessary authority to carry out its work;
- To review the internal audit programme, process, the results of the internal audit programme and process or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function; and
- To assess the performance of the internal audit function periodically.

Oversight of Financial Reporting

- To review the quarterly results and year-end financial statements prior to the approval by the Board, focusing particularly on:-
 - Changes in or implementation of major accounting policy changes;
 - Significant matter highlighted including financial reporting issues, significant judgments made by Management, significant and unusual events or transactions, and how these matters are addressed;
 - Compliance with accounting standards requirements; and
 - Compliance with stock exchange and legal requirements.

SUMMARY OF ACTIVITIES DURING FINANCIAL YEAR UNDER REVIEW

During the financial year, the activities of the Audit Committee included the followings:-

- Reviewed the unaudited quarterly financial statements of the Group, the explanatory notes and the draft announcements to ensure compliance with Main Market Listing Requirements and the Malaysian Financial Reporting Standards "MFRS 134, Interim Financial Reporting" before making recommendations to the Board.

AUDIT COMMITTEE REPORT (cont'd)

- Reviewed the audited statutory financial statements of the Group for the financial year ended 31 March 2016 together with the directors' report and auditors' report thereon in compliance with regulatory requirements. During the review, the Audit Committee focused on significant matters arising from the audit of the financial statements and significant judgements made by the Management.
- Considered the suitability and independence of the External Auditors and Internal Auditors, and reviewed the non-audit services provided by the External Auditor to ensure there was no impairment of independence or objectivity.
- Discussed and reviewed the External Auditors' scope of works and the audit planning memorandum to approve the audit strategy prior to commencement of audit, discussed updates on new developments of accounting standards issued by the Malaysian Accounting Standards Board, discussed the results of their examination, their auditors' report and management letters in relation to the audit and accounting issues arising from the audit.
- Reviewed and discussed the major findings of the internal audit and risk management investigations and management's responses and ensure that appropriate actions are taken on the recommendation for the internal audit and risk management functions for both property development and manufacturing segments.
- Deliberated on the detailed internal audit reports and its recommendations and Management's response to these recommendations. Where appropriate, the Audit Committee would instruct the Management to improve Control procedures based on Internal Auditors' recommendations and suggestions for improvements.
- Reviewed the Statement on Corporate Governance, Audit Committee Report, and Statement of Risk Management and Internal Control for inclusion in the Annual Report 2016 before making recommendations to the Board.
- Reviewed the performance of the External Auditors in terms of their capability, professionalism and independence before recommending them to the Board to be considered for re-appointment at the Annual General Meeting.
- Reviewed the expanded scope of Internal Audit to focus on more operational aspects of our core businesses especially at project sites.

INTERNAL AUDIT FUNCTION

The Group's internal audit functions are outsourced to an external professional firm, which reports to the Audit Committee and assists the Board of Directors in monitoring and managing risks and internal controls. The Audit Committee approves the internal audit plan during the Audit Committee Meeting in the beginning of the financial year. The scope of internal audit covers the audits of all operations of subsidiary companies in the Group.

The approach adopted by the Group is of a risk based approach to the implementation and monitoring of controls of the subsidiary companies. The internal auditor has been assigned to review and assess the adequacy of such controls prevailing in those key operational areas selected for review.

No major weakness which resulted in material losses, contingencies or uncertainties was identified during the period.

The professional fees incurred for the internal audit functions during the current financial year amounted to RM22,000.

In addition, for a key operational business, annual independent audit on operational and copyright management procedures in line with the International Standard of Operation ("ISO") Certificate Programme are carried out to provide further assurance of adequacy and integrity of the internal controls applied in the Group.

AUDIT COMMITTEE ATTENDANCE RECORD

The Audit Committee met five (5) times during the financial year ended 31 March 2017 and the attendance record is as follows:-

Directors	Numbers of Meetings Held**	Number of Meetings Attended
Loy Kwee Keow	5	5
Ir. Liaw Boo Lai @ Leow Bong Lai (D.S.M.)	5	5
Gan Boon Kat	5	5

** Refers to the number of meetings held during the time the director in office

The Audit Committee Report was made in accordance with a resolution of the Board dated 25 July 2017.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of directors of GSB Group Berhad ("the Board") acknowledges the importance of maintaining a sound system of internal control and effective risk management as part of its on-going efforts to practice good corporate governance. The Board is committed to practicing good standards of corporate governance and observing best practices, and will continue to improve on current practices.

The Board is pleased to provide the following Statement on Risk Management and Internal Control which is prepared pursuant to Bursa Malaysia Listing Requirement For The Main Market and Principle 6 of the Malaysian Code on Corporate Governance 2012, and as guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers ("the Guidelines"), which outlines the nature and scope of risk management and internal control of the Group during the financial year ended 31 March 2017.

A. Responsibility of the Board

The Board is ultimately responsible for the system of internal control operating throughout the Group and for reviewing its effectiveness, adequacy and integrity, including financial and operational controls, compliance with relevant laws and regulations, and risk management in order to safeguard shareholders' investments and the Group's assets.

The Board recognises that the Group's system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and that it can only provide reasonable and not absolute assurance against misstatement, fraud or loss. The Board continuously evaluates appropriate initiatives to strengthen the transparency and efficiency of its operations, taking into account the requirements for sound and appropriate internal controls and management information systems within the Group.

B. Control Environment

Organisation Structure

The Board of Directors and Senior Management consistently endeavour to maintain an adequate system of internal controls designed to manage risks rather than eliminate them. The Group has an organization structure that is aligned to business requirements. The internal control mechanism is embedded in the various work processes in the Group. The Board is accountable for ensuring the existence and effectiveness of internal control and provides leadership and direction to Senior Management on the manner the Group controls its businesses, the state of internal control and its activities. The internal control processes are reviewed and updated from time to time. This is to ensure that they are relevant and effective to respond to market changes.

Internal Audit

The Group's Internal Audit function is outsourced to external consultant. The Internal Audit team reviews the risk identification procedures and control processes implemented by the Management, conducts audits that encompass reviewing critical areas that the Company faces, and reports to the Audit Committee on a periodic basis. Any significant weaknesses identified during the reviews together with the improvement measures to strengthen the internal controls were reported to the Audit Committee.

The Internal Audit team continues to independently, objectively and regularly review key processes, check compliance with policies/procedures, evaluate the adequacy and effectiveness of internal control, risk management and governance measures in respect of any non-compliance. The annual audit plan, established primarily on a risk-based approach, is reviewed and approved by the Audit Committee annually. The Audit Committee oversees the Internal Audit team's functions, its independence, scope of work and resources.

The Internal Audit team also periodically reports on the activities performed and key strategic and control issues observed by Internal Audit team to the Audit Committee in order to preserve its independence. The Audit Committee reviews and approves Internal Audit's annual budget, audit plan and human resources requirements to ensure the function maintains an adequate number of internal auditors. In order to ensure standardisation and consistency in providing assurance on the adequacy, integrity and effectiveness of the Group's overall system of internal controls, risk management and governance, the Internal Audit team has aligned its current internal audit practices with the COSO/COCO Internal Controls – Integrated Framework. Using this framework, all internal control assessments performed by Internal Audit team are based on the internal control elements of scope and coverage. Internal Audit team continues to adopt the risk-based audit plan to ensure the programmes carried out are gathered, assessed and prioritised to derive the annual audit plan.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

In the financial year ended 31 March, reviews in various areas involving Manufacturing operations and Property Development operations, Information Technology, Finance, Procurement, Human Resources were conducted. Key coverage areas included :

- Operations - Manufacturing
- Sales & Marketing
- IT Security Management
- Procurement
- Accounting/ Financial Activities
- Property Management

All reports from the internal audit reviews carried out were submitted and presented to the Audit Committee with the feedback and corrective actions to be undertaken Management.

The Internal Audit fee incurred for the financial year ended 31 March 2017 was RM22,000.

For key operational areas, annual independent audit on operational procedures of a key subsidiary was carried out in line with the International Standard of Operation ("ISO") Certification Programme and also the Content Delivery and Storage Association ("CDSA") Anti-Piracy Compliance Programme.

Quality Assurance

The Internal Audit team develops and maintains a quality assurance and improvement programme that covers all aspects of internal audit activities. The quality assurance programme assesses the effectiveness of Internal Audit processes and identifies opportunities for improvement via both internal and external assessments. It has its own peer reviewer mechanism to ensure consistently good quality output of every audit engagement. The team leader is well experienced to manage the internal audit assignments.

Information and Communication

While the Management has full responsibility in ensuring the effectiveness of internal control, which it establishes, the Board of Directors has the authority to assess the state of internal control as it deems necessary. In doing so, the Board has the right to enquire information and clarification from Management as well as to seek inputs from the Audit Committee, external and internal auditors, and other experts at the expense of the Group, if any.

Our Group has relevant operating policies and procedures which comply with relevant laws and regulations. These policies and procedures ensure that processes adequately mitigate risks with appropriate internal controls. Regular reviews are conducted to ensure that risk policies and procedures are updated to align with new risk management action plans to address emerging risks and identified control gaps.

Systems, Data and Information Security

The IT department is responsible for continuously monitoring and resolving both internal and external security threats to our Group. This includes conducting security awareness initiatives, compliance audits on our Group's IT networks and systems and vulnerability assessments to mitigate the impact of security attacks, negligence and malware. The IT policies are established to proactively manage current and potential security threats to our Group's data and content arising from physical and logical access.

Business Continuity Management

Business Continuity Management aims to minimise the impact of business disruption through building resilient capabilities for effective response to threats and disruptions. Formal recovery plans are established and continuously reviewed and maintained. These activities have been conducted to ensure the availability and effectiveness of Business Continuity Planning ("BCP") in achieving timely recovery of services while prioritizing staff safety.

Risk Management

The Group has an ongoing process for identifying, evaluating and managing the significant risks faced by the Group throughout the financial year under review. This is to ensure that all high risks are adequately addressed at various levels within the Group. Risk management is embedded in the Group's management system and is every employee's responsibility. The Group firmly believes that risk management is critical for the Group's continued profitability and the enhancement of shareholder value. The risk profile of the Group is established during risk mapping and assessment sessions facilitated by the external consultant. The risk responses and internal controls that the Management has taken and/or is taking are documented in the risk templates. For each of the risks identified, a risk owner is assigned to ensure appropriate risk response actions are carried out.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

The Board regards risk management as an integral part of the Group's business operations and has oversight over this critical area through the Audit Committee. The Audit Committee, supported by the Internal Audit team, provides an independent assessment of the effectiveness of the Group's Enterprise Risk Management ("ERM") framework and reports to the Board. The Group's ERM is consistent with the ERM framework and involves systematically identifying, analysing, measuring, monitoring and reporting on the risks that may affect the achievement of its business objectives. This framework helps to reduce the uncertainties surrounding the Group's internal and external environment,

The ERM process is based on the following principles:

- Consider and manage risks enterprise-wide;
- Integrate risk management into business activities;
- Manage risk in accordance with the Risk Management framework;
- Tailor responses to business circumstances; and
- Communicate risks and responses to Management

All identified risks are displayed on a risk matrix based on their risk ranking to assist Management in prioritising their efforts and appropriately managing the different classes of risks. The Board and Management drive a proactive risk management culture and regular risk awareness and coaching sessions are held to ensure that the Group's employees have a good understanding and application of risk management principles. There is no dedicated ERM department, however, the Managing Director ("MD") and Chief Financial Officer ("CFO") work closely with the Group's operational managers to continuously strengthen the risk management initiatives within the Group so that it responds effectively to the constantly changing business environment and is thus able to protect and enhance shareholder value.

The Board recognises the importance of effective ERM in enhancing shareholder value while upholding a high standard of corporate governance. Combining a strong and sustained commitment from the Board and Senior Management with a clear direction and oversight from all levels of leadership, the Group embraces a holistic risk management approach to achieve its business targets with minimal surprises.

Risk management policies and practices form part of GSB's overall strategies to chart positive growth in today's rapidly evolving business environment. The Board continues to ensure that risk management is effectively institutionalised and its risk maturity level is elevated. This is achieved via a multitude of ERM initiatives clustered into key strategic areas, as part of the Group's efforts to ensure smooth ERM practice on the ground coupled with continuous tracking and monitoring of risks and controls. It also strengthens its risk culture and practice, harmonises its risks and risk appetites at the operational level wherever possible.

Risk Structure/Accountability and Responsibility

Further improving GSB's risk governance, ERM structures have been established within each department and subsidiary. The aim is for a risk culture to be internalised through risk ownership and to drive ERM implementation at the functional level. ERM Resource Persons also known as Heads of Departments ("HODs") / Risk Coordinators ("RCs"), are appointed at each business unit, and act as the single point of contact to liaise directly with the Group's Chief Risk Coordinator, the CFO, in matters relating to ERM, including the submission of reports on a periodic basis. In addition, they are responsible for assisting their HODs to manage and administer the business units' risk portfolios, which include arranging, organising and coordinating ERM programmes.

Monitoring Activities

In the year under review, the following monitoring activities were undertaken to provide assurance on the effectiveness of risk management and internal controls:

- (a) Our Board through our Audit Committee has reviewed the risk management updates as well as the progress of compliance status of the internal control and risk management system.
- (b) Our Audit Committee has reviewed the process and compliance, and matters identified by external auditors and internal auditors on a periodic basis. The implementation of the recommendations are tracked and reported to the Audit Committee on a periodic basis.

Management has taken the necessary actions to remediate weaknesses identified for the year under review. Our Board and senior leadership continuously assess the effectiveness of monitoring activities over risks and take measures to strengthen our risk management and internal control environment.

Assurance from the Management

The Board has also received assurance from the MD and CFO, that the Group's risk management and internal control systems are operating adequately and effectively, in all material aspects, based on the risk management framework adopted by the Group.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

Review of the Statement by External Auditors

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Recommended Practice Guide ("RPG") 5 (Revised 2015), *Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report* issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 31 March 2017, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the annual report of the Group, in all material respects:

- (a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or
- (b) is factually inaccurate.

RPG 5 (Revised 2015) does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

Conclusion

The Board is pleased to report that there were no major internal control weaknesses identified during the year, nor have any of the reported weaknesses resulted in material losses or contingencies requiring disclosure in the Group's Annual Report. The Board is of the view that the existing system of the internal control is adequate. Nevertheless, Management continues to take measures to strengthen the control environment.

This statement is made in accordance with the resolution of the Board of directors dated 25 July 2017

OTHER INFORMATION

UTILIZATION OF PROCEEDS

The net proceeds of RM3,848,700 (net of fees in relation to the Private Placement exercise completed on 9 April 2014) has been utilised as working capital for the property development project in Johor Bahru by 23 November 2015. In furtherance, as at 27 May 2017, an amount of RM8,432,000 has been utilized from the net proceeds of RM8,450,000 from private placement of 88,000,000 new ordinary shares of RM0.10 each that was completed on 18 December 2015. The balance of the proceeds will be utilised for payments to contractor for the property development project in Johor Bahru within the next quarter.

EMPLOYEES' SHARE OPTION SCHEME

During the previous financial year, there were 30,075,000 options granted of which 28,050,000 were accepted by employees. As at to date, there were no options exercised yet. There was also no further new options granted during the financial year under review.

AUDIT AND NON-AUDIT FEES

The amount of audit and non-audit fees paid or payable to the External Auditors by the Company and its subsidiaries for the financial year are as follows:

	The Company	The Group
Audit Fees	38,000	147,000
Non-audit Fees	15,000	15,000
Purpose of Non-audit Fees	Review on Statement of Risk Management and Internal Control	Review on Statement of Risk Management and Internal Control

MATERIAL CONTRACTS

There are no material contracts entered into by the Company and its subsidiaries involving Directors' and major shareholders' interest, either still subsisting at the end of the financial year or entered into since the end of the previous financial year except as disclosed in the financial statements.

CONTRACTS RELATING TO LOANS

There were no contracts relating to loans by the Company in respect of the material contracts involving Directors and major shareholders.

RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

There were no recurrent related party transactions of a revenue or trading nature conducted during the financial year by the Company and its subsidiaries.

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DIRECTORS' REPORT

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 March 2017.

Principal activities

The Company is principally engaged in investment holding activities, whilst the principal activities of the subsidiaries are as stated in Note 6 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

Subsidiaries

The details of the Company's subsidiaries are disclosed in Note 6 to the financial statements.

Results

	Group RM'000	Company RM'000
Loss for the year	<u>(1,915)</u>	<u>(261)</u>

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review.

Dividends

No dividend was paid during the financial year and the Directors do not recommend any dividend to be paid for the financial year under review.

Directors of the Company

Directors who served during the financial year until the date of this report are:

Gan Pik Mui
 Gan Boon Kat
 Loy Kwee Keow
 Ir. Liaw Boo Lai @ Leow Bong Lai (D.S.M.)

DIRECTORS' REPORT

(cont'd)

The interests and deemed interests in the shares and options over shares of the Company and of its related corporations (other than wholly owned subsidiaries) of those who were Directors at financial year end as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares			
	At	Bought	Sold	At
	1.4.2016			31.3.2017
Interests in the Company:				
Gan Pik Mui	55,065,100	-	-	55,065,100
Gan Boon Kat	9,119,490	-	-	9,119,490

	Number of options over ordinary shares			
	At	Granted	Forfeited	At
	1.4.2016			31.3.2017
Interests in the Company:				
Gan Pik Mui	3,500,000	-	-	3,500,000
Gan Boon Kat	3,300,000	-	-	3,300,000
Ir. Liaw Boo Lai @ Leow Bong Lai (D.S.M.)	2,000,000	-	-	2,000,000
Loy Kwee Keow	2,000,000	-	-	2,000,000

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements or the fixed salaries of full time employees of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate apart from the issue of the Employees Share Option Scheme ("ESOS").

Issue of shares and debentures

There were no changes in the issued and paid up capital of the Company during the financial year except for the transfer of share premium pursuant to Section 618(2) of the Companies Act 2016 amounting to RM940,000 to become part of the Company's share capital.

There were no issuance of debentures during the financial year.

DIRECTORS' REPORT

(cont'd)

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year apart from the issue of options pursuant to ESOS.

At an Extraordinary General Meeting held on 30 January 2015, the Company's shareholders approved the establishment of an ESOS of not more than 44,000,000 new ordinary shares to eligible Directors and employees of the Group.

The salient features of the ESOS scheme are, inter alia, as follows:

- i) Eligible executives are those executives (including full-time executive directors) of the Group who have been confirmed in service on the date of the offer. The maximum allowable allotments for the full-time executive directors have been approved by the shareholders of the Company in a general meeting.
- ii) The aggregate number of shares to be issued under the ESOS shall not be more than 10% of the issued share capital of the Group or 44,000,000 new ordinary shares, whichever is higher.
- iii) The Company has, on 15 April 2015 ("**Effective Date**"), implemented the ESOS. The ESOS will be in force for a period of 5 years and may be extended for up to another 5 years immediately from the expiry of the first 5 years, but will not in aggregate exceed 10 years from the Effective Date.
- iv) The option price shall not be at a discount of more than 10% (or such discount as the relevant authorities shall permit) from the 5-day weighted average market price of the shares of the preceding the date of offer and shall in no event be less than the shares of the Group of RM0.10.
- v) An option holder may, in a particular year, exercise up to such maximum number of shares in the option certificate.
- vi) The option granted to eligible executives will lapse when they are no longer in employment with the Group.
- vii) The Options shall not carry any right to vote at any general meeting of the Company.
- viii) A Grantee shall not be entitled to any dividends, rights or other entitlements on this unexercised Options.

The options offered to take up unissued ordinary shares and the exercise prices are as follows:

Date of offer	Exercise price	Number of options over ordinary shares				At 31.3.2017
		At 1.4.2016	Granted	Exercised	Forfeited	
3.12.2015	RM0.10	28,050,000	-	-	(1,950,000)	26,100,000

DIRECTORS' REPORT (cont'd)

Other statutory information

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

- i) all known bad debts have been written off and adequate provision made for doubtful debts, and
- ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

- i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

- i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

DIRECTORS' REPORT
(cont'd)**Other statutory information (continued)**

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 March 2017 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Significant events

The significant events are disclosed in Note 30 to the financial statements.

Auditors

The auditors, KPMG PLT (converted from a conventional partnership, KPMG, on 27 December 2016), have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in Note 19 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

.....
Gan Pik Mui
Director

.....
Gan Boon Kat
Director

Petaling Jaya,

Date: 25 July 2017

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2017

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Assets					
Property, plant and equipment	3	16,804	17,688	-	-
Goodwill	4	12	12	-	-
Investment property	5	407	407	-	-
Investments in subsidiaries	6	-	-	26,638	25,138
Land held for property development	7	42,846	41,370	-	-
Deferred tax assets	8	-	43	-	-
Total non-current assets		<u>60,069</u>	<u>59,520</u>	<u>26,638</u>	<u>25,138</u>
Inventories	9	1,623	1,729	-	-
Current tax assets		950	503	14	14
Trade and other receivables	10	45,109	28,730	27,214	26,775
Prepayments		59	36	-	-
Property development costs	11	52,438	47,805	-	-
Cash and bank balances	12	5,517	7,086	22	71
		<u>105,696</u>	<u>85,889</u>	<u>27,250</u>	<u>26,860</u>
Asset classified as held for sale	13	848	848	-	-
Total current assets		<u>106,544</u>	<u>86,737</u>	<u>27,250</u>	<u>26,860</u>
Total assets		<u>166,613</u>	<u>146,257</u>	<u>53,888</u>	<u>51,998</u>
Equity					
Share capital		53,740	52,800	53,740	52,800
Share premium		-	940	-	940
Share option reserve		424	260	424	260
Revaluation reserve		8,658	8,658	-	-
Accumulated losses		(6,740)	(4,825)	(10,559)	(10,298)
Total equity attributable to owners of the Company	14	<u>56,082</u>	<u>57,833</u>	<u>43,605</u>	<u>43,702</u>
Liabilities					
Loans and borrowings	15	22,383	31,164	-	-
Deferred tax liabilities	8	3,709	4,161	-	-
Other payables	17	9,655	9,287	-	-
Total non-current liabilities		<u>35,747</u>	<u>44,612</u>	<u>-</u>	<u>-</u>
Loans and borrowings	15	26,218	20,284	-	-
Trade and other payables	17	47,877	23,344	10,283	8,296
Current tax liabilities		689	184	-	-
Total current liabilities		<u>74,784</u>	<u>43,812</u>	<u>10,283</u>	<u>8,296</u>
Total liabilities		<u>110,531</u>	<u>88,424</u>	<u>10,283</u>	<u>8,296</u>
Total equity and liabilities		<u>166,613</u>	<u>146,257</u>	<u>53,888</u>	<u>51,998</u>

The notes on pages 42 to 100 form an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2017

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Revenue	18	33,316	17,569	-	-
Cost of sales		<u>(27,456)</u>	<u>(15,080)</u>	<u>-</u>	<u>-</u>
Gross profit		5,860	2,489	-	-
Other income		1,798	4,148	-	8
Distribution expenses		(1,429)	(1,126)	-	-
Administrative expenses		(4,906)	(4,483)	-	-
Other expenses		<u>(1,129)</u>	<u>(1,019)</u>	<u>(261)</u>	<u>(374)</u>
Results from operating activities		194	9	(261)	(366)
Finance results	21	<u>(1,057)</u>	<u>(943)</u>	<u>-</u>	<u>-</u>
Loss before tax	19	(863)	(934)	(261)	(366)
Tax expense	22	<u>(1,052)</u>	<u>(366)</u>	<u>-</u>	<u>-</u>
Loss for the year		<u>(1,915)</u>	<u>(1,300)</u>	<u>(261)</u>	<u>(366)</u>
Other comprehensive income for the year		-	-	-	-
Loss and total comprehensive expense for the year		<u>(1,915)</u>	<u>(1,300)</u>	<u>(261)</u>	<u>(366)</u>
	Note	2017 sen	2016 sen		
Basic loss per ordinary share	23	<u>(0.36)</u>	<u>(0.28)</u>		
Diluted loss per ordinary share	23	<u>(0.35)</u>	<u>(0.26)</u>		

The notes on pages 42 to 100 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2017

	<i>Non-distributable</i>					Total RM'000
	Share capital RM'000	Share premium RM'000	Revaluation reserve RM'000	Share option reserve RM'000	Accumulated losses RM'000	
Group						
At 1 April 2015	44,000	940	8,658	-	(3,212)	50,386
Loss and total comprehensive expense for the year	-	-	-	-	(1,300)	(1,300)
Share options granted	-	-	-	260	-	260
Issue of ordinary shares	8,800	-	-	-	-	8,800
Cost incurred on issue of ordinary shares	-	-	-	-	(313)	(313)
At 31 March 2016/1 April 2016	52,800	940	8,658	260	(4,825)	57,833
Loss and total comprehensive expense for the year	-	-	-	-	(1,915)	(1,915)
Share options granted	-	-	-	164	-	164
Transfer pursuant to Section 618(2) of the Companies Act 2016	940	(940)	-	-	-	-
At 31 March 2017	53,740	-	8,658	424	(6,740)	56,082
	Note 14	Note 14	Note 14	Note 14	Note 14	

**STATEMENT OF
CHANGES IN EQUITY** (cont'd)
FOR THE YEAR ENDED 31 MARCH 2017

	<i>Non-distributable</i>				
	Share capital RM'000	Share premium RM'000	Share option reserve RM'000	Accumulated losses RM'000	Total RM'000
Company					
At 1 April 2015	44,000	940	-	(9,619)	35,321
Total comprehensive expense for the year	-	-	-	(366)	(366)
Share options granted	-	-	260	-	260
Issue of ordinary shares	8,800	-	-	-	8,800
Costs incurred on issue of ordinary shares	-	-	-	(313)	(313)
At 31 March 2016/1 April 2016	52,800	940	260	(10,298)	43,702
Total comprehensive expense for the year	-	-	-	(261)	(261)
Share options granted	-	-	164	-	164
Transfer pursuant to Section 618(2) of the Companies Act 2016	940	(940)	-	-	-
At 31 March 2017	53,740	-	424	(10,559)	43,605
	Note 14	Note 14	Note 14	Note 14	

The notes on pages 42 to 100 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2017

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash flows from operating activities					
Loss before tax		(863)	(934)	(261)	(366)
Adjustments for:					
Depreciation of property, plant and equipment		1,030	1,209	-	-
Finance costs		1,188	1,169	149	97
Finance income		(131)	(226)	(149)	(97)
Net impairment loss:					
- Trade and other receivables		194	29	-	-
- Property, plant and equipment		-	334	-	-
Gain on disposal of property, plant and equipment		(32)	(17)	-	-
Unrealised foreign exchange gain		(36)	(138)	-	-
Equity settled share-based payment transactions		164	260	68	100
Operating profit/(loss) before changes in working capital		1,514	1,686	(193)	(266)
Changes in working capital:					
Inventories		106	20	-	-
Property development costs		(4,633)	(4,973)	-	-
Trade and other payables		25,112	4,880	1,987	(6,346)
Trade and other receivables and prepayments	(iii)	(16,596)	(2,594)	(1,843)	(1,834)
Cash generated from/(used in) operations		5,503	(981)	(49)	(8,446)
Interest paid		(2,601)	(1,571)	(149)	(97)
Interest received		131	226	149	97
Income tax paid		(1,433)	(1,055)	-	-
Income tax refund		30	231	-	-
Net cash from/(used in) operating activities		1,630	(3,150)	(49)	(8,446)

STATEMENTS OF
CASH FLOWS (cont'd)
FOR THE YEAR ENDED 31 MARCH 2017

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash flows from investing activities					
Additions to:					
- Property, plant and equipment	(ii)	(13)	(35)	-	-
- Land held for property development		(63)	(21,292)	-	-
Proceeds from:					
- Deposits pledged with licensed banks		777	331	-	-
- Disposal of property, plant and equipment		48	17	-	-
Net cash from/(used in) investing activities		<u>749</u>	<u>(20,979)</u>	<u>-</u>	<u>-</u>
Cash flows from financing activities					
Drawdown of term loans		-	14,350	-	-
Proceeds from issue of share capital		-	8,800	-	8,800
Repayment of term loans		(2,415)	(1,163)	-	-
Repayment of finance lease liabilities		(227)	(269)	-	-
Costs incurred on issue of ordinary shares		-	(313)	-	(313)
Net cash (used in)/from financing activities		<u>(2,642)</u>	<u>21,405</u>	<u>-</u>	<u>8,487</u>
Net (decrease)/increase in cash and cash equivalents		(263)	(2,724)	(49)	41
Cash and cash equivalents at 1 April		(12,346)	(9,735)	71	30
Effect of exchange rate fluctuations on cash held		36	113	-	-
Cash and cash equivalents at 31 March	(i)	<u>(12,573)</u>	<u>(12,346)</u>	<u>22</u>	<u>71</u>

**STATEMENTS OF
CASH FLOWS (cont'd)**
FOR THE YEAR ENDED 31 MARCH 2017

Notes to statements of cash flows

(i) Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	2,730	3,257	22	71
Deposits placed with licensed banks	2,781	3,769	-	-
Highly liquid investments	6	60	-	-
	<u>5,517</u>	<u>7,086</u>	<u>22</u>	<u>71</u>
Less: Deposits pledged	(2,781)	(3,769)	-	-
Bank overdrafts	<u>(15,309)</u>	<u>(15,663)</u>	<u>-</u>	<u>-</u>
	<u>(12,573)</u>	<u>(12,346)</u>	<u>22</u>	<u>71</u>

(ii) Acquisition of property, plant and equipment

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM162,000 (2016: RM116,000), of which RM149,000 (2016: RM81,000) were acquired by means of finance lease.

(iii) Increase in investment in subsidiaries

During the year, the Company increased its investment in subsidiaries via the capitalization of advances given to its subsidiary amounting to RM1,500,000 (2016: RM1,750,000).

The notes on pages 42 to 100 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

GSB Group Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The addresses of the principal place of business and registered office of the Company are as follows:

Principal place of business

9, Jalan 3/91A
Taman Shamelin Perkasa
Cheras, 56100 Kuala Lumpur

Registered office

Level 8, Symphony House
Block D13
Pusat Dagangan Dana 1
Jalan PJU1A/46
47301 Petaling Jaya, Selangor

The consolidated financial statements of the Company as at and for the financial year ended 31 March 2017 comprise the Company and its subsidiaries (together referred to as the “Group” and individually referred to as “Group entities”). The financial statements of the Company as at and for the financial year ended 31 March 2017 do not include other entities.

The Company is principally engaged in investment holding activities, whilst the principal activities of the subsidiaries are as stated in Note 6 to the financial statements.

These financial statements were authorised for issue by the Board of Directors on 25 July 2017.

1. Basis of preparation

(a) Statement of compliance

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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

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 2017

- Amendments to FRS 12, *Disclosure of Interests in Other Entities (Annual Improvements to FRS Standards 2014-2016 Cycle)*
- 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)*
- 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:

- 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, except for Amendments to FRS 12 which is not applicable to the Group.

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).

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

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.

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”.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (“RM”), which is the Group and the Company’s functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- Note 3 - valuation of property, plant and equipment
- Note 8 - deferred tax assets/liabilities
- Note 11 - calculation of revenue and cost of sales for property development projects

NOTES TO THE
FINANCIAL STATEMENTS (cont'd)**2. Significant accounting policies**

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by the Group entities, unless otherwise stated.

(a) Basis of consolidation**(i) Subsidiaries**

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Subsidiaries are consolidated using the purchase method of accounting except for certain subsidiaries, GSB Summit CD (M) Sdn. Bhd. and GSB Summit Audio (M) Sdn. Bhd., which were consolidated prior to 1 January 2002 using the merger method of accounting in accordance with Malaysian Accounting Standard 2 'Accounting for Acquisitions and Mergers', the accepted accounting principle prevailing at that time.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses. The cost of investments includes transaction costs.

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) Business combinations (continued)

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(iii) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

NOTES TO THE
FINANCIAL STATEMENTS (cont'd)**2. Significant accounting policies (continued)****(b) Foreign currency transactions**

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date.

Foreign currency differences arising on retranslation are recognised in profit or loss.

(c) Financial instruments**(i) Initial recognition and measurement**

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets**(a) *Financial assets at fair value through profit or loss***

Fair value through profit or loss category comprises financial assets that are held for trading or financial assets that are specifically designated into this category upon initial recognition.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

NOTES TO THE
FINANCIAL STATEMENTS (cont'd)**2. Significant accounting policies (continued)****(c) Financial instruments (continued)****(ii) Financial instrument categories and subsequent measurement (continued)***Financial assets (continued)***(b) Loans and receivables**

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 2(n)(i)).

Financial liabilities

All financial liabilities are subsequently measured at amortised cost.

(iii) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

NOTES TO THE
FINANCIAL STATEMENTS (cont'd)**2. Significant accounting policies (continued)****(d) Property, plant and equipment****(i) Recognition and measurement**

Items of property, plant and equipment are measured at cost or valuation less any accumulated depreciation and any accumulated impairment losses.

The Group revalues its property comprising land and buildings every 5 years and at shorter intervals whenever the fair value of the revalued assets is expected to differ materially from their carrying value.

Surpluses arising from revaluation are dealt with in the revaluation reserve account. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase for the same property. In all other cases, a decrease in carrying amount is recognised in profit or loss.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" and "other expenses" respectively in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in the profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

• Leasehold land	81 years
• Buildings	45 - 50 years
• Plant, machinery and audio equipment	8 - 10 years
• Office equipment	8 - 10 years
• Motor vehicles	5 - 6 years
• Furniture, fixtures and fittings	8 - 10 years
• Renovation	10 years

Depreciation methods, useful lives and residual values are reviewed at end of the reporting period, and adjusted as appropriate.

(e) Leased assets

(i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

NOTES TO THE
FINANCIAL STATEMENTS (cont'd)**2. Significant accounting policies (continued)****(e) Leased assets (continued)****(i) Finance lease (continued)**

Leasehold land which in substance is a finance lease is classified as property, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or for both.

(ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and the leased assets are not recognised on the statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

(f) Intangible assets**(i) Goodwill**

Goodwill arises on business combinations and is measured at cost less any accumulated impairment losses.

(ii) Amortisation

Goodwill with indefinite useful lives is not amortised but is tested for impairment annually and whenever there is an indication that it may be impaired.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. Significant accounting policies (continued)

(g) Investment properties

(i) Investment properties carried at cost

Investment properties are properties which are owned to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties initially and subsequently measured at cost are accounted for similarly to property, plant and equipment.

Investment properties are measured at cost less any accumulated depreciation and any accumulated impairment losses, if any. Freehold land is not depreciated.

Cost includes expenditure that is directly attributable to the acquisition of the investment property.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

(h) Land held for property development

Land held for property development consists of land or such portions thereof on which no development activities have been carried out or where development activities are not expected to be completed within the Group's normal operating cycle of 2 to 4 years. Such land is classified as non-current asset and is measured at cost less any accumulated impairment losses.

Land held for property development is reclassified as property development costs at the point when active development activities have commenced and where it can be demonstrated that the development activities can be completed within the Group's operating cycle of 2 to 4 years.

Cost associated with the acquisition of land includes the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. Significant accounting policies (continued)

(i) Property development costs

Property development costs comprise costs associated with the acquisition of land and all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

Property development costs not recognised as an expense is recognised as an asset, which is measured at the lower of cost and net realisable value. The excess of revenue recognised in profit or loss over billings to purchasers is classified as accrued billing under trade and other receivables while the excess billing to purchasers over revenue recognised in profit or loss is classified as progress billings under trade and other payables.

(j) Construction work-in-progress

Construction work-in-progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Company's contract activities based on normal operating capacity.

Construction work-in-progress is presented as part of trade and other receivables as amount due from contract customers in the statement of financial position for all contracts in which costs incurred plus recognised profits exceed progress billings. If progress billings exceed costs incurred plus recognised profits, then the difference is presented as amount due to contract customers in the statement of financial position.

(k) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is measured based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

The cost of completed properties includes expenditures incurred in the acquisition of land, direct cost and appropriate proportions of common cost attributable to developing the properties to completion.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. Significant accounting policies (continued)

(l) Non-current asset held for sale

Non-current asset that is expected to be recovered primarily through sale rather than through continuing use, is classified as held for sale or distribution.

Immediately before classification as held for sale, the asset is remeasured in accordance with the Group's accounting policies. Thereafter generally the asset is measured at the lower of its carrying amount and fair value less costs of disposal.

Impairment losses on initial classification as held for sale or distribution and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated.

(m) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged bank balances and deposits.

(n) Impairment

(i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss and investments in subsidiaries) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. Significant accounting policies (continued)

(n) Impairment (continued)

(i) Financial assets (continued)

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(ii) Other assets

The carrying amounts of other assets (except for inventories, deferred tax assets and non-current asset classified as held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill that has indefinite useful lives, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. Significant accounting policies (continued)

(n) Impairment (continued)

(ii) Other assets (continued)

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amount of the other assets in the cash-generating unit (groups of cash-generating units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(o) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

NOTES TO THE
FINANCIAL STATEMENTS (cont'd)**2. Significant accounting policies (continued)****(p) Employee benefits****(i) Short-term employee benefits**

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plans

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(iii) Share-based payment transactions

The grant date fair value of share-based payment granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the employee share options is measured using a Black Scholes model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. Significant accounting policies (continued)

(q) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(r) Revenue and other income

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discount and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(ii) Property development

Revenue from property development activities are recognised based on the stage of completion measured by reference to the proportion that property development costs incurred for works performed to date bear to the estimated total property development costs.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. Significant accounting policies (continued)

(r) Revenue and other income (continued)

(ii) Property development (continued)

Where the financial outcome of a property development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development cost incurred that is probable will be recoverable, and property development cost on the development units sold are recognised as an expense in the period in which they are incurred.

Any expected loss on a development project, including cost to be incurred over the defect liability period, is recognised immediately in profit or loss.

Revenue from sale of completed properties is measured at fair value of the consideration received or receivable and is recognised in the profit or loss when significant risks and rewards of ownership have been transferred to the customer.

(iii) Dividend income

Dividend income is recognised in profit or loss on the date that the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

(s) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. Significant accounting policies (continued)

(t) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, and the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognized as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against which the unutilized tax incentive can be utilized.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. Significant accounting policies (continued)

(u) Earnings per ordinary share

The Group presents basic earnings per share data for its ordinary shares (EPS).

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

(v) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Managing Director of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

(w) Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

NOTES TO THE
FINANCIAL STATEMENTS (cont'd)

3. Property, plant and equipment

Group Cost/Valuation	Long term leasehold land RM'000	Buildings RM'000	Plant, machinery and audio equipment RM'000	Office equipment RM'000	Motor vehicles RM'000	Furniture, fixtures and fittings RM'000	Renovation RM'000	Total RM'000
At 1 April 2015	10,425	6,873	30,143	346	1,893	2,730	61	52,471
Additions	-	-	15	2	90	9	-	116
Disposals	-	-	-	-	(64)	-	-	(64)
At 31 March 2016/1 April 2016	10,425	6,873	30,158	348	1,919	2,739	61	52,523
Additions	-	-	-	4	157	1	-	162
Disposals	-	-	-	-	(203)	-	-	(203)
Written off	-	-	(79)	(299)	(54)	(646)	-	(1,078)
At 31 March 2017	10,425	6,873	30,079	53	1,819	2,094	61	51,404

3. Property, plant and equipment (continued)

	Long term leasehold land RM'000	Buildings RM'000	Plant, machinery and audio equipment RM'000	Office equipment RM'000	Motor vehicles RM'000	Furniture, fixtures and fittings RM'000	Renovation RM'000	Total RM'000
Depreciation and impairment loss								
At 1 April 2015	695	260	28,325	330	1,271	2,459	16	33,356
Disposals	-	-	-	-	(64)	-	-	(64)
Depreciation for the year	60	378	477	9	255	24	6	1,209
Impairment loss	-	-	334	-	-	-	-	334
At 31 March 2016/1 April 2016								
Accumulated depreciation	755	638	28,802	339	1,462	2,483	22	34,501
Accumulated impairment loss	-	-	334	-	-	-	-	334
At 31 March 2017								
Disposals	755	638	29,136	339	1,462	2,483	22	34,835
Written off	-	-	-	-	(187)	-	-	(187)
Depreciation for the year	60	287	(79)	(299)	(54)	(646)	-	(1,078)
At 31 March 2017								
Accumulated depreciation	815	925	29,129	49	1,461	1,859	28	34,266
Accumulated impairment loss	-	-	334	-	-	-	-	334
At 31 March 2017								
Accumulated depreciation	815	925	29,463	49	1,461	1,859	28	34,600

NOTES TO THE
FINANCIAL STATEMENTS (cont'd)

3. Property, plant and equipment (continued)

	Long term leasehold land		Buildings		Plant, machinery and audio equipment		Office equipment		Motor vehicles		Furniture, fixtures and fittings		Renovation		Total	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Carrying amounts																
At 1 April 2015	9,730	6,613	1,818	16	622	271	45	19,115								
At 31 March 2016/1 April 2016	9,670	6,235	1,022	9	457	256	39	17,688								
At 31 March 2017	9,610	5,948	616	4	358	235	33	16,804								
Cost/Valuation is represented by:																
At cost	-	-	30,079	53	1,819	2,094	61	34,106								
At valuation	10,425	6,873	-	-	-	-	-	17,298								
At 31 March 2017	10,425	6,873	30,079	53	1,819	2,094	61	51,404								

3.1 Impairment loss

In the previous financial year, the continuous losses in replication of compact discs segment caused the Group to assess the recoverable amount of the related plant, machinery and audio equipment. The Group tested the related assets for impairment and recognised an impairment loss of RM334,000 with respect to plant, machinery and audio equipment.

3.2 Assets under finance lease agreements

Included in property, plant and equipment of the Group are motor vehicles acquired under finance lease agreements with carrying amounts of RM355,000 (2016: RM622,000).

NOTES TO THE
FINANCIAL STATEMENTS (cont'd)

3. Property, plant and equipment (continued)

3.3 *Property, plant and equipment under revaluation model*

The Group's land and buildings were revalued on 31 March 2014 by an independent professional qualified valuer using the open market value method.

The carrying amounts of the revalued leasehold land had they been stated under the historical cost model as required by the Financial Reporting Standards (FRS) 116 on "Property, Plant and Equipment" is not disclosed due to the absence of complete historical records.

Had the buildings been carried under the historical cost model, their carrying amounts would have been RM1,218,000 (2016: RM1,256,000).

3.4 *Titles*

The strata titles of buildings in certain subsidiaries with carrying amounts of RM322,000 (2016: RM333,000), have not been issued to the subsidiaries as the master title has not been sub-divided.

3.5 *Security*

The leasehold lands and buildings of certain subsidiaries with carrying amount of RM15,263,000 (2016: RM15,549,000) were pledged to a licensed bank as security for term loan facilities granted to a subsidiary (Note 15).

4. Goodwill

	Group RM'000
<i>Cost</i>	
At 1 April 2015/31 March 2016/1 April 2016/31 March 2017	738
<i>Impairment loss</i>	
At 1 April 2015/31 March 2016/1 April 2016/31 March 2017	726
<i>Carrying amounts</i>	
At 1 April 2015/31 March 2016/1 April 2016/31 March 2017	12

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

5. Investment property

Group	Freehold land	
	2017	2016
	RM'000	RM'000
At cost		
At 1 April	407	1,255
Transfer to asset held for sale	-	(848)
At 31 March	<u>407</u>	<u>407</u>
Fair value		
At 1 April	<u>539</u>	<u>1,255</u>
At 31 March	<u>528</u>	<u>539</u>
Direct operating expenses arising from non-income generating investment property	<u>19</u>	<u>5</u>

No rental income is generated from the investment property during and in the previous financial year.

Fair values of investment property has been generally derived using the sales comparison approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties.

Highest and best use

The Group's investment property is currently a freehold land. The highest and best use of the property is for rental generation as they are located within the vicinity of the commercial area.

5.1 Security

The freehold land with carrying amount of RM407,000 (2016: RM407,000) was charged to a licensed bank as security for bank overdraft facility granted to a subsidiary (Note 15).

NOTES TO THE
FINANCIAL STATEMENTS (cont'd)

6. Investments in subsidiaries

	Company	
	2017 RM'000	2016 RM'000
Unquoted shares, at cost	30,413	28,913
Less: Impairment losses	<u>(3,775)</u>	<u>(3,775)</u>
	<u>26,638</u>	<u>25,138</u>

Details of the subsidiaries are as follows:

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest	
			2017 %	2016 %
Banda Industries Sdn. Bhd.	Malaysia	Property development	100	100
GSB Hotel Sdn. Bhd.	Malaysia	Property development	100	100
GSB Management Sdn. Bhd.	Malaysia	Property development and construction	100	100
GSB Properties Sdn. Bhd.	Malaysia	Property development	100	100
GSB Summit Development Sdn. Bhd.	Malaysia	Property development	100	100
Serta Usaha Sdn. Bhd.	Malaysia	Property development	100	100
GSB Summit CD (M) Sdn. Bhd.	Malaysia	Manufacture of compact discs	100	100
GSB Summit Audio (M) Sdn. Bhd.*	Malaysia	Dormant	100	100

* Ceased operations during the financial year ended 31 March 2010.

** During the year, the Company increased its investment in subsidiaries via the capitalization of advances given to its subsidiary amounting to RM1,500,000 (2016: RM1,750,000).

NOTES TO THE
FINANCIAL STATEMENTS (cont'd)

7. Land held for property development

	Freehold land RM'000	Leasehold land RM'000	Development costs RM'000	Total RM'000
Group				
Cost				
At 1 April 2015	14,689	-	6,005	20,694
Additions	-	20,500	1,194	21,694
Transfer to property development costs	(419)	-	(222)	(641)
Transfer to other receivables	-	-	(377)	(377)
At 31 March 2016/1 April 2016	14,270	20,500	6,600	41,370
Additions	-	-	1,476	1,476
At 31 March 2017	14,270	20,500	8,076	42,846

7.1 Security

The land held for property development amounting to RM34,474,000 (2016: RM34,474,000) have been pledged to licensed banks as security for credit facilities granted to certain subsidiaries (Note 15).

8. Deferred tax assets/(liabilities)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Property, plant and equipment	-	-	(3,511)	(3,680)	(3,511)	(3,680)
Land held for property development/ property development costs	-	-	(756)	(752)	(756)	(752)
Unabsorbed capital allowance	312	271	-	-	312	271
Tax loss carry-forwards	246	43	-	-	246	43
Deferred tax assets/ (liabilities)	558	314	(4,267)	(4,432)	(3,709)	(4,118)
Set off of tax	(558)	(271)	558	271	-	-
Net tax assets/ (liabilities)	-	43	(3,709)	(4,161)	(3,709)	(4,118)

NOTES TO THE
FINANCIAL STATEMENTS (cont'd)

8. Deferred tax assets/(liabilities) (continued)

Unrecognised deferred tax assets

Deferred tax assets/(liabilities) have not been recognised in respect of the following items (stated at gross):

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Taxable temporary differences	(44)	(21)	-	-
Unabsorbed capital allowances	97	51	-	-
Tax loss carry-forwards	3,942	2,797	225	225
	<u>3,995</u>	<u>2,827</u>	<u>225</u>	<u>225</u>

Deferred tax assets have not been recognised in respect of the above items because it is not probable that future taxable profit will be available against which the Group and the Company can utilise the benefits there from.

Unabsorbed capital allowances/Unutilised reinvestment allowances

The Group has unabsorbed capital allowances and unutilised reinvestment allowances carried forward from a subsidiary that has temporary ceased its business activity on manufacturing plastic fabricated parts. Subsequently, the subsidiary extended its business activity to property development and construction activities. Consequently, these unabsorbed and utilised allowances are only eligible for utilisation by the Group in future against the income generated from the same business source.

Subject to agreement by the Inland Revenue Board, the Group has unabsorbed capital allowances and unutilised reinvestment allowances not accounted for, amounting to RM6,857,000 (2016: RM6,857,000) and RM8,540,000 (2016: RM8,540,000) respectively to be set off against future taxable profits from the same business source.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

9. Inventories

	Group	
	2017	2016
	RM'000	RM'000
Raw materials and consumables	566	686
Work-in-progress	138	130
Finished goods	16	10
Completed properties	903	903
	<u>1,623</u>	<u>1,729</u>
Recognised in profit or loss:		
Inventories recognised as cost of sales	<u>2,164</u>	<u>2,174</u>

9.1 Security

The completed properties amounting to RM136,000 (2016: RM136,000) have been pledged to a licensed bank as security for bank overdrafts facilities granted to a subsidiary (Note 15).

10. Trade and other receivables

	Note	Group		Company	
		2017	2016	2017	2016
		RM'000	RM'000	RM'000	RM'000
Trade					
Trade receivables		8,579	4,949	-	-
Less: Allowance for impairment losses		(252)	(250)	-	-
		<u>8,327</u>	<u>4,699</u>	-	-
Accrued billings	10.1	<u>12,087</u>	<u>9,500</u>	-	-
		<u>20,414</u>	<u>14,199</u>	-	-
Non-trade					
Other receivables	10.2	6,592	5,981	-	-
Deposits	10.3	18,103	8,550	-	-
Amounts due from subsidiaries	10.4	-	-	27,214	26,775
		<u>24,695</u>	<u>14,531</u>	<u>27,214</u>	<u>26,775</u>
		<u>45,109</u>	<u>28,730</u>	<u>27,214</u>	<u>26,775</u>

NOTES TO THE
FINANCIAL STATEMENTS (cont'd)

10. Trade and other receivables (continued)

10.1 Accrued billings

	Note	Group 2017 RM'000	Group 2016 RM'000
Aggregate costs incurred to date		40,708	18,886
Add: Attributable profits		8,749	3,351
		49,457	22,237
Less: Progress billings		(37,370)	(12,789)
Accrued billings		12,087	9,448
 <i>As at 31 March</i>			
Accrued billings		12,087	9,500
Progress billings	17	-	(52)
		12,087	9,448

10.2 Other receivables

Included in the other receivables of the Group is an amount due from joint venture partner of RM6,231,000 (2016: RM4,452,000) to a subsidiary, which is subject to interest of 8% (2016: 8%) per annum from date of letter of payment notice issued to the joint venture partner.

10.3 Deposits

Included in the deposits of the Group is RM17,902,000 (2016: RM8,349,000) being deposit paid to the landowner by a subsidiary to acquire a piece of land in the District of Bentong, Pahang.

10.4 Amounts due from subsidiaries

Included in amount due from subsidiaries are unsecured amount of RM1,900,000 (2016: RM1,900,000) subject to an interest rate of Base Lending Rate plus 1.50% (2016: Base Lending Rate plus 1.50%) per annum and repayable on demand. The remaining amount due from subsidiaries are unsecured, interest free and repayable on demand.

NOTES TO THE
FINANCIAL STATEMENTS (cont'd)

11. Property development costs

	Note	Group	
		2017 RM'000	2016 RM'000
At 1 April			
Land		35,112	35,558
Development costs		31,579	19,631
Accumulated costs charged to profit or loss		(18,886)	(12,749)
		<u>47,805</u>	<u>42,440</u>
Reversal of completed project			
Land		-	(616)
Development costs		-	(3,452)
Accumulated costs charged to profit or loss		-	4,068
		-	-
Costs incurred during the year		26,455	15,178
Transfer from land held for property development			
- Land	7	-	419
- Property development costs	7	-	222
		<u>74,260</u>	<u>58,259</u>
Costs charged to profit or loss		(21,822)	(10,205)
Costs transferred to inventories		-	(249)
At 31 March		<u>52,438</u>	<u>47,805</u>
Represented by:			
At 31 March			
Land		36,626	35,112
Development costs		56,520	31,579
Accumulated costs charged to profit or loss		(40,708)	(18,886)
		<u>52,438</u>	<u>47,805</u>

11.1 Estimation uncertainty and critical judgements

The Group estimates revenue and budgeted costs for property development projects based on the following key assumptions:

- Revenue on development projects have been projected based on the estimated market selling price of the units;
- The property development costs have been projected based on prevailing cost of construction and such costs are reviewed on an on-going basis.

Any revision to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

NOTES TO THE
FINANCIAL STATEMENTS (cont'd)

11. Property development costs (continued)

11.2 Security

Included in the property development costs is RM32,921,000 (2016: RM31,406,000) being land costs pledged to a licensed bank as security for bank overdrafts facilities and secured term loans facilities granted to subsidiaries (Note 15).

12. Cash and bank balances

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash and bank balances	12.1	2,730	3,257	22	71
Deposits placed with licensed banks	12.2	2,781	3,769	-	-
Highly liquid investments	12.3	6	60	-	-
		<u>5,517</u>	<u>7,086</u>	<u>22</u>	<u>71</u>

12.1 Cash and bank balances

Included in the Group's cash and bank balances is RM1,378,000 (2016: RM1,550,000) maintained pursuant to the Housing Development (Housing Development Account) Regulations 1991.

12.2 Deposits placed with licensed banks

Included in the deposits placed with licensed banks is RM2,781,000 (2016: RM3,769,000) pledged for credit facilities granted to certain subsidiaries (Note 15).

12.3 Highly liquid investments

The Directors regard the highly liquid investments as cash and cash equivalents in view of its high liquidity and insignificant changes in value.

13. Asset classified as held for sale

A freehold land is presented as an "asset held for sale" following the commitment of the Group to a plan to sell the land. Efforts to sell the land have commenced, and a sale is expected by 31 March 2018.

The carrying value of investment property of RM848,000 (2016: RM848,000) is the same as its carrying value before it was being reclassified to current asset.

The freehold land with carrying amount of RM848,000 (2016: RM848,000) was charged to a licensed bank as security for bank overdraft facility granted to a subsidiary (Note 15).

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

14. Capital and reserves

Share capital

	Group and Company			
	Amount 2017 RM'000	Number of shares 2017 '000	Amount 2016 RM'000	Number of shares 2016 '000
Issued and fully paid:				
As at 1 April	52,800	528,000	44,000	440,000
Issued for cash under private placement	-	-	8,800	88,000
Transfer from share premium in accordance with Section 618(2) of the Companies Act 2016	940	-	-	-
As at 31 March	<u>53,740</u>	<u>528,000</u>	<u>52,800</u>	<u>528,000</u>

Note 14.1

Note 14.1: In accordance with Section 618 of Companies Act, 2016, the amount standing to the credit of the share premium account of RM940,000 has become part of the Company's share capital and is available to be utilised in accordance with Section 618(3) of Companies Act, 2016 on or before 30 January 2019 (24 months from commencement of section 74).

Note 14.2: The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Share option reserve

The share option reserve comprises the cumulative value of employee services received for the issue of share options. When the option is exercised, the amount from the share option reserve is transferred to share capital. When the share options expire, the amount from the share option reserve is transferred to retained earnings. Share option is disclosed in Note 16.

Revaluation reserve

The revaluation reserve relates to the revaluation of land and building (Note 3).

NOTES TO THE
FINANCIAL STATEMENTS (cont'd)

15. Loans and borrowings

	Note	Group	
		2017 RM'000	2016 RM'000
Non-current			
Finance lease liabilities	15.1	107	92
Secured term loans	15.2	22,276	31,072
		22,383	31,164
Current			
Finance lease liabilities	15.1	114	207
Secured bank overdrafts	15.2	15,309	15,663
Secured term loans	15.2	10,795	4,414
		26,218	20,284
		48,601	51,448

15.1 Finance lease liabilities

Finance lease liabilities are payable as follows:

	Future minimum lease payments		Present value of minimum lease payments	Future minimum lease payments		Present value of minimum lease payments
	2017 RM'000	Interest 2017 RM'000	2017 RM'000	2016 RM'000	Interest 2016 RM'000	2016 RM'000
Group						
Less than one year	122	(8)	114	218	(11)	207
Between one and five years	113	(6)	107	98	(6)	92
	235	(14)	221	316	(17)	299

15.2 Security

The term loans and bank overdrafts are secured by the property, plant and equipment (Note 3), investment properties (Note 5), land held for property development (Note 7), inventories (Note 9), property development costs (Note 11), deposits placed with licensed banks (Note 12) and asset classified as held for sale (Note 13) of certain subsidiaries, and are supported by the corporate guarantees from the Company, joint and several guarantee by certain Directors of the Company, certain third parties and a person connected with Directors.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

16. Employee benefits

Share-based payments arrangement

Share option programme (equity settled)

On 3 December 2015, the Group granted share options to qualified key management personnel and executives to purchase shares in the Company under the Employees Share Option Scheme approved by the shareholders of the Company on 30 January 2015. In accordance with these programmes, holders of vested options are entitled to purchase shares at the market price of the shares at the date of grant.

The terms and conditions related to the grants of the share option programme are as follows:

Grant date/ employees entitled	Number of options '000	Vesting conditions	Contractual life of options
Options granted to employees on 3 December 2015	10,526	Immediate	4.3 years
	10,526	1 year of service	4.3 years
	9,023	2 years of service	4.3 years
	<u>30,075</u>		

The number and weighted average exercise prices of share options are as follows:

	2017		2016	
	Weighted average exercise price RM	Number of options '000	Weighted average exercise price RM	Number of options '000
Outstanding at 1 April	RM0.10	28,050	-	-
Granted during the year	-	-	RM0.10	30,075
Forfeited during the year	RM0.10	(1,950)	RM0.10	(2,025)
Exercised during the year	-	-	-	-
Outstanding at 31 March	<u>RM0.10</u>	<u>26,100</u>	<u>RM0.10</u>	<u>28,050</u>
Exercisable at 31 March	<u>RM0.10</u>	<u>18,270</u>	<u>RM0.10</u>	<u>9,817</u>

The options outstanding at 31 March 2017 have an exercise price of RM0.10 (2016: RM0.10) and a weighted average contractual life of 3.3 years (2016: 4.3 years).

During the financial year, no share options were exercised. The weighted average share price at the date of exercise for the year was RM0.10 (2016: RM0.10).

NOTES TO THE
FINANCIAL STATEMENTS (cont'd)

16. Employee benefits (continued)

Share-based payments arrangement (continued)

Share option programme (equity settled) (continued)

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using a Black Scholes model, with the following inputs:

	Key management personnel and executives	
	2017	2016
	RM'000	RM'000
Fair value of share options and assumptions		
Fair value at grant date	RM0.02	RM0.02
Weighted average share price	RM0.10	RM0.10
Exercise price	RM0.10	RM0.10
Expected volatility (weighted average volatility)	40.4%	40.4%
Option life (expected weighted average life)	3.3 years	4.3 years
Risk-free interest rate (based on Malaysian Government bonds)	3.8%	3.8%

Value of employee services received for issue of share options

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Share options granted	164	260	68	100
Total expense recognised as share-based payments	164	260	68	100

The share options expense is not recognised in full in the profit or loss of the Company as certain amounts have been re-charged to the subsidiaries.

NOTES TO THE
FINANCIAL STATEMENTS (cont'd)

17. Trade and other payables

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Non-current					
Non-trade					
Other payable	17.1	9,655	9,287	-	-
Current					
Trade					
Trade payable		20,847	11,420	-	-
Progress billing	10.1	-	52	-	-
		20,847	11,472	-	-
Non-trade					
Amounts due to subsidiaries	17.2	-	-	10,063	8,186
Amounts due to Directors	17.3	16,905	7,883	-	-
Other payables and accruals	17.4	10,125	3,989	220	110
		27,030	11,872	10,283	8,296
		47,877	23,344	10,283	8,296

17.1 Other payable

Other payable represents the landowner's entitlement of RM9,655,000 (2016: RM9,287,000) that is expected to be payable to the joint venture partner over the final three years of the joint venture period.

17.2 Amounts due to subsidiaries

Included in amount due to subsidiaries are unsecured amount of RM1,900,000 (2016: RM1,900,000) subject to an interest rate of Base Lending Rate plus 1.50% (2016: Base Lending Rate plus 1.50%) per annum and repayable on demand. The remaining amount due to subsidiaries are unsecured, interest free and repayable on demand.

17.3 Amounts due to Directors

The amounts due to Directors are unsecured, interest free and repayable on demand.

17.4 Other payables and accruals

Included in other payables and accruals of the Group are landowner's entitlement of RM1,147,000 (2016: Nil) that is expected to be payable to the joint venture partner over the final three years of the joint venture period.

NOTES TO THE
FINANCIAL STATEMENTS (cont'd)

18. Revenue

	Group	
	2017	2016
	RM'000	RM'000
Property development	27,220	11,324
Sale of goods	6,096	6,245
	33,316	17,569

19. Loss before tax

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Loss before tax is arrived at after charging:				
Auditors' remuneration				
- Audit fees	147	130	38	36
- Non-audit fees	15	15	15	15
Depreciation of property, plant and equipment	1,030	1,209	-	-
Impairment loss:				
- Property, plant and equipment	-	334	-	-
- Trade receivables	30	29	-	-
- Other receivables	192	-	-	-
Personnel expenses (including key management personnel):				
- Contributions to state plans	440	461	-	-
- Wages, salaries and others	3,916	4,176	-	-
Realised loss on foreign exchange	35	-	-	-
	35	-	-	-
and after crediting:				
Reversal of impairment loss on trade receivables	28	-	-	-
Gain on foreign exchange:				
- Realised	-	19	-	-
- Unrealised	36	138	-	-
Net gain on disposal of property, plant and equipment	32	17	-	-
Interest receivable from advances to joint venture partner	594	267	-	-
Income from termination of joint venture agreements	-	2,845	-	-
	-	2,845	-	-

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

20. Key management personnel compensation

The key management personnel compensations are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Directors:				
- Fees	115	115	19	19
- Remuneration	275	275	-	-
	<u>390</u>	<u>390</u>	<u>19</u>	<u>19</u>

21. Finance results

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Interest income of financial assets that are not at fair value through profit or loss:				
- Fixed deposits	101	120	-	-
- Housing development accounts	24	24	-	-
- Retention sum from property development project	-	57	-	-
- Advance to related companies	-	-	149	97
- Others	6	25	-	-
	<u>131</u>	<u>226</u>	<u>149</u>	<u>97</u>
Interest expense of financial liabilities that are not at fair value through profit or loss:				
- Finance lease liabilities	(19)	(18)	-	-
- Bank overdrafts	(1,169)	(1,147)	-	-
- Term loans	(1,413)	(402)	-	-
- Advance from related company	-	-	(149)	(97)
- Others	-	(4)	-	-
	<u>(2,601)</u>	<u>(1,571)</u>	<u>(149)</u>	<u>(97)</u>
	<u>(2,470)</u>	<u>(1,345)</u>	<u>-</u>	<u>-</u>
Finance results:				
- Recognised in profit or loss	(1,057)	(943)	-	-
- Capitalised in land held for property development	(1,413)	(402)	-	-
	<u>(2,470)</u>	<u>(1,345)</u>	<u>-</u>	<u>-</u>

NOTES TO THE
FINANCIAL STATEMENTS (cont'd)

22. Tax expense

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current tax expense				
- Current year	1,499	458	-	-
- (Over)/Under provision in prior year	(38)	179	-	-
Total current tax expense	<u>1,461</u>	<u>637</u>	<u>-</u>	<u>-</u>
Deferred tax expense				
- Origination and reversal of temporary differences	(232)	(278)	-	-
- (Over)/Under provision in prior years	(177)	7	-	-
Total deferred tax income	<u>(409)</u>	<u>(271)</u>	<u>-</u>	<u>-</u>
Total tax expense	<u>1,052</u>	<u>366</u>	<u>-</u>	<u>-</u>
Reconciliation of tax expense				
Loss before tax	<u>(863)</u>	<u>(934)</u>	<u>(261)</u>	<u>(366)</u>
Income tax calculated using Malaysian tax rate at 24% (2016: 25%)	(207)	(233)	(63)	(92)
Non-deductible expenses	1,221	890	63	92
Non-taxable income	(27)	(711)	-	-
Effect of deferred tax assets not recognised	280	234	-	-
(Over)/Under provision in prior years	(215)	186	-	-
	<u>1,052</u>	<u>366</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

23. Loss per ordinary share

Basic loss per ordinary share

The calculation of basic loss per ordinary share at 31 March 2017 was based on the loss attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	Group	
	2017	2016
	RM'000	RM'000
Loss for the year attributable to ordinary shareholders	<u>(1,915)</u>	<u>(1,300)</u>
 <i>Weighted average number of ordinary shares</i>		
Weighted average number of ordinary shares at 31 March	<u>528,000</u>	<u>465,727</u>
	2017	2016
	Sen	Sen
Basic loss per ordinary share	<u>(0.36)</u>	<u>(0.28)</u>

Diluted loss per ordinary share

The calculation of diluted loss per ordinary share at 31 March 2017 was based on loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

	Group	
	2017	2016
	RM'000	RM'000
Loss for the year attributable to ordinary shareholders	<u>(1,915)</u>	<u>(1,300)</u>
 <i>Weighted average number of ordinary shares</i>		
Weighted average number of ordinary shares at 31 March (basic)	528,000	465,727
Effect of share options on issue	<u>26,100</u>	<u>28,050</u>
Weighted average number of ordinary shares at 31 March (diluted)	<u>554,100</u>	<u>493,777</u>
	2017	2016
	Sen	Sen
Diluted loss per ordinary share	<u>(0.35)</u>	<u>(0.26)</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

24. Operating segments

The Group has two reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's Managing Director (the chief operating decision maker) reviews internal management reports at least on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- Segment 1. Includes manufacturing and replication of optical discs.
- Segment 2. Includes property development of residential and commercial properties.

Other non-reportable segments comprise operations related to investment holding company. None of these segments met the quantitative thresholds for reporting segments in 2017 and 2016.

The accounting policies of the reportable segments are the same as described in Note 2(v).

Performance is measured based on segment profit/(loss) before tax, interest, depreciation and amortisation, as included in the internal management reports that are reviewed by the Group's Managing Director (the chief operating decision maker). Segment profit/(loss) is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segment assets

The total of segment asset is measured based on all assets (including goodwill) of a segment, as included in the internal management reports that are reviewed by the Group's Managing Director. Segment total asset is used to measure the return of assets of each segment.

Segment liabilities

Segment liabilities information is neither included in the internal management reports nor provided regularly to the Group's Managing Director. Hence no disclosure is made on segment liability.

NOTES TO THE
FINANCIAL STATEMENTS (cont'd)

24. Operating segments (continued)

	Replication of compact discs RM'000	Property development RM'000	Total RM'000
2017			
Group			
Segment loss	(840)	1,523	683
<i>Included in the measure of segment loss are:</i>			
Revenue from external customers	6,096	27,220	33,316
<i>Not included in the measure of segment loss but provided to Managing Director:</i>			
Depreciation	(513)	(236)	(749)
Finance costs	(150)	(1,038)	(1,188)
Finance income	3	128	131
Segment assets	11,125	146,430	157,555
<i>Included in the measure of segment assets are:</i>			
Additions to non-current assets other than financial instruments and deferred tax assets	-	1,638	1,638
2016			
Group			
Segment loss	(1,221)	2,011	790
<i>Included in the measure of segment loss are:</i>			
Revenue from external customers	6,245	11,324	17,569
Income from termination of joint venture agreements	-	2,845	2,845
Impairment of property, plant and equipment	(334)	-	(334)
<i>Not included in the measure of segment loss but provided to Managing Director:</i>			
Depreciation	(634)	(204)	(838)
Finance costs	(110)	(1,059)	(1,169)
Finance income	-	226	226
Segment assets	12,541	124,457	136,998
<i>Included in the measure of segment assets are:</i>			
Additions to non-current assets other than financial instruments and deferred tax assets	24	21,786	21,810

24. Operating segments (continued)

Reconciliations of reportable segment revenues, profit or loss, assets and other material items

	Group		Additions to non- current assets RM'000			
	2017 RM'000	2016 RM'000				
Profit or loss						
Total profit for reportable segments	683	790				
Other non-reportable segments	(489)	(781)				
Finance income	131	226				
Finance costs	(1,188)	(1,169)				
Consolidated loss before tax	(863)	(934)				
	External revenue RM'000	Depreciation RM'000	Finance costs RM'000	Finance income RM'000	Segment assets RM'000	
2017						
Total reportable segments	33,316	(749)	(1,188)	131	157,555	1,638
Other non-reportable segments	-	(281)	-	-	9,058	-
Consolidated total	33,316	(1,030)	(1,188)	131	166,613	1,638
2016						
Total reportable segments	17,569	(838)	(1,169)	226	136,998	21,810
Other non-reportable segments	-	(371)	-	-	9,259	-
Consolidated total	17,569	(1,209)	(1,169)	226	146,257	21,810

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

25. Financial instruments

25.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

- (a) Loans and receivables (L&R); and
- (b) Financial liabilities measured at amortised cost (FL).

	Carrying amount RM'000	L&R RM'000	FL RM'000
2017			
Financial assets			
Group			
Trade and other receivables	45,109	45,109	-
Cash and bank balances	5,517	5,517	-
	<u>50,626</u>	<u>50,626</u>	<u>-</u>
Company			
Trade and other receivables	27,214	27,214	-
Cash and bank balances	22	22	-
	<u>27,236</u>	<u>27,236</u>	<u>-</u>
Financial liabilities			
Group			
Loans and borrowings	(48,601)	-	(48,601)
Trade and other payables	(57,532)	-	(57,532)
	<u>(106,133)</u>	<u>-</u>	<u>(106,133)</u>
Company			
Other payables	(10,283)	-	(10,283)
	<u>(10,283)</u>	<u>-</u>	<u>(10,283)</u>
2016			
Financial assets			
Group			
Trade and other receivables	28,730	28,730	-
Cash and bank balances	7,086	7,086	-
	<u>35,816</u>	<u>35,816</u>	<u>-</u>
Company			
Trade and other receivables	26,775	26,775	-
Cash and bank balances	71	71	-
	<u>26,846</u>	<u>26,846</u>	<u>-</u>
Financial liabilities			
Group			
Loans and borrowings	(51,448)	-	(51,448)
Trade and other payables	(32,631)	-	(32,631)
	<u>(84,079)</u>	<u>-</u>	<u>(84,079)</u>
Company			
Other payables	(8,296)	-	(8,296)
	<u>(8,296)</u>	<u>-</u>	<u>(8,296)</u>

NOTES TO THE
FINANCIAL STATEMENTS (cont'd)

25. Financial instruments (continued)

25.2 Net (losses) and gains arising from financial instruments

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Net gains/(losses) on:				
Loans and receivables	532	354	149	97
Financial liabilities measured at amortised cost	<u>(1,188)</u>	<u>(1,169)</u>	<u>(149)</u>	<u>(97)</u>
	<u>(656)</u>	<u>(815)</u>	<u>-</u>	<u>-</u>

25.3 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

25.4 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers. The Company's exposure to credit risk arises principally from advances to subsidiaries and financial guarantees given to banks for credit facilities granted to subsidiaries.

Receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Normally financial guarantees given by banks, shareholders or directors of customers are obtained, and credit evaluations are performed on customers requiring credit over a certain amount.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

25. Financial instruments (continued)

25.4 Credit risk (continued)

Exposure to credit risk, credit quality and collateral (continued)

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are measured at their realisable values. A significant portion of these receivables are regular customers and the Group uses ageing analysis to monitor the credit quality of the receivables whilst significant portion of trade receivables for property development segment are purchasers that are backed by financiers. Any past due receivables, which are deemed to have higher credit risk, are monitored individually.

Impairment losses

The Group maintains an ageing analysis in respect of trade receivables only. The ageing of trade receivables as at the end of the reporting period was:

	Gross RM'000	Individual impairment RM'000	Net RM'000
Group			
2017			
Not past due	7,482	-	7,482
Past due 1 - 30 days	561	-	561
Past due 31 - 60 days	182	-	182
Past due 61 - 90 days	69	-	69
Past due more than 90 days	285	(252)	33
	<u>8,579</u>	<u>(252)</u>	<u>8,327</u>
2016			
Not past due	4,035	-	4,035
Past due 1 - 30 days	504	-	504
Past due 31 - 60 days	40	-	40
Past due 61 - 90 days	65	-	65
Past due more than 90 days	305	(250)	55
	<u>4,949</u>	<u>(250)</u>	<u>4,699</u>

The movements in the allowance for impairment losses of trade receivables during the financial year were:

	Group	
	2017 RM'000	2016 RM'000
At 1 April	(250)	(221)
Impairment loss recognised	(30)	(29)
Impairment loss reversed	28	-
At 31 March	<u>(252)</u>	<u>(250)</u>

NOTES TO THE
FINANCIAL STATEMENTS (cont'd)**25. Financial instruments (continued)****25.4 Credit risk (continued)**

The remaining past due balances are not impaired mainly due to management's assessment that these trade receivables are recoverable based on their past payment trend and history of debt. Hence, the management is confident that no impairment is required.

As at the end of the reporting period, the Group has written off an impairment loss amounting to Nil (2016: RM174,916) for other receivables and there was no indication that the remainder of the other receivables are not recoverable.

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

Financial guarantees*Risk management objectives, policies and processes for managing the risk*

The Company provides financial guarantees to banks in respect of credit facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM45,954,000 (2016: RM48,454,000) representing the outstanding credit facilities of the subsidiaries as at the end of the reporting period.

As at the end of the reporting period, there was no indication that any subsidiary would default on repayment. Accordingly, the financial guarantees have not been recognized since the fair value on initial recognition was not material.

Inter-company balances*Risk management objectives, policies and processes for managing the risk*

The Company provides unsecured advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

25. Financial instruments (continued)

25.4 Credit risk (continued)

Inter-company balances (continued)

Impairment losses

As at the end of the reporting period, there was no indication that the advances to the subsidiaries are not recoverable. The Company does not specifically monitor the ageing of the current advances to the subsidiaries.

Highly liquid investments

Risk management objectives, policies and processes for managing the risk

Investments of the Group are restricted to highly liquid investments with an insignificant risk of changes in value.

Exposure to credit risk, credit quality and collaterals

As at the end of the reporting period, the Group have only placed highly liquid investments domestically. The maximum exposure to credit risk is represented by the carrying amounts in the statements of financial position.

In view that investments placed with an entity related to financial institutions with sound credit rating, management does not expect the counterparty to fail to meet its obligation.

The highly liquid investments of the Group are not pledged as security.

As at the end of the reporting period, there is no indication that the highly liquid investments are not recoverable.

25.5 Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet its financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

25. Financial instruments (continued)

25.5 Liquidity risk (continued)

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

Group	Carrying amount RM'000	Contractual interest rate per annum %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
2017							
<i>Non-derivative financial liabilities</i>							
Finance lease liabilities	221	2.50 to 2.74	235	122	58	55	-
Secured term loans	33,071	7.35 to 10.35	45,472	12,099	8,925	6,861	17,587
Secured bank overdrafts	15,309	7.35 to 8.35	15,309	15,309	-	-	-
Trade and other payables	57,532	-	57,532	47,877	9,036	619	-
	106,133		118,548	75,407	18,019	7,535	17,587
2016							
<i>Non-derivative financial liabilities</i>							
Finance lease liabilities	299	2.18 to 3.50	316	218	98	-	-
Secured term loans	35,486	7.35 to 10.35	50,754	5,725	12,106	13,050	19,873
Secured bank overdrafts	15,663	7.35 to 8.35	15,663	15,663	-	-	-
Trade and other payables	32,631	-	32,631	23,344	-	9,287	-
	84,079		99,364	44,950	12,204	22,337	19,873

NOTES TO THE
FINANCIAL STATEMENTS (cont'd)

25. Financial instruments (continued)

25.5 Liquidity risk (continued)

	Carrying amount RM'000	Contractual interest rate per annum %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
Company							
2017							
<i>Non-derivative financial liabilities</i>							
Amount due to subsidiaries	1,900	8.15	2,055	2,055	-	-	-
Trade and other payables	8,383	-	8,383	8,383	-	-	-
	<u>10,283</u>		<u>10,438</u>	<u>10,438</u>	<u>-</u>	<u>-</u>	<u>-</u>
2016							
<i>Non-derivative financial liabilities</i>							
Amount due to subsidiaries	1,900	8.35	2,059	2,059	-	-	-
Trade and other payables	6,396	-	6,396	6,396	-	-	-
	<u>8,296</u>		<u>8,455</u>	<u>8,455</u>	<u>-</u>	<u>-</u>	<u>-</u>

NOTES TO THE
FINANCIAL STATEMENTS (cont'd)

25. Financial instruments (continued)

25.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Group's financial position or cash flows.

25.6.1 Currency risk

The Group is exposed to foreign currency risk on sales, purchases and foreign bank balances that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily U.S. Dollar ("USD") and Singapore Dollar ("SGD").

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

	Denominated in			
	USD 2017 RM'000	SGD 2017 RM'000	USD 2016 RM'000	SGD 2016 RM'000
Group				
Trade receivables	430	25	206	82
Cash and bank balances	113	84	563	51
Trade and other payables	(12)	-	(149)	(3)
Net exposure	<u>531</u>	<u>109</u>	<u>620</u>	<u>130</u>

Currency risk sensitivity analysis

A 10% (2016: 10%) strengthening of the Ringgit Malaysia ("RM") against the following currencies at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amount shown below. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

25. Financial instruments (continued)

25.6 Market risk (continued)

25.6.1 Currency risk (continued)

	Post-tax profit/(loss)	
	2017 RM'000	2016 RM'000
USD	(40)	(47)
SGD	(8)	(10)

A 10% (2016: 10%) weakening of Ringgit Malaysia ("RM") against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amount shown above, on the basis that all other variables remained constant.

25.6.2 Interest rate risk

The Group's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

The Group adopts a practice to continuously seek alternative banking facilities which provide competitive interest rates to finance and/or refinance its working capital requirements.

Exposure to interest rate risk

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Fixed rate instruments				
Financial assets	9,012	8,221	-	-
Financial liabilities	(221)	(299)	-	-
	<u>8,791</u>	<u>7,922</u>	<u>-</u>	<u>-</u>
Floating rate instruments				
Financial assets	-	60	1,900	1,900
Financial liabilities	(48,380)	(51,149)	(1,900)	(1,900)
	<u>(48,380)</u>	<u>(51,089)</u>	<u>-</u>	<u>-</u>

NOTES TO THE
FINANCIAL STATEMENTS (cont'd)

25. Financial instruments (continued)

25.6 Market risk (continued)

25.6.2 Interest rate risk (continued)

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points (bp) in interest rates at the end of the reporting period would have (decreased)/increased post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

	Post-tax profit/(loss)		Post-tax profit/(loss)	
	100 bp increase 2017 RM'000	100 bp decrease 2017 RM'000	100 bp increase 2016 RM'000	100 bp decrease 2016 RM'000
Group				
Floating rate instruments	<u>(368)</u>	<u>368</u>	<u>(383)</u>	<u>383</u>

25.7 Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings approximate their fair values due to the relatively short term nature of these financial instruments.

NOTES TO THE
FINANCIAL STATEMENTS (cont'd)

25. Financial instruments (continued)

25.7 Fair value information (continued)

The table below analyses financial instrument carried at fair value and those not carried at fair value for which fair value is disclosed, together with their values and carrying amounts shown in the statement of financial position.

Group	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value			Total value	Carrying amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000		
2017								
Financial liabilities								
Finance lease liabilities	-	-	-	-	-	213	213	221
Secured term loans	-	-	-	-	-	22,618	22,618	33,071
Other payables	-	-	-	-	-	9,655	9,655	9,655
2016								
Financial liabilities								
Finance lease liabilities	-	-	-	-	-	292	292	299
Secured term loans	-	-	-	-	-	24,504	24,504	35,486
Other payables	-	-	-	-	-	9,287	9,287	9,287

NOTES TO THE
FINANCIAL STATEMENTS (cont'd)

25. Financial instruments (continued)

25.7 Fair value information (continued)

Level 2 fair value

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. For borrowings, the market rate of interest is determined by reference to similar borrowings arrangements.

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year (2016: no transfer in either directions).

Level 3 fair value

The valuation techniques used in the determination of fair values within Level 3, as well as the key unobservable inputs used in the valuation models for financial instruments not carried at fair value.

The fair value of long term borrowings and payables are determined using the discounted cash flows valuation technique.

26. Capital commitment

	Group	
	2017	2016
	RM'000	RM'000
Land held for property development		
Contracted but not provided for	11,591	21,143

27. Contingent liabilities

	Company		
	Note	2017	2016
		RM'000	RM'000
Corporate guarantees issued to licensed banks for credit facilities granted to subsidiaries	15	45,954	48,454

The Directors are of the opinion that a provision is not required in respect of the matter above as it is not probable that a future sacrifice of economic benefits will be required.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

28. Capital management

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The debt-to-equity ratios at 31 March 2017 and at 31 March 2016 were as follows:

	Note	Group	
		2017 RM'000	2016 RM'000
Total borrowings	15	48,601	51,448
Less: Cash and bank balances	12	(5,517)	(7,086)
Net debt		<u>43,084</u>	<u>44,362</u>
Total equity		<u>56,082</u>	<u>57,833</u>
Debt-to-equity ratios		<u>0.77</u>	<u>0.77</u>

There were no changes in the Group's approach to capital management during the financial year.

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than the 25 percent of the issued and paid-up capital and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

29. Related parties

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel includes all the Directors of the Group. There is no significant related party transaction during the year, other than key management personnel compensation (see Note 20).

The related party transactions have been entered into in the normal course of business under negotiated terms. The balances related to the related party transactions are disclosed in Note 10 and Note 17.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30. Significant events

On 17 February 2015, Banda Industries Sdn. Bhd. ("BISB"), a wholly-owned subsidiary of GSB Group Berhad, entered into a Sale and Purchase Agreement with Restu Angkasa Sdn. Bhd. ("RASB") for the acquisition of a piece of land in the District of Bentong, measuring approximately 52.08 acres ("land") for a purchase consideration of RM29,492,570.

On 15 July 2016, BISB entered into a supplementary Sales and Purchase Agreement with RASB to amend and vary certain terms and conditions of the Sales and Purchase Agreement dated 17 February 2015, in consideration of a total of RM499,050 being late payment interest to be paid by BISB to RASB, between the period of August 2016 and July 2017. The salient points are:

- (a) A sum of RM2,000,000 only shall be paid by BISB to RASB in cash on or before 15 July 2016;
- (b) A sum of RM3,470,042 only shall be paid by BISB to RASB in cash on or before 31 January 2017;
- (c) A sum of RM9,500,000 only shall be paid by BISB to RASB in cash on or before 31 July 2017.

On 17 February 2017, BISB entered into a further supplementary Sales and Purchase Agreement with RASB to amend and vary salient point (b) above of the supplementary Sales and Purchase Agreement dated 15 July 2016. The salient points are:

- (a) A sum of RM1,000,000 only shall be paid by BISB to RASB in cash before 15 February 2017;
- (b) A sum of RM1,519,466 only, subject to interest charges of RM45,584, shall be paid by BISB to RASB in cash between the period of February 2017 and July 2017;
- (c) A sum of RM950,576 only being the aggregate agreed price of two units of double storey terrace houses, shall be deemed paid by BISB upon BISB procuring the delivery of the executed memorandum of transfer or deed of assignment in favour of RASB.

The acquisition of land has yet to be completed as of financial year end.

NOTES TO THE
FINANCIAL STATEMENTS (cont'd)

31. Supplementary financial information on the breakdown of realised and unrealised profits or losses

The breakdown of the accumulated losses of the Group and of the Company as at 31 March, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Total retained earnings/ (accumulated losses) of the Company and its subsidiaries:				
- realised	5,363	3,243	(10,559)	(10,298)
- unrealised	<u>(121)</u>	<u>77</u>	<u>-</u>	<u>-</u>
	5,242	3,320	(10,559)	(10,298)
Less: Consolidation adjustments	<u>(11,982)</u>	<u>(8,145)</u>	<u>-</u>	<u>-</u>
Total accumulated losses	<u>(6,740)</u>	<u>(4,825)</u>	<u>(10,559)</u>	<u>(10,298)</u>

The determination of realised and unrealised profits is based on the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by Malaysian Institute of Accountants on 20 December 2010.

STATEMENT BY DIRECTOR

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT, 2016

In the opinion of the Directors, the financial statements set out on pages 35 to 99 are drawn up in accordance with Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 March 2017 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 31 on page 71 to the financial statements has been compiled in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

.....
Gan Pik Mui
Director

.....
Gan Boon Kat
Director

Petaling Jaya,

Date: 25 July 2017

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT, 2016

I, **Gan Pik Mui**, the Director primarily responsible for the financial management of GSB Group Berhad, do solemnly and sincerely declare that the financial statements set out on pages 35 to 100 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed at Petaling Jaya in the State of Selangor on 25 July 2017.

.....
Gan Pik Mui

Before me:

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF GSB GROUP BERHAD

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of GSB Group Berhad., which comprise the statements of financial position as at 31 March 2017 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 35 to 99.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 March 2017, and of their financial performance and their cash flows for the year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**INDEPENDENT
AUDITORS' REPORT** (cont'd)
TO THE MEMBERS OF GSB GROUP BERHAD

Refer to Note 2 - Significant accounting policy: Revenue and other income and Note 11 - Property development costs

The key audit matter	How the matter was addressed in our audit
<p>We identified accuracy of the estimated budgeted cost to complete property development projects as one of the key audit matters due to:-</p> <p>i) potential cost overruns for properties under development where any expected loss on a development project shall be recognised as an expense immediately, including delays and potential foreseeable loss; and</p> <p>ii) significant judgement and estimation involved in preparing the estimates of total budgeted costs to complete a project.</p> <p>Any over or understatement of forecast costs could result in a material variance in the amount of profit or loss recognised to date and in the current year.</p>	<p>Our audit procedures performed over this area included, among others:</p> <ul style="list-style-type: none"> • Evaluated the appropriateness of the projects' budgeted costs by reviewing the basis of preparation and comparing to available letter of awards, contracts and variation orders; • Challenged the reasonableness of the project's budget and key assumptions used which includes expected recovery of variations, claims and compensations events, by taking into account of our own expectations based on historical performance and industry knowledge, including obtaining and assessing information provided by management to determine whether the forecast assumptions are consistent with the terms of the relevant contracts; and • Evaluated the accuracy of profit being recognised in the profit or loss, including assessing any foreseeable losses due to cost overruns and/or delays arising from late delivery of vacant possession to purchasers by reviewing the contractual delivery dates of the signed agreements against the management's estimated delivery dates and progress reports.

Key Audit Matter for the Company

We have determined that there is no key audit matter in the audit of the financial statements of the Company to be communicated in our Auditors' Report.

**INDEPENDENT
AUDITORS' REPORT (cont'd)
TO THE MEMBERS OF GSB GROUP BERHAD**

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the Annual Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the Annual Report and, in doing so, consider whether the Annual Report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the Annual Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

**INDEPENDENT
AUDITORS' REPORT** (cont'd)
TO THE MEMBERS OF GSB GROUP BERHAD

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- i) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ii) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.
- iii) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- iv) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- v) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.
- vi) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

**INDEPENDENT
AUDITORS' REPORT (cont'd)
TO THE MEMBERS OF GSB GROUP BERHAD**

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Responsibilities

The supplementary information set out in Note 31 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and it is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Chan Kam Chiew
Approval Number: 2055/06/18(J)
Chartered Accountant

Petaling Jaya, Selangor

Date: 25 July 2017

LIST OF PROPERTIES

as at 31 March 2017

Registered Owner/ Location	Description	Date of Acquisition/ Revaluation	Tenure/ Age (years)	Total Land Area/ Built-up Area (sq metres)	Net Book Value as at 31 March 2017 (RM)
GSB Summit CD (M) Sdn Bhd					
<u>Property, plant and equipment</u>					
Parcel No. 1307 Storey No. 3, Building 1 Taman Shamelin Perkasa PT1604 Mukim of Kuala Lumpur, District of Kuala Lumpur.	Three (3) bedroom apartment for management	31-Mar-2014	Leasehold 99 years expiring on 11-Sep-2082 (age is approx 21 years)	95.00	120,961
PN 31020, Lot 54600 Mukim of Kuala Lumpur District of Kuala Lumpur.	Adjoining unit of semi-detached single storey factory with three storey office	31-Mar-2014	Leasehold 81 years expiring on 11-Sep-2082 (age is approx 17 years)	1,253.39	2,855,974
PN 31020, Lot 54600 Mukim of Kuala Lumpur District of Kuala Lumpur.	Industrial Land	31-Mar-2014	Leasehold 81 years expiring on 11-Sep-2082 (age is approx 17 years)	1,037.00	4,663,730
GSB Summit Audio (M) Sdn Bhd					
<u>Property, plant and equipment</u>					
Parcel No. D-113 1st Floor, Block D Pandan Height, PT 34798 Mukim of Ampang, District of Ulu Langat, State of Selangor.	Three (3) bedroom apartment for management	31-Mar-2014	Freehold (age is approx 17 years)	79.25	86,289
Parcel No. 1313 Storey No.3, Building 1 Taman Shamelin Perkasa PT1604 Mukim of Kuala Lumpur, District of Kuala Lumpur.	Three (3) bedroom apartment for management	31-Mar-2014	Leasehold 99 years expiring on 11-Sep-2082 (age is approx 21 years)	95.00	114,816
PN 31021, Lot 54601 Mukim of Kuala Lumpur District of Kuala Lumpur.	Adjoining unit of semi-detached single storey factory with three storey office	31-Mar-2014	Leasehold 81 years expiring on 11-Sep-2082 (age is approx 17 years)	1,253.39	2,798,030
PN 31021, Lot 54601 Mukim of Kuala Lumpur District of Kuala Lumpur.	Industrial Land	31-Mar-2014	Leasehold 81 years expiring on 11-Sep-2082 (age is approx 17 years)	1,041.00	3,642,698

LIST OF PROPERTIES (cont'd)
as at 31 March 2017

Registered Owner/ Location	Description	Date of Acquisition/ Revaluation	Tenure/ Age (years)	Total Land Area/ Built-up Area (sq metres)	Net Book Value as at 31 March 2017 (RM)
GSB Summit Audio (M) Sdn Bhd (cont'd)					
Property, plant and equipment (cont'd)					
H.S.(D) 69219, No PT637 Selambau Industrial Estate Pekan Bukit Selambau, Daerah Kuala Muda, Negeri Kedah Darul Aman	Vacant industrial land held	4-Apr-2008	Freehold	11,121.00	406,997
Asset held for sales					
H.S.(D) 69156, No PT632 Selambau Industrial Estate Pekan Bukit Selambau, Daerah Kuala Muda, Negeri Kedah Darul Aman	Vacant industrial land held	4-Apr-2008	Freehold	23,181.00	848,361
Serta Usaha Sdn Bhd					
Land held for development					
G.M. 5148, Lot 791 Mukim of Klang Tempat Telok Gadong Road District of Klang State of Selangor	Vacant Land	28-July-2011	Freehold	24,534.00	11,243,030
PN97185, Lot 325 Seksyen 5, Bandar Shah Alam, Daerah Petaling Negeri Selangor	Vacant Land	29-Mar-2016	Leasehold 99 years expiring on 29-March-2106 (age is approx, 10 years)	4,655.00 (50,106sqft)	11,560,098
PN97186, Lot 326 Seksyen 5, Bandar Shah Alam, Daerah Petaling Negeri Selangor			Leasehold 99 years expiring on 29-March-2106 (age is approx, 10 years)	4,338.00 (46,694sqft)	10,772,869

LIST OF PROPERTIES (cont'd)

as at 31 March 2017

Registered Owner/ Location	Description	Date of Acquisition/ Revaluation	Tenure/ Age (years)	Total Land Area/ Built-up Area (sq metres)	Net Book Value as at 31 March 2017 (RM)
Banda Industries Sdn Bhd					
<u>Property, plant and equipment</u>					
H.S. (D) 12321 PT No. 14978 P206, Lorong 10 Taman Bentong Mahmud 28700 Bentong Pahang Darul Mahmud	Shop office	31-Mar-2014	Freehold	208.00	227,804
<u>Land held for development</u>					
GM 948 Lot 1609 Mukim Bentong Daerah Bentong Negeri Pahang	Vacant land	15-May-2006	Freehold	16,610.00	1,134,077
GM 669 Lot 1547 Mukim Bentong Daerah Bentong Negeri Pahang	Vacant land	6-August-2008	Freehold	14,940.00	976,825
GM 670 Lot 979 Mukim Bentong Daerah Bentong Negeri Pahang	Vacant land	6-August-2008	Freehold	11,090.00	717,526
GM 3191 Lot 1610 Mukim Bentong Daerah Bentong Negeri Pahang	Vacant land	5-Jun-2006	Freehold	19,475.00	1,556,395
GM 3190 Lot 1543 Mukim Bentong Daerah Bentong Negeri Pahang	Vacant land	5-Jun-2006	Freehold	12,646.00	998,610
GM 3316 Lot 1544 Mukim Bentong Daerah Bentong Negeri Pahang	Vacant land	9-Sep-2005	Freehold	8,600.00	512,004

LIST OF PROPERTIES (cont'd)
as at 31 March 2017

Registered Owner/ Location	Description	Date of Acquisition/ Revaluation	Tenure/ Age (years)	Total Land Area/ Built-up Area (sq metres)	Net Book Value as at 31 March 2017 (RM)
Banda Industries Sdn Bhd (cont'd)					
Land held for development (cont'd)					
GM 1441 Lot 3728 Mukim Bentong Daerah Bentong Negeri Pahang	Vacant land	6-Jul-2007	Freehold	38,445.00	988,338
New Development of Phase 12 (Semi D)	Vacant land	10-Sep-2003	Freehold		
H.S.(D) 14656, P.T. No. 18564				153.00	} 266,247
H.S.(D) 14657, P.T. No. 18565				153.00	
H.S.(D) 14658, P.T. No. 18566				153.00	
H.S.(D) 14659, P.T. No. 18567				364.00	
H.S.(D) 14660, P.T. No. 18568				364.00	
H.S.(D) 14661, P.T. No. 18569				153.00	
H.S.(D) 14662, P.T. No. 18570				153.00	
H.S.(D) 14663, P.T. No. 18571				153.00	
H.S.(D) 14664, P.T. No. 18572				153.00	
Mukim Bentong, Daerah Bentong, Pahang					

LIST OF PROPERTIES (cont'd)

as at 31 March 2017

Registered Owner/ Location	Description	Date of Acquisition/ Revaluation	Tenure/ Age (years)	Total Land Area/ Built-up Area (sq metres)	Net Book Value as at 31 March 2017 (RM)
Banda Industries Sdn Bhd (cont'd)					
Land held for development (cont'd)					
New Development of Phase 12 (Semi D)					
GRN. No. 25153, Lot No. 26647	Vacant land	23-Nov-2004	Freehold	1,347	}
H.S.(D) 15159, P.T. No. 18908				25	
GRN. No. 25154, Lot No. 26648				697	
GRN. No. 25155, Lot No. 26649				669	
H.S.(D) 15147, P.T. No. 18896				28	
GRN. No. 25156, Lot No. 26650				579	
H.S.(D) 15146, P.T. No. 18895				118	
GRN. No. 25157, Lot No. 26651				486	
GRN. No. 25158, Lot No. 26660				8	
H.S.(D) 15145, P.T. No. 18894				202	
GRN. No. 25145, Lot No. 26652				394	
GRN. No. 25152, Lot No. 26659				85	
H.S.(D) 15144, P.T. No. 18893				218	
GRN. No. 25146, Lot No. 26653				476	
GRN. No. 25151, Lot No. 26658				989	
H.S.(D) 15143, P.T. No. 18892				629	
GRN. No. 25147, Lot No. 26654				128	
GRN. No. 25150, Lot No. 26657				360	
H.S.(D) 15142, P.T. No. 18891				209	
GRN. No. 25148, Lot No. 26655				111	
GRN. No. 25149, Lot No. 26656				754	
H.S.(D) 15141, P.T. No. 18890				317	
GRN. No. 25246, Lot No. 26662				325	
GRN. No. 25247, Lot No. 26675				103	
H.S.(D) 15161, P.T. No. 18910				223	
GRN. No. 25248, Lot No. 26663				360	
GRN. No. 25249, Lot No. 26674				70	
H.S.(D) 15162, P.T. No. 18911				220	
GRN. No. 25250, Lot No. 26664				389	
GRN. No. 25251, Lot No. 26673				42	
H.S.(D) 15163, P.T. No. 18912				220	
GRN. No. 25252, Lot No. 26665				417	
GRN. No. 25253, Lot No. 26672				13	
H.S.(D) 15164, P.T. No. 18913				220	
GRN. No. 25254, Lot No. 26666				520	
H.S.(D) 15165, P.T. No. 18914				159	
H.S.(D) 15166, P.T. No. 18915				112	
GRN. No. 25241, Lot No. 26667				518	
GRN. No. 25242, Lot No. 26668				517	
GRN. No. 25243, Lot No. 26669				534	
GRN. No. 25423, Lot No. 26670				533	
Mukim Bentong, Daerah Bentong, Pahang					2,119,916

ANALYSIS OF SHAREHOLDINGS

as at 30 June 2017

Financial Year End : 31-Mar-17
 Class of Shares : Ordinary shares
 Voting Rights : One vote per ordinary share

Distributin of Shareholders/ Depositors as at 30 June 2017

Size of holdings	No. of shareholders	%	No. of shares	%
1 - 99	205	8.929	8,163	0.002
100 - 1,000	341	14.852	153,391	0.029
1,001 - 10,000	321	13.981	2,324,225	0.440
10,001 - 100,000	1,148	50.000	49,204,440	9.319
100,001 - 26,399,999(*)	278	12.108	253,079,681	47.932
26,400,000 AND ABOVE (**)	3	0.130	223,230,100	42.278
TOTAL	2,296	100.000	528,000,000	100.000

Remark: * - less than 5% od issued shares
 ** - 5% And above of issued shares

List of Thirty Largest Securities Account Holders/ Depositors As At 30 June 2017

NO.	NAME	HOLDINGS	%
1	JAVAWANA SDN. BHD.	88,000,000	16.667
2	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR SURIA BITARA SDN.BHD.	80,480,000	15.242
3	GAN PIK MUI	54,750,100	10.369
4	GAN SENG BIANG	24,760,510	4.689
5	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR SUN ACRES DEVELOPMENT SDN.BHD.	19,800,000	3.750
6	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR ID D'ART SDN BHD	18,600,510	3.523
7	TAN KIM HENG.	15,391,000	2.915
8	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR GAN BOON KAT	9,119,490	1.727
9	TAPAK BUMIMAJU SDN BHD	8,863,900	1.679
10	LIM YEN CHEING	7,206,000	1.365
11	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM POH CHOO	7,200,000	1.364
12	TEOH HWA PENG	7,000,000	1.326
13	I-WEN MORSINGH	5,199,900	0.985
14	LIM HOCK SOON	4,440,000	0.841
15	LAW KOK WAH	4,411,400	0.835
16	MOHD ZUKI BIN DESA	4,200,000	0.795
17	LAI CHIE KING	4,100,000	0.777
18	LAU WING FATT	4,000,000	0.758
19	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN AH HOI (E-SS2)	3,600,000	0.682
20	LEE BOON CHUAN	3,000,000	0.568
21	FADHIL BIN ABD HAMID	2,730,000	0.517

Analysis of Shareholdings (cont'd)

as at 30 June 2017

NO.	NAME	HOLDINGS	%
22	THAM WOUI LOON	2,379,200	0.451
23	GOH PEY SENG	2,300,000	0.436
24	WONG SENG KEONG	1,880,000	0.356
25	TEE YONG SIANG	1,866,200	0.353
26	YEE CHOON KIAT	1,600,000	0.303
27	CHUA SEONG SENG	1,590,000	0.301
28	PUA GEOK TAN	1,391,500	0.264
29	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEGDED SECURITIES ACCOUNT FOR CHEN SEAT YEE (E-BP)	1,353,000	0.256
30	YAP LIN ZEE	1,323,000	0.251
		392,535,710	74.345

DIRECTORS' SHAREHOLDINGS

(As per the Register of Directors' Shareholdings as at 30 June 2017)

NO.	NAME	DIRECT NO. OF SHARES	%
1	GAN PIK MUI	55,065,100	10.428
2	GAN BOON KAT	9,119,490	1.727
3	LOY KWEE KEOW	-	-
4	IR. LIAW BOO LAI @ LEOW BONG LAI (D.S.M)	-	-
		64,184,590	12.155

SUBSTANTIAL SHAREHOLDERS

(As per the Register of Substantial Shareholders as at 30 June 2017)

NO.	NAME	DIRECT NO. OF SHARES	%	INDIRECT NO. OF SHARES	%
1	JAWAWANA SDN. BHD.	88,000,000	16.667	-	-
2	SURIA BITARA SDN. BHD.	80,480,000	15.242	-	-
3	GAN PIK MUI	55,065,100	10.428	-	-
4	DATO' GAN SENG BIANG	24,760,510	4.689	38,400,510 *	7.273
		248,305,610	47.026	38,400,510	7.273

Note * Deemed interest by virtue of shares held in Sun Acres Development Sdn. Bhd. And ID D'Art Sdn. Bhd..

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twenty-Fourth Annual General Meeting ("AGM") of the Company will be convened and held at No. 9 Jalan 3/91A Taman Shamelin Perkasa Cheras 56100 Kuala Lumpur on Tuesday, 29 August 2017 at 10.00 a.m. to transact the following items of business:-

AGENDA

As Ordinary Business

- | | | |
|----|---|---|
| 1. | To receive the Statutory Financial Statements for the year ended 31 March 2017 together with the Directors' and Auditors' Reports thereon. | Please refer to Explanatory Note A |
| 2. | To approve the payment of Directors' Fees amounting to RM19,000 for the year ended 31 March 2017. | Ordinary Resolution 1 |
| 3. | To approve the payment of Directors' Benefits (excluding Directors' Fees) up to an amount of RM370,752 of the Subsidiaries of the Company from 1 January 2017 to the next AGM of the Company. | Ordinary Resolution 2 |
| 4. | To re-elect Mr Loy Kwee Keow who retires in accordance with Article 82 of the Company's Constitution. | Ordinary Resolution 3 |
| 5. | To re-appoint Ir. Liaw Boo Lai @ Leow Bong Lai (D.S.M.) who retires at the conclusion of the Twenty-Fourth AGM of the Company, as a Director of the Company. | Ordinary Resolution 4 |
| 6. | To re-appoint Messrs KPMG PLT as auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. | Ordinary Resolution 5 |

As Special Business

To consider and if thought fit, pass the following ordinary resolutions:

- | | | |
|----|--|------------------------------|
| 7. | Proposed Retention of Independent Directors in accordance with the Malaysian Code on Corporate Governance 2012 | |
| | (a) "THAT subject to the passing of Ordinary Resolution 3, authority be and is hereby given to Mr Loy Kwee Keow who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years to continue to act as an Independent Non-Executive Director of the Company." | Ordinary Resolution 6 |
| | (b) "THAT subject to the passing of Ordinary Resolution 4, authority be and is hereby given to Ir. Liaw Boo Lai @ Leow Bong Lai (D.S.M.) who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years to continue to act as an Independent Non-Executive Director of the Company." | Ordinary Resolution 7 |
| 8. | Authority to Allot and Issue Shares Pursuant to the Companies Act 2016 | |
| | "THAT subject always to the Companies Act 2016, the Company's Constitution, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the approval of the relevant government and/or regulatory authorities, the Directors be and are hereby authorised pursuant to the Companies Act 2016 to allot shares in the Company at any time at such price, upon such terms and conditions, for such purposes and to such person(s) whomsoever as the Directors may in their absolute discretion deem fit and expedient in the interest of the Company, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the total issued share capital of the Company for the time being, and that the Directors be and are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company." | Ordinary Resolution 8 |
| 9. | To consider any other business of which due notice shall have been given. | |

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

BY ORDER OF THE BOARD

LEONG SHIAK WAN (MAICSA 7012855)
ZURIATI BINTI YAACOB (LS0009971)
Joint Company Secretaries

Petaling Jaya
31 July 2017

NOTES:

1. A member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company. If the proxy is not a member of the Company, he shall be any person and there shall be no restriction as to the qualification of the proxy.
2. A member may appoint two (2) or more proxies to attend at the same meeting. Where a member appoints two (2) or more proxies, the proxies shall not be valid unless the member specifies the proportion of his shareholdings to be represented by each proxy.
3. Where a Member of the Company is an authorised nominee as defined under Securities Industry (Central Depositories) Act 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
5. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDS") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
6. The instrument appointing a proxy or proxies shall be in writing (in the common or usual form) under the hand of the appointer or his attorney duly authorised in writing or, if the appointer is a corporation, the instrument appointing a proxy or proxies must be either under seal or under the hand of an officer or attorney duly authorised.
7. The instrument appointing a proxy must be deposited at Ground Floor Symphony House Pusat Dagangan Dana 1 Jalan PJU 1A/46 47301 Petaling Jaya Selangor Darul Ehsan at least twenty-four (24) hours before the time approved for holding the meeting or any adjournment thereof.
8. Only members whose names appear in the Record of Depositors on 21 August 2017 shall be entitled to attend, speak and vote at the Annual General Meeting.

EXPLANATORY NOTE A

The Audited Financial Statements under Agenda 1 are meant for discussion only in accordance with the provision of Section 340(1) of the Companies Act 2016, and it does not require a formal approval of the shareholders. Hence, the agenda will not be put forward to voting.

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

EXPLANATORY NOTES ON ORDINARY RESOLUTIONS

1. Ordinary Resolution 2 – Proposed Payment of Directors' Benefits (excluding Directors' Fees)

Section 230(1) of the Companies Act 2016 provides amongst others, that the fees of the Directors and benefits payable to the Directors of a listed company and its subsidiaries shall be approved at a general meeting.

In this respect, the Company is seeking shareholders' approval for the payment of Directors' Benefits (excluding Directors' Fees) up to an amount of RM370,752 of the Subsidiaries of the Company from 1 January 2017 to the next AGM of the Company.

Other than Directors' Fees, Directors are remunerated with salary and other emoluments by virtue of their Employment Contracts.

2. Ordinary Resolutions 6 and 7 – Retention of Independent Directors

The proposed Ordinary Resolutions 6 and 7, if passed, will allow the named directors to continue to act as Independent Non-Executive Directors of the Company.

The Nomination Committee had assessed the independence of Mr Loy Kwee Keow and Ir. Liaw Boo Lai @ Leow Bong Lai (D.S.M.), who each has served on the Board as Independent Non-Executive Directors of the Company for a cumulative term of more than nine (9) years and the Board has recommended that the approval of the shareholders be sought to re-appoint Mr Loy Kwee Keow and Ir. Liaw Boo Lai @ Leow Bong Lai (D.S.M.) as Independent Non-Executive Directors as both of them possess the following aptitudes necessary in discharging their roles and functions as Independent Non-Executive Directors of the Company:-

- (a) The Directors are familiar with the Group's business operations and provide invaluable advice during meetings and also the Risk Management exercise of the Group;
- (b) They have devoted and can devote sufficient time and attention in carrying out their professional obligations as Independent Non-Executive Directors; and
- (c) They exercise due care in all undertakings of the Group and carry out their fiduciary duties in the interest of the Company and its minority shareholders.

3. Ordinary Resolution 8 – Authority to Allot and Issue Shares

The proposed Ordinary Resolution 8, if passed, will empower the Directors to allot and issue shares in the Company up to an amount not exceeding in total 10% of the issued share capital of the Company for such purposes as the Directors consider would be in the interest of the Company. This authority, unless revoked or varied by the Company at general meeting, will expire at the conclusion of the next Annual General Meeting.

As at the date of this Notice, no new ordinary shares in the Company were issued pursuant to the authority granted to the Directors at the Twenty-Third Annual General Meeting held on 30 August 2016 and which will lapse at the conclusion of the Twenty-Fourth Annual General Meeting.

A renewal for the said mandate is sought to avoid any delay and cost involved such as convening general meeting. Should the mandate be exercised, the directors would utilise the proceeds raised from this mandate for working capital or such other application they may in their absolute discretion deem fit.

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GSB GROUP BERHAD
287036-X

CDS account no. of authorised nominee

PROXY FORM

I/We _____ (name of shareholder as per NRIC, in capital letters)

NRIC No./ID No./Company No. _____ (new) _____ (old)

of _____ (full address)

being a member(s) of the abovenamed Company, hereby appoint _____

(name of proxy as per NRIC, in capital letters) NRIC No. _____ (new) _____ (old)

or failing him/her _____ (name of proxy per NRIC, in capital letters)

NRIC No. _____ (new) _____ (old) or failing him/her* the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Twenty-Fourth Annual General Meeting of the Company to be held at No 9, Jalan 3/91A, Taman Shamelin Perkasa, Cheras 56100 Kuala Lumpur on Tuesday, the 29th day of August 2017 at 10.00 a.m. and at each and every adjournment thereof.

My/our proxy is to vote as indicated below:

RESOLUTIONS		FOR	AGAINST
Ordinary Resolution 1	Approval of Directors' Fees of RM19,000		
Ordinary Resolution 2	Approval of Directors' Benefit (excluding Directors' Fees) up to an amount of RM370,752 of the Subsidiaries of the Company		
Ordinary Resolution 3	Re-election of Mr Loy Kwee Keow as Director		
Ordinary Resolution 4	Re-appointment of Ir. Liaw Boo Lai @ Leow Bong Lai (D.S.M.) as Director		
Ordinary Resolution 5	Appointment of Messrs KPMG PLT as Auditors		
Ordinary Resolution 6	To retain Mr Loy Kwee Keow as Independent Non-Executive Director		
Ordinary Resolution 7	To retain Ir. Liaw Boo Lai @ Leow Bong Lai (D.S.M.) as Independent Non-Executive Director		
Ordinary Resolution 8	Authority to allot and issue shares pursuant to the Companies Act 2016		

(Please indicate with an "X" in the spaces provided above on how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his discretion.)

For appointment of two proxies, percentage of shareholdings to be represented by the proxies:

Signature/Common Seal

Number of shares held : _____

Date : _____

	No. of shares	Percentage
Proxy 1		%
Proxy 2		%
Total		100%

Notes:

1. A member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company. If the proxy is not a member of the Company, he shall be any person and there shall be no restriction as to the qualification of the proxy.
2. A member may appoint two (2) or more proxies to attend at the same meeting. Where a member appoints two (2) or more proxies, the proxies shall not be valid unless the member specifies the proportion of his shareholdings to be represented by each proxy.
3. Where a Member of the Company is an authorised nominee as defined under Securities Industry (Central Depositories) Act 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
5. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDS") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
6. The instrument appointing a proxy or proxies shall be in writing (in the common or usual form) under the hand of the appointer or his attorney duly authorised in writing or, if the appointer is a corporation, the instrument appointing a proxy or proxies must be either under seal or under the hand of an officer or attorney duly authorised.
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8. Only members whose names appear in the Record of Depositors on 21 August 2017 shall be entitled to attend, speak and vote at the Annual General Meeting.

* Strike out whichever is not valid

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AFFIX
STAMP

The Company secretary

GSB GROUP BERHAD (287036-X)
Ground Floor Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan

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Registered Office

GSB GROUP BERHAD
(287036-X)

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47301 Petaling Jaya, Selangor.
Tel: 03-7841 8000
Fax: 03-7841 8199

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