GUNUNG
CAPITAL BERHAD
330171-P

ANNUAL REPORT 2017

CONTENTS

CORPORATE STRUCTURE

AS AT 31 MARCH 2018

GUNUNG CAPITAL BERHAD

330171-P

100%

GUNUNG RESOURCES SDN BHD (71881-T)
Principal Activities:
Chartering of land-based transportation assets and specialty vehicles

100%

GPB CORPORATION SDN BHD (259683-P)
Principal Activities:
Chartering of land-based transportation assets and specialty vehicles

100%

BAS RAKYAT SDN BHD(911418-W)
Principal Activities:
Chartering of publc transportation assets

90%

GUNUNG HYDROPOWER SDN BHD (513154-T)
Principal Activities:
Building and operating hydropower plants

10%

85%

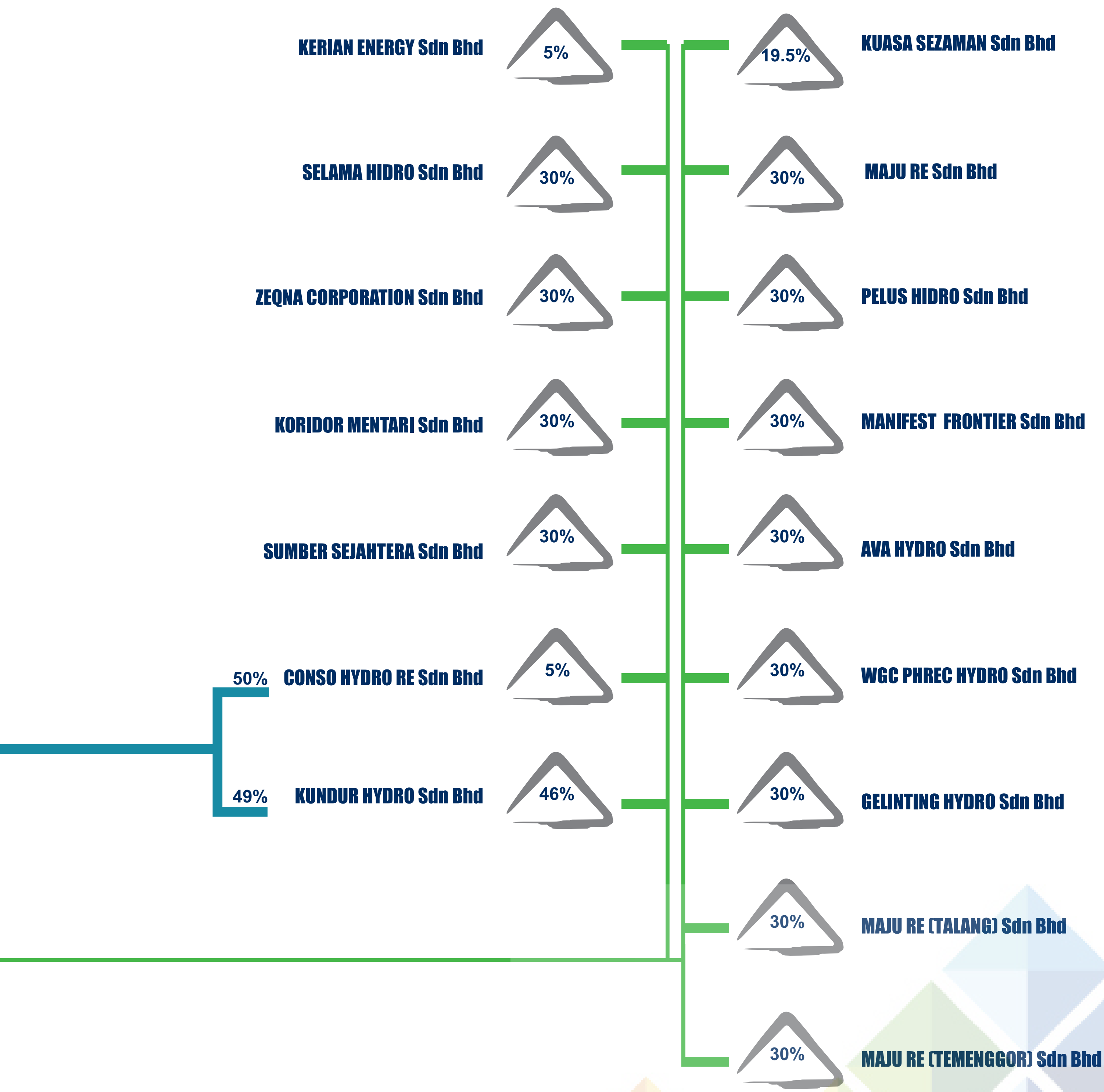
PUSAKA HIJAU SDN BHD (874626-T)
Principal Activities:
Investment holding company

60%

PERAK HYDRO RENEWABLE ENERGY CORPORATION SDN BHD (908000-H)
Principal Activities:
Developing, maintaining and operating small hydro plants.

CORPORATE STRUCTURE

AS AT 31 MARCH 2018



CORPORATE INFORMATION

Board of Directors

Dato' Syed Abu Hussin bin Hafiz Syed Abdul Fasal
Executive Chairman & Chief Executive Officer

Iskandar Ibrahim
Executive Director

Peter Wong Hoy Kim
Senior Independent Non Executive Director

Dato' Shaiful Annuar bin Ahmad Shaffie
Independent Non Executive Director

Dato' Rosli bin Sharif
Independent Non Executive Director

Dato' Jamal bin Mohd Aris
Independent Non Executive Director

Audit Committee

Dato' Shaiful Annuar bin Ahmad Shaffie *(Chairman)*
Peter Wong Hoy Kim
Dato' Rosli bin Sharif
Dato' Jamal bin Mohd Aris

Nomination Committee

Dato' Shaiful Annuar bin Ahmad Shaffie *(Chairman)*
Peter Wong Hoy Kim
Dato' Rosli bin Sharif

Remuneration Committee

Dato Shaiful Annuar bin Ahmad Shaffie *(Chairman)*
Peter Wong Hoy Kim
Iskandar Ibrahim

Company Secretaries

Eric Toh Chee Seong *(MAICSA 7016178)*
Jesslyn Ong Bee Fang *(MAICSA 7020672)*

Share Registrar

Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya Selangor
Tel : 03 -7849 0777
Fax : 03 -7841 8151

Principal Banker

Malayan Banking Berhad
SME Bank
OCBC Al-Amin Bank Berhad

Registered Office

No 11B, Level 2
Greentown Business Centre
Persiaran Greentown 9
30450 Ipoh, Perak
Tel : 05-253 8318
Fax : 05-243 8318
Website: www.gunung.com.my

Auditors

STYL Associates (AF 001929)
Chartered Accountants
107B, Jalan Aminuddin Baki
Taman Tun Dr. Ismail
60000 Kuala Lumpur, Malaysia

Stock Exchange Listing

Listed on Main Market of
Bursa Malaysia Securities Berhad
Stock Name : Gunung
Stock Code : 7676

MANAGEMENT DISCUSSION & ANALYSIS ("MD&A")

"The Board of Directors of the Company ("Board") and Management are pleased to present the Management Discussion and Analysis ("MD&A") which contains commentary from the Management to give investors and shareholders a better understanding of the Group's business, operations and ¬financial position for the -financial year ended 31 December 2017 ("FY 2017"). The MD&A should be read in conjunction with the audited financial statements of the Group and of the Company for FY 2017"

Overview of Group's Business & Operations

Chartering of Transportation Assets

Gunung Group is principally engaged in the chartering of its fleet of land-based transportation assets and specialty vehicles. Through its wholly owned subsidiaries GPB Corporation Sdn Bhd, Gunung Resources Sdn Bhd, and its indirect wholly-owned subsidiary, Bas Rakyat Sdn Bhd, Gunung Group is focused on chartering its transportation assets to Government, companies with substantial fleet requirements, shuttle bus services within university campuses, and ad hoc charters.

Via an innovative method of chartering transportation assets, together with drivers, fuel, maintenance costs, and other operational costs, at a fixed rate to our customers, we have been able to expand our fleet size, and secure medium-term service-contracts. Currently, via GPB Corporation Sdn Bhd, we are operating the fleet requirements of the Malaysian Ministry of Defence for the National Service Trainee Program ("PLKN"), and transportation for the school children of the armed forces personnel nationwide.

The tenure of the service-contract awarded for the children of armed forces personnel is from 01 January 2017 to 30 November 2019 (3 years), comprising of 33 months of school sessions. The scope of services we are providing includes transportation to and from the nominated schools, for the children of the armed forces personnel nationwide ("pick-up and drop-off services"). Overall, the scope involves 76 armed forces camps over 10 zones. We have allocated around 233 units of 44-seater buses, and 85 units of 25-seater buses to fulfill our obligations under this service-contract. The value of the service-contract over 3 years is up to RM43,904,850 (ceiling limit).

The service-contract for the National Service Trainee Program ("PLKN"), involves passenger transportation for National Service trainees and trainers, by bus/coach for eighty two (82) National Service camps. This involves picking up the National Service trainees and transporting them to the relevant National Service camps. It also includes provision of facilities at the designated pickup point, provision of claimable meal allowances for the trainees, accommodation and meals for the National Service trainers and claimable ferry allowances where applicable. Upon completion of the National Service program the trainees are transported back to the designated drop-off points. Based on the individual requirements of each camp, we also provide transportation of trainees for such activities as community service, shooting training, sports activities, marching training, excursions (trainee gatherings), religious events, administration matters, transportation to hospital/clinics, and any event organized by the State & Federal Government. We have allocated on standby a total of 132 units of '44-seater buses' for contract under PLKN.

The Group's performance from chartering transportation assets is not normally affected by seasonal or cyclical events on a year to year basis. However, on a quarter to quarter basis, the contract revenue from chartering land-based transportation assets to the National Service program will vary according to the schedule determined by the National Service program. For financial year ended 31 December 2016, the National Service Program required one batch of trainees which commenced on March 2016, requiring a bare minimum of transportation assets, and we provided a total of 11,400 'effective day-trips' under this service-contract. For financial year ended 31 December 2017, there were three batches of trainees under PLKN, and we provided a total of 12,180 'effective day-trips' under this service-contract.

MANAGEMENT DISCUSSION & ANALYSIS ("MD&A") (Cont'd)

Renewable Energy (Small-Hydropower)

Gunung, on October 2013, completed the acquisition of an effective fifty one percent (51%) equity stake in Perak Hydro Renewable Energy Corporation Sdn Bhd ("PHREC"). A forty percent (40%) stake in PHREC is held by MB Incorporated (Perak). PHREC is principally involved in developing, maintaining, and operating small hydro plants (which is defined by the Sustainable Energy Development Authority ["SEDA"] as hydro plants up to an installed capacity of 30MW). PHREC has been mandated by the State Government of Perak Darul Ridzuan to act as the master developer and overall coordinator for the development of small hydro plants in the State.

This acquisition has launched Gunung Group to a position of potential leader in the small-hydropower renewable energy sector in Malaysia, based on PHREC's exclusive Water Rights Agreement ("WRA") with the Perak State Government. The WRA includes the right to Build, Operate and Own ("BOO") small hydro plants at 25 pre-identified sites approved by the State Government Executive Council, with an estimated total installed capacity of 176 MW, for a period of twenty one (21) years commencing from the feed-in-tariff commencement date for each site. In addition, a Supplemental Agreement ("SA") has been executed to extend the list of pre-identified sites by an additional six (6), resulting in an additional estimated installed capacity of approximately 116MW.

The outlook of the Renewable Energy ("RE") Sector is highly linked to the Feed-In Tariff ("FiT") system which was enacted under the Renewable Energy Act 2011. This has dramatically improved the commercial viability of the RE industry in Malaysia. The FiT system supports the developers of RE by fixing a premium tariff for electricity generated from non-fossil fuel sources, such as small-hydro schemes, biomass, and solar. Furthermore, the introduction of the RE Act 2011 provides a mandatory requirement for TNB to buy RE power for a period of twenty one (21) years. In the case of small-hydro plants having an installed capacity of 2MW or below, the FiT rate payable by TNB is 26 sen per kilowatt hour ("kWh"), from 2MW to 10MW, the rate is 25 sen per kWh, and above 10MW the rate is 24 sen per kWh.

Currently via PHREC, the management has executed joint venture agreements with selected, capable partners, involving 12 small hydropower sites. The total estimated installed capacity of these sites is 149 MW. Upon incorporation of each joint venture company, PHREC took up a 30% equity stake in each. From these joint ventures,

- Five (5) small-hydropower sites have secured FiT approval, and RE Power Purchase Agreements ("RePPA") with Tenaga Nasional Bhd ("TNB") with a total installed capacity of 60MW. These sites are currently been constructed and are at various stages of development. We expect these plants to be commissioned and exporting energy to TNB throughout 2018 and 2019. Our maiden 14MW installed capacity site in Kerian, Perak has been completed and is undergoing its commissioning phase, and shall be operating in the 2nd quarter of 2018.

- Six (6) small-hydropower sites have secured FiT approval, and RE Power Purchase Agreements ("RePPA") with Tenaga Nasional Bhd ("TNB") with a total installed capacity of 82MW. These sites are at various stages of securing State/Local Government approval for land usage, development orders, and other local approvals, prior to commencing construction. We expect these plants to commence construction throughout 2017, and 2018 upon obtaining the necessary approvals. We have factored in a two year construction and commissioning period for these sites.

- One (1) small- hydropower site involving a total installed capacity of 7MW is in the process of completing the feasibility studies to submit to SEDA for FiT approval.

Furthermore, via 90%-owned subsidiary Gunung Hydropower Sdn Bhd, the Group has three (3) sites which have secured FiT approval, and RePPA's with TNB, with a total installed capacity of 14MW. Site clearing and construction has commenced on one of these sites (to be commissioned in early 2019), and the other two sites are in the process of completing the detailed engineering, and securing relevant Local Government approvals. We expect these plants to commence construction in 2018, upon obtaining the necessary approvals. We have factored in a two year construction and commissioning period for these sites

Finally, we have a number of viable Greenfield sites under the WRA with a total estimated installed capacity of 57 MW, to wholly develop under the Group.

The contribution from the RE division to Group earnings will be contributed at the associate level, and via single tier dividends, from the sites in which PHREC has a 30% equity stake, as provided for in each JV/Shareholder agreement with partners. For sites under 90%-owned subsidiary Gunung Hydropower Sdn Bhd, earnings will be contributed directly to the group via the consolidation of earnings.

Highlights of Gunung Group's Financial Information (5-Years)

(RM mil)	For the years ended 31 December				
	2013	2014	2015	2016	2017
Revenue	79.92	84.78	35.63	39.63	40,237
Profit before interest and tax	21.09	19.86	(3.31)	(1.62)	(0.82)
Finance cost	2.50	1.15	0.12	0.01	0.01
Net profit attributable to owners	13.86	14.11	(2.80)	(1.70)	(2.64)
Shareholders' equity	92.97	105.88	102.79	102.47	99.86
Total assets	127.57	115.43	106.93	106.77	110.42
Borrowings	22.30	3.44	0.14	0.23	1.26
Debt/ Equity (%)	23.90	3.24	0.14	0.22	1.26
Earnings per share (RM)^	0.11	0.10	(0.01)	(0.01)	(0.01)
Net assets per share (RM)^	0.66	0.75	0.44	0.43	0.42
Dividend per share (RM)	0.01	0.01	-	-	-

(*) denotes loss

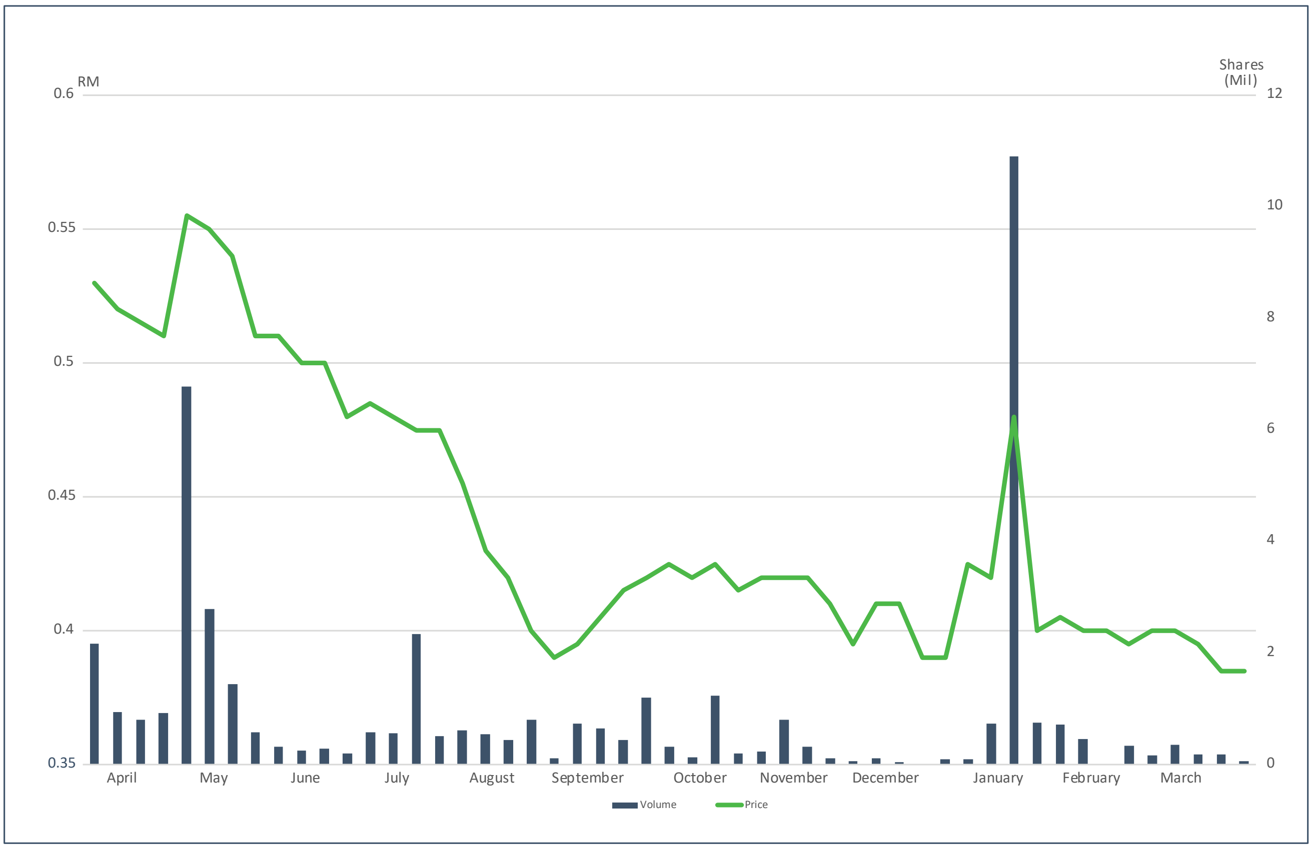
^ weighted number of shares in issue for FY2012 was 109.9 mil, for FY2013 was 123.4 mil and from FY2015 onwards based on an enlarged number of shares issued totaling 236.1 million shares pursuant to a bonus issue in FY2015 (from 141.7 million shares in FY2014). FY2017 total number of shares issued was 236.2 million, pursuant to 77,500 ESOS shares issued in Fy2017.

MANAGEMENT DISCUSSION & ANALYSIS ("MD&A") (Cont'd)

Share Performance from 1 April 2017 to 31 March 2018

Year high (RM)	0.555
Year low (RM)	0.360
Year close (RM)	0.385
Market capitalization (31 Mar 2018) [RM mil]	90.93

Gunung Weekly Stock Price / Volume 1st April 2017 - 31st March 2018



Review of Financial Results and Financial Condition

Revenue

Group revenue for FY2017 was slightly higher than against that of the corresponding financial period in FY2016, up 1.6% to RM40.3 million. This was directly attributed to the contract revenues from the Ministry of Defence service-contract, and the subsequent improved utilisation rates of the Group's fleet of vehicles. The combined contract revenue from the National Service Program and the Ministry of Defence contract to ferry school children underpinned Group revenue was fully accrued in FY2017. In addition, the improvement in revenue was achieved even though the National Service Program continued to be scaled-down throughout FY2017, as the Government cut selected operating and development expenditures.

Profit before Tax and Expenses

Group loss before taxation for FY2017 improved 49.1% to RM0.83 million when compared to a RM1.63 million loss in FY2016. This improvement in the pre-tax loss position was directly attributed to a gain on partial disposal of an indirect associate of RM5.6mil (comprising of 25% equity stake in Kerian Energy Sdn Bhd) in FY2017. However, the gain from the partial disposal of an indirect associate was offset with substantially higher costs of having to charter buses from third party bus operators to meet our contract-revenue obligations. In addition a one-off zakat payment obligation, amounting to RM2.1 million, further impacted our expenses in the income statement of the Group.

Direct operating expenses increased 17.9% in FY2017, reflecting the additional operating costs of allocating our entire fleet of vehicles to secure an increase in contract revenues, and more costly third party chartering to meet our contract-revenue obligations. Staff costs, including Directors, dropped by approximately 16.6% year-on-year as we were able to reduce the administration and management staff required to manage both of our main service-contracts. This was a by-product of chartering a larger proportion of buses from third party operators than in FY2016.

Interest costs for F2017 were negligible, as finance lease payables for transportation assets were fully redeemed in advance in FY2015, in view of expected decrease in contract-revenues from the National Service program. Interest cost for FY2017 was approximately RM12,100, and only RM9,890 in FY2016.

Assets

As a result of the commencement of construction, and further detailed engineering, on our small-hydropower portfolio, a total of RM4.64 million was consolidated in the Group's property plant and equipment. This addition was mainly attributed to our 50% equity stake in Conso Hydro RE Sdn Bhd, and 49% in Kundur Hydro RE Sdn Bhd. There was no significant impairment and/or disposal of assets in FY2017, a RM69,651 gain on disposal of assets was recorded in FY2017. Depreciation of our vehicles in FY2017 reduced Group consolidated property, plant and equipment by RM7.44 million.

The collection of trade receivables was managed on a timely basis, and as a result, trade receivables as at financial year end 2017 represented only 31.4% of average monthly revenues (16.2% in FY2016). No impairment was made for receivables in FY2017. A fair value loss of RM111,834 on other receivables (non-current) was provided for in FY2017.

The Groups cash & cash equivalents decreased RM1.35 million to RM49.79mil, a decrease of 2.6% from FY2015. This was primarily due to strong service-contract cashflow, and capital expenditure in the small hydropower division of RM4.64 million. Non-cash depreciation expense from the Group's fleet of vehicles, amounted to RM7.44 million. We managed to generate a RM1.01 million tax exempt interest income on our cash balances for FY2017 (RM0.88 million in FY2016).

Trade & Other Payables

Other payables in FY2017 was not significant, at RM2.84 million, and represented accrued costs for profession fees, management fees, spare parts, repairs on vehicles and third party bus charters.

Capital Requirements, Structure & Resources

Directly under 90%-owned subsidiary Gunung Hydropower Sdn Bhd, we are expecting additional capital expenditure of approximately RM19.0mil in FY2018, as construction continues, and the detailed engineering is completed on the small-hydropower sites. From internally generated funds, we expect to utilize approximately RM6.40 million and from secured project financing facilities approximately RM12.60 million for this additional capital expenditure. With the new borrowings, the gearing ratio of the Group will increase from 1.26% to a manageable 13.88%. The weighted average interest cost of funds will be approximately 5.85% as a result of the new borrowings.

Directly under effective 51%-owned Perak Hydro Renewable Energy Corporation Sdn Bhd ('PHREC'), the small-hydropower schemes are housed under joint venture companies ('JVC'), of which PHREC holds associate equity stakes. Furthermore, these JVC's have secured project financing facilities and the shortfall in capital is provided by the majority shareholder via advances to the JVC's. As such, it is unlikely that the Group will be required to provide additional capital for capital expenditure.

For FY2018 the management does not foresee a requirement to expand or replace the existing fleet of vehicles under the Group.

MANAGEMENT DISCUSSION & ANALYSIS (“MD&A”) (Cont’d)

Known Trends and Events

We expect service-contract revenues to underpin the Group’s earnings in FY2018. However, during FY2018 we are expecting the National Service program to operate at a further scaled-down level on the back of the continuing efforts of the Government to reduce operating and development budgets/ expenditures. To address this we are focusing on securing more short term, ad hoc charters to supplement our revenue, such as shuttle bus services within university campuses.

Review of Operating Activities

The Groups’ operating profit in FY2017 of RM0.93 million was significantly lower than FY2016 at RM5.8 million, reflecting the additional operating costs of allocating our entire fleet of vehicles to secure an increase in contract revenues, and more costly third party chartering to meet our contract-revenue obligations. This reduced our operating margins in FY2017 to 2.3% from 14.6% in FY2016.

In the small-hydropower division of the Group, operating losses continued to dampen the Groups consolidated profit before tax and interest, contributing a RM1.80 million loss in FY2017 (RM1.24 million loss in FY2016). This reflects the cost of our in-house engineers, administration expenses, and the costs associated with procuring the necessary approvals from the relevant State Government authorities. However, for FY2017 the Group registered a gain on partial disposal of an indirect associate of RM5.6mil (comprising of 25% equity stake in Kerian Energy Sdn Bhd).

As part of the Group’s strategic review on our operations to reduce Gunung’s dependency incomes solely from chartering land-based transportation assets, we expanded our portfolio of small hydropower schemes in FY2016, by acquiring a controlling 50% equity stake in Conso Hydro RE Sdn Bhd (‘CHRE’). CHRE is principally involved in developing, maintaining and operating a 2 MW installed capacity small hydro plant at Sungai Geruntum, Kampar, Perak Darul Ridzuan. CHRE has secured Feed-in Tariff (FiT) approval from the Sustainable Energy Development Authority (“SEDA”), has executed a Renewable Energy Power Purchase Agreement (“RePPA”) with Tenaga Nasional Berhad (“TNB”) for a 21 year effective period at a rate of 26 sen per kWh, and has secured the Development Order Certificate by Jabatan Perancangan Bandar dan Desa (“JPBD”). In addition, all other relevant Perak State Government approvals have been obtained. This has enabled the commencement of the development at the Sungai Geruntum site, and will ensure a long term stable income stream contribution to the Group’s consolidated earnings, in the shorter term.

For a similar rationale, the Group also subscribed for a controlling 49% equity stake in Kundur Hydro RE Sdn Bhd, which has secured Feed-in Tariff (FiT) approval from SEDA for its 2.0MW installed capacity Sungai Geroh site, at 26 sen per kWh.

Anticipated or Known Risks

Chartering of Transportation Assets

Risk factors affecting the Service-Contracts for transportation assets include execution risks such as availability of manpower, fleet capacity (coaches), breakdown of coaches, and/or political, economic and regulatory conditions. The Government has the right to terminate the Service-Contract in the event that there is a failure by the contractor to execute any of the obligations under the contract, breach of the terms and conditions of the contract and\or if the contractor goes under receivership. Notwithstanding, the Company has established a successful track record undertaking similar contracts. In addition, the Group has an existing fleet of buses, available resources, and drivers to be allocated for its existing Service-Contracts.

The Group currently relies on the Ministry of Defence for its Service-Contracts, with close to 93% of its revenue in FY2017 derived from this single customer, and this represents the largest risk for the Group. Currently, the Service-Contracts tenures are until November 2019, and there is no assurance that this single customer will extend the Service-Contracts beyond 2019. However, on the back of our existing fleet of vehicles, which has been substantially depreciated and of which all financing has been fully redeemed, we can confidently offer the Ministry of Defence savings in terms of charter pricing for new Service- Contracts and extensions, upon the expiry of the tenure for the existing Service-Contracts. In the longer term, the successful implementation of the small-hydropower schemes will contribute to Groups long term revenue and earnings. The long term stable income stream derived from the small-hydropower schemes will reduce the Groups dependency incomes solely from chartering land-based transportation assets & specialty vehicles.

Renewable Energy (Small-Hydropower)

Market risk, competition risk and pricing fluctuation risks for the small-hydropower schemes has been substantially mitigated by the Feed-in Tariff (FiT) system that fixes a premium tariff for electricity generated from non-fossil fuel sources, such as small-hydropower schemes, under the Renewable Energy Act 2011. In addition, the WRA has provided PHREC with a non-competition clause/exclusivity in the utilisation of State water and land assets for the purposes of building, operating and owning mini hydro plants.

Inherent to the RE sector in Malaysia, are both political and short term foreign exchange risks. Changes in existing Government policies regarding RE can greatly affect the commercial viability of RE. The mechanical and electrical equipment for small-hydropower schemes are substantially procured from overseas manufacturers, which poses a short term foreign exchange risk for the Group.

There are business risks associated with the performance of contractors for civil works, mechanical & electrical components of small-hydropower schemes, and the appointed engineers and consultants. Due to potential penalties imposed by TNB (under the RePPA) for delays in the commissioning and export of energy supply and non-delivery of the agreed upon annual energy commitment. The management mitigates these risks, by procuring financial performance guarantees from the relevant contractors and suppliers, equal to or greater than the maximum penalties that can be imposed on the Group.

Financing risk must also be considered, including availability of financing and single customer limits of financial institutions. Depending on the type of financing/ financing instrument, the borrowing, contingent liabilities, and gearing level of the Group will increase. Any breach of a debt financing instrument's covenants, and failure to meet the timely interest and principal payments may result in default. Nevertheless, the management will exercise due care in considering the financing methods and the merits of the financing required.

The management does not rates the single customer risk as significant, with TNB purchasing all energy generated from the Group small-hydropower schemes under the respective RePPA's. This is due to the strong credit rating of TNB, and that each RePPA specifically provides for a 21-year tenure.

MANAGEMENT DISCUSSION & ANALYSIS ("MD&A") (Cont'd)

Forward Looking Statement

The management's sustained effort and investment in securing additional service-contracts in chartering land-based transportation assets and specialty vehicles, and to improve the overall operating efficiency continues to be the main strategy in the transportation division.

The shuttle bus service within both the Kuantan and Gombak campuses for the International Islamic University of Malaysia, city buses for a public transportation service in Manjung (Perak), and ad-hoc charters will continue in FY2018.

The National Service Program and the school ferry service for students of the armed forces (only 10 months annually) will continue in FY2018, and we expect these service-contract revenues to underpin the Group's prospective earnings. However we continue to face a scaled-down requirement from the National Service Program, on the back of continued efforts by the Government to reduce operating and development budgets/ expenditures.

In the longer term, In view of the Government's push for the development of renewable energy as the 'fifth national fuel' with the implementation of the Feed-in Tariff (FiT) system, we are excited by our portfolio of small-hydropower schemes in Perak State, which will contribute to the Group's long term revenue and earnings. In addition, the long term stable income stream derived from the mini-hydro Projects will reduce the Group's dependency incomes solely from chartering land-based transportation assets & specialty vehicles. We will continue to consolidate the Group's position in the renewable energy sector in Malaysia (particularly in small-hydropower) via further acquisitions of additional installed capacity, and via organic growth.

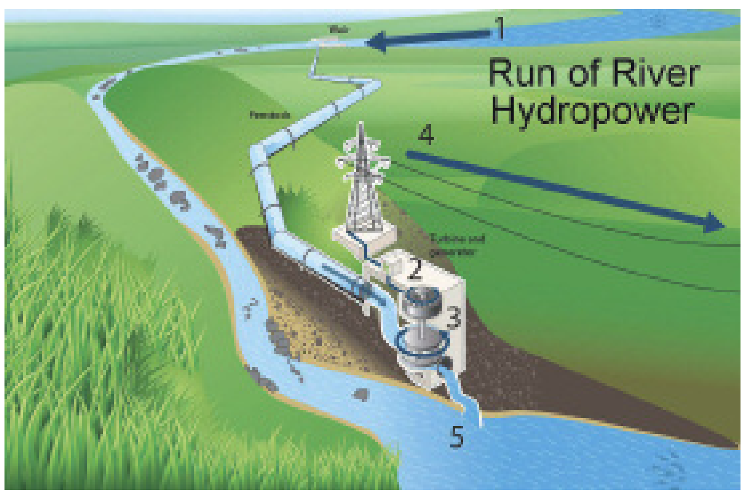
The Board has not proposed a dividend/distribution policy as at FY2017, based on the prospective capital expenditure requirement for the small-hydropower division of the Group. Upon the commissioning and operation of each small-hydropower scheme under the Group, of the Board proposes to implement and continually revise a dividend/distribution policy.

The Gunung Group is committed in ensuring business sustainability and strives to responsibly manage natural resources to contribute holistically to the wellbeing of the society.

We have embodied building sustainability within our corporate culture and more recently we have increasingly paid attention to how our business impacts workplace, environment and social aspects. Gunung is undertaking renewable energy developments that are socially, economically and environmentally conducive for a sustainable long-term future. We regard sustainability as a need that we should fulfil, which in turn creates opportunities that we can believe in, and can successfully promote. Driving our expanding small hydropower portfolio, is our belief that human, nature and economic elements are interdependent to each other to ensure sustainable development moving forward. Furthermore, our business model considers both sustainability and innovation as an inseparable pairing, which creates integrated value for the Company and its stakeholders and allows the Company more capacity to manifest opportunities.

Environmental

As a leading green technology and renewable energy company, Gunung Group is naturally driving towards reducing greenhouse gas. Gunung has been developing renewable energy, small hydro plants which leads to the reduction of greenhouse gas (GHG) emissions and other pollutants by eventually displacing conventional power generation plants. In addition as small hydro plants do not require dams and therefore no excessive deforestation requirement, the other positive environmental by-product of business is promoting responsible land use. With no dam, our run-of-the-river small hydro plants, demand that a large catchment area upstream is preserved, with no future development allowed for at least 21 years during our water Rights concession. We have the commitment from the State Government to ensure this. Simply, the existing forest and sub-vegetation must remain intact to act as our water catchment and filtration system to feed the rivers which in turn, is our feedstock to power our small hydropower plants.



SUSTAINABILITY STATEMENT (Cont'd)

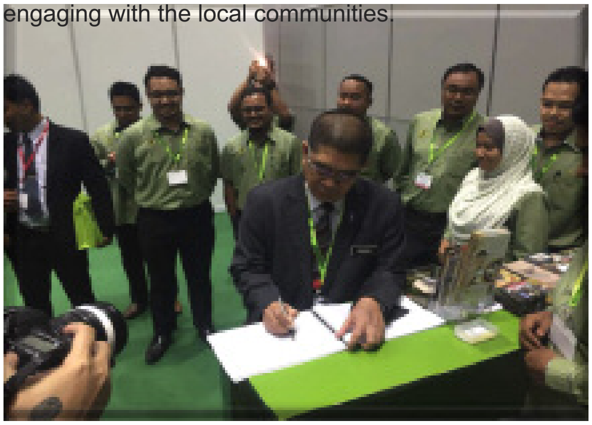
Workplace

Gunung Group is committed to human capital development. We continue to provide employment and training opportunities for all of our employees. Employees are considered our most important resource/asset for sustainable development, and as such we recognise the need to continuously improve the quality, knowledge, and competencies of our workforce. Continual advancements in our industry demands that our employees enhance and update their knowledge on a continual basis. We understand that our employees need to be developed, challenged, and nurtured to be motivated in delivering our business goals. Outstanding contributions and excellent performance by employees are rewarded by the Company. We believe that members within our organisation must work together and solidify their efforts to manifest the Company's vision and missions. We recognise talent and we recognize potential, and as such we provide the appropriate platform for employees to blossom. It is essential that the Company maximise employees' strengths, whilst improving on their weaknesses. Interventions, trainings, and human capital building programmes are conducted to bridge gaps between current and expected performance. We also provide continual religious training to ensure a balanced lifestyle between work and spiritual well-being. Safety, creativity, and well-being are the elements of Gunung's working environment and we believe these lead to business sustainability. In financial year 2017, we had a total of 14 daily compulsory internal training sessions for employees. And in terms of gender equality, not including bus drivers under our employment, we achieved more than a 55% female employee target.

Community

Gunung is committed to build a sustainable, innovative and competitive marketplace which is receptive to the needs of our stakeholders and takes into consideration the key social issues to aid the formulation of best practices. Gunung believes that the positive impacts from the industry should be shared and felt by the community and stakeholders directly and indirectly affected by our growth in renewable energy. We believe that we can use our expertise, knowledge, and experience to make a difference to the community. We believe that it is equally important to use our organisational and financial strength to help our employees to serve the community. We have actively engaged our employees in the Company's community and charitable efforts which call for our employees' actions and commitment.

In 2017, Gunung Capital Berhad (GCB) continued its commitment to be a responsible to carry on efforts to further make a positive contribution to the community via Corporate Social Responsibility (CSR) initiatives. Our CSR efforts are focused on continually engaging with Orang Asli Communities, and other stakeholders utilizing the rivers to generate income, as the majority of our small hydropower project sites are located within areas of Orang Asli communities. Perak Hydro Renewable Energy Corporation Sdn Bhd, subsidiaries, associates, and our small hydropower joint venture partners, are focusing on improving the lives of Orang Asli communities by developing some basic infrastructure within the Orang Asli villages. With this initiative, the spirit of togetherness can be nurtured directly with the affected communities. Furthermore, we are also cooperating with State Agencies in their annual events to further educate the public at large regarding the development of small hydropower plants in Perak and the ultimate effect on the environment and local communities. We participated in IGEM 2017 with the State Economic Planning Unit, Hari Air Sedunia exhibition with Jabatan Pengairan dan Saliran, Hari Hutan Sedunia celebration with Jabatan Perhutanan Negeri Perak as well as World Water Day celebration with the State Government in Ipoh, Perak. We take great care in ensuring that our small hydroelectric projects do not become a burden to the local communities. We believe that through these CSR initiatives, we can create long-term value for the community. This will also improve our business in the long run, as we continually build positive relationships by actively engaging with the local communities.

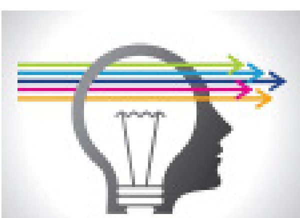


IGEM 2017

World Water Day 2017

River Stakeholders Briefing Session

Orang Asli Briefing Session



Moving Forward

We are dedicated and committed towards expanding on the following for the long-term benefits of the Company and all stakeholders:-

- Employee Welfare
- Regulatory Compliance
- Social Responsibility
- Health, Safety and Environment

From this, our first Sustainability Statement, we will continuously improve and develop our sustainability report for subsequent financial years. This first Sustainability Statement will enable us to identify, evaluate & manage material sustainability indicators in economic, environmental and social aspects of our business. This will include the risks and opportunities that may have a significant impact and influence on the Group and the stakeholders.

PROFILE OF DIRECTORS

DATO' SYED ABU HUSSIN BIN HAFIZ SYED ABDUL FASAL

58, Malaysian
Executive Chairman/ CEO

DATE APPOINTED TO THE BOARD :	• 8 December 2010
MEMBERSHIP OF BOARD COMMITTEES :	• None
QUALIFICATIONS :	• Bachelor of Computer Science, National University of Malaysia
MEMBERSHIP OF ASSOCIATIONS:	• None
WORK EXPERIENCE AND OCCUPATION :	• 1987-1993 : Served in the Government under the National Civic Bureau reaching the position of Director of National Civic Bureau (Perak), Prime Minister's Department • 1994-2005 : Politics and community service in various political Committees, Bureau's and Youth Movements, and between 2001-2005 was elected as the deputy head of Bukit Gantang (Perak) UMNO division. • 2006-present : Entrepreneur in business principally involved in the manufacture & supply of halal food products, transportation services (involving taxi's, express coaches, other land-based public transportation), and medical services/supplies, via various private limited companies. Presently is a director of several private limited companies. • 2010-present : Executive Director and CEO of Gunung Capital Berhad but re-designated as an Executive Chairman and CEO on 19 January 2012 and sits on the Board of several subsidiaries of Gunung Capital Berhad. • 2011-2013 : Director UTMSPACE
DIRECTORSHIP OF PUBLIC COMPANIES (IF ANY) :	• None
FAMILY RELATIONSHIPS (IF ANY) :	• No family relationship with any director and/or substantial shareholder of Gunung Capital Berhad.
NO. OF BOARD MEETINGS ATTENDED FOR THE FINANCIAL YEAR :	• 4/5

ISKANDAR IBRAHIM

47, Australia
Executive Director

DATE APPOINTED TO THE BOARD :	• 19 January 2012
MEMBERSHIP OF BOARD COMMITTEES :	• Member of Remuneration Committee
QUALIFICATIONS :	• Bachelor of Commerce, Adelaide University, South Australia
MEMBERSHIP OF ASSOCIATIONS:	• None
WORK EXPERIENCE AND OCCUPATION :	• 1994-1997 : Investment Analyst in the Transport Sector for SJ Securities Sdn Bhd, a member of the Kuala Lumpur Stock Exchange (now known as Bursa Securities). In addition, a Shareholder and Finance Director of Webster & Associates (S.E.Asia) Sdn Bhd, predominately a biotechnology company. • 1997-2003 : Financial Controller and Chief Operations Officer of Destination Marine Services Sdn Bhd, a high speed composite patrol boat manufacturer. • 2004-present : Substantial shareholder and managing director of AAsia-East Capital Sdn Bhd, and AAsia Capital Partners Sdn Bhd, which invests mostly in food-related manufacturing operations, including Meal-Ready-to-Eat (MRE) manufacturing and rice milling. • 2012-present : Executive Director of Gunung Capital Berhad.
DIRECTORSHIP OF PUBLIC COMPANIES (IF ANY) :	• None
FAMILY RELATIONSHIPS (IF ANY) :	• No family relationship with any director and/or substantial shareholder of Gunung Capital Berhad.
NO. OF BOARD MEETINGS ATTENDED FOR THE FINANCIAL YEAR :	• 5/5

DATO' ROSLI BIN SHARIF

64, Malaysian
Independent Non-Executive Director

DATE APPOINTED TO THE BOARD :	• 21 February 2017
MEMBERSHIP OF BOARD COMMITTEES :	• Member of the Audit Committee and Nomination Committee
QUALIFICATIONS :	• Fellowship of Certified Accountants
MEMBERSHIP OF ASSOCIATIONS:	• Member of Malaysian Institute of Accountants (MIA)
WORK EXPERIENCE AND OCCUPATION :	Dato' Rosli bin Sharif had served with the Government of Malaysia in various capacities at the Treasury Department of the Accountant General's Office, Accountant at the Department of Civil Aviation and as the State Treasurer of Negeri Sembilan from 1980 to 1982. Since 1982, he had served as a Director in private limited companies involving in construction and property development. He joined Cement Industries of Malaysia Berhad (CIMA) in 1988 as the Group Finance Manager and was subsequently promoted to General Manager, then Chief Operating Officer and Managing Director in 2002. Between 1998 to 2005, he led CIMA to grow its business and in particular involved to acquire and restructure Negeri Sembilan Cement Industries Sdn Bhd, which resulted in CIMA expanding its production capacity and market share especially in Singapore. He was the Chairman of the Cement and Concrete Association of Malaysia from 1998 to 2000. In 2006, he was appointed as the Senior Director of International Business West Asia at UEM Group Berhad and from 2009 to 2011, he was the Senior Director, Corporate Services of UEM Group Berhad. He was the Independent Non-Executive Director of Konsortium Logistik Berhad, a public listed company from 2011 to 2013. He was also the Managing Director of another public company from 2012 to 1 February 2017.
DIRECTORSHIP OF PUBLIC COMPANIES (IF ANY) :	• Gets Global Berhad
FAMILY RELATIONSHIPS (IF ANY) :	• No family relationship with any director and/or substantial shareholder of Gunung Capital Berhad
NO. OF BOARD MEETINGS ATTENDED FOR THE FINANCIAL YEAR :	• 3/5

PETER WONG HOY KIM

77, Malaysian
Senior Independent Non-Executive Director

DATE APPOINTED TO THE BOARD :	• 7 November 2003
MEMBERSHIP OF BOARD COMMITTEES :	• Member of Audit Committee, Nomination Committee and Remuneration Committee
QUALIFICATIONS :	• Institute of Bankers Banking Diploma I, UK • Management Courses at Ashridge, UK • The Pacific Rim Bankers Programme at The University of Washington, Seattle, USA
MEMBERSHIP OF ASSOCIATIONS:	• None
WORK EXPERIENCE AND OCCUPATION :	• 1961-1996 : Worked for HSBC Bank Malaysia Berhad. During the course of his career he has served as Deputy Manager Credit Control, Manager Regional Credit and as Manager for the Bank's branches at Bentong, Taiping and Ipoh. • 1997-2008 : Sits on the Boards of several private companies.
DIRECTORSHIP OF PUBLIC COMPANIES (IF ANY) :	• None
FAMILY RELATIONSHIPS (IF ANY) :	• No family relationship with any director and/or substantial shareholder of Gunung Capital Berhad.
NO. OF BOARD MEETINGS ATTENDED FOR THE FINANCIAL YEAR :	• 5/5

PROFILE OF DIRECTORS (Cont'd)

DATO' SHAIFUL ANNUAR BIN AHMAD SHAFFIE

54, Malaysian
Independent Non-Executive Director

DATE APPOINTED TO THE BOARD :	• 14 September 2011
MEMBERSHIP OF BOARD COMMITTEES :	• Chairman of the Audit Committee, Nomination Committee and Remuneration Committee
QUALIFICATIONS :	• Business Administration Degree from Barat College, Lake Forest Illinios, U.S.A
MEMBERSHIP OF ASSOCIATIONS:	• None
WORK EXPERIENCE AND OCCUPATION :	• 1986-1992 : He started his career in the U.S.A with Jescorp Inc. in Elk Grove, Illinois as an Operations Manager • 1994-2000 : he was appointed as a Local Consultant to a U.K based International Defense Company from 1994 till 2000 • 2000-2004 : he was again appointed as a Local Consultant to a French Multinational Defense Company. During his tenure in these two companies, he was involved in advisory and strategic operations for the Malaysian market. • 2004 – 2008 : General Manager-Group Operations for Goh Ban Huat Berhad • 2008 - present : Managing Director of Kinijuara Holdings Sdn Bhd, a property development company • 2012 – present : Executive Chairman of Irama Tuah Sdn Bhd, an investment holding and trading company • 2016 – present : Advisor for Naza Corporation Holdings Sdn Bhd, and Naza Communications Sdn Bhd
DIRECTORSHIP OF PUBLIC COMPANIES (IF ANY) :	• None
FAMILY RELATIONSHIPS (IF ANY) :	• No family relationship with any director and/or substantial shareholder of Gunung Capital Berhad.
NO. OF BOARD MEETINGS ATTENDED FOR THE FINANCIAL YEAR :	• 5/5

DATO' JAMAL BIN MOHD ARIS

55, Malaysian
Independent Non-Executive Director

DATE APPOINTED TO THE BOARD :	• 7 February 2018
MEMBERSHIP OF BOARD COMMITTEES :	• Member of the Audit Committee
QUALIFICATIONS :	Master In Business Administration (Major in Finance/Investment) University of South Dakota, South Dakota, USA * BETA GAMMA SIGMA (The National Scholastic Honorary Society for Students of Business and Management) * Dean's Honor Roll • Bachelor Of Arts (Major in Finance/Economics),Westmar College, Le Mars, Iowa, USA Honors * ALPHA MU GAMMA (The National Collegiate Foreign Language Honor Society) * Dean's Honor Roll • Diploma In Accountancy, MARA Institute of Technology
MEMBERSHIP OF ASSOCIATIONS:	• Member of Malaysia Institute of Management
WORK EXPERIENCE AND OCCUPATION :	Dato' Jamal Bin Mohd Aris has more than 30 years of working experience in various industries notably financial, property development, construction, logistic as well as hospitality & tourism. He has an extensive and vast exposure in banking and corporate management with various reputable institutions and corporate organisations. A seasoned professional with strong leadership, Dato Jamal contributed immensely to the transformation of the institutions & corporate organisations he served. Prior to this appointment, he held the post as the Managing Director & Group CEO of MajuPerak Holdings Berhad. He is also the former Honorary Secretary of Perak Football Association and the Team Manager of Perak Malaysia Super League team for 2016 & 2017. Preceding to his involvement at the State level football scene, Dato Jamal was instrumental in the revival of PKNP FC a club team, starting from the State level right up to the National level.
DIRECTORSHIP OF PUBLIC COMPANIES (IF ANY) :	• None
FAMILY RELATIONSHIPS (IF ANY) :	• No family relationship with any director and/or substantial shareholder of Gunung Capital Berhad.
NO. OF BOARD MEETINGS ATTENDED FOR THE FINANCIAL YEAR :	• Not Applicable (He was appointed after the financial year ended 31 December 2017)

KEY MANAGEMENT PROFILE

Azhan bin Zakaria
Chief Operating Officer, GPB Corporation Sdn Bhd

Mr Azhan bin Zakaria, male aged 49, holds a Bachelor of Arts and Social Sciences from University Malaya. He started his career as a Training Officer at the National Civics Bureau (Biro Tatanegara) under the Prime Minister's Department in 1993. In 1999, he joined Airport Limo (M) Sdn Bhd. He was tasked to manage the fleet of limousines under the company operating in Kuala Lumpur International Airport. His last position at the company in 2003 was as Chief Operating Officer. In January 2004, Mr Azhan joined GPB Corporation Sdn Bhd as the Chief Operating Officer, where he was tasked to oversee the management of the fleet of 400 buses under the company operating all over Malaysia.

Nur Iman binti Bador
Human Resources & Administration Manager, GPB Corporation Sdn Bhd

Puan Nur Iman, female aged 67, holds a Diploma in Public Administration from Universiti Teknologi MARA (UiTM). She served in the Government of Malaysia for 31 years from 1975 to 2006 in various positions and ministries before joining GPB Corporation Sdn Bhd. Her last position in the public services was Senior Administrative Officer at Lembaga Pelesenan Kenderaan Perdagangan, under the Ministry of Entrepreneurial Development (Kementerian Pembangunan Usahawan). Puan Nur Iman joined GPB Corporation Sdn Bhd in January 2007 as the Human Resources & Administration Manager. She has been tasked to manage the office administration, human resources, as well as all matters pertaining to the licensing and regulatory compliance of the company's fleet of vehicles.

Beroz Nikmal bin Mirdin
Senior Consultant, Perak Hydro Renewable Energy Corporation Sdn Bhd

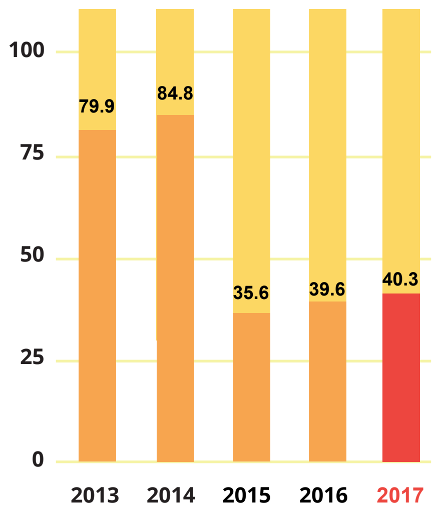
Mr Beroz, male aged 41, holds a Master of Science degree in Management Information Systems from Penn State University, USA. He was employed by PJM Interconnection LLC, USA between 1999 to 2006 in the System Planning Department which coordinates the movements of wholesale electricity in some regions of the USA. He was involved in high level decision making and external communications with IPP developers and regulatory bodies. In 2007, Mr Beroz joined Tenaga Nasional Berhad (TNB) as Deputy Chief Engineer at System Operations Department where his responsibility was to advise the Chief Engineer and the National Load Dispatch Centre (NLDC) on system security matters. In 2009, he joined Khazanah Nasional Berhad as Vice President of Investments. He was then seconded to lead a special task force (MYPOWER) to restructure and improve efficiencies in the Malaysian Electric Supply Industry (MESI). In 2010, Mr Beroz founded Perak Hydro Renewable Energy Corporation Sdn Bhd (PHREC) oversee the development of small hydro projects in the State of Perak Darul Ridzuan.

Syed Amir Nidzamuddin Bin Syed Abu Hussin
Head of Legal and Compliance, Gunung Capital Berhad

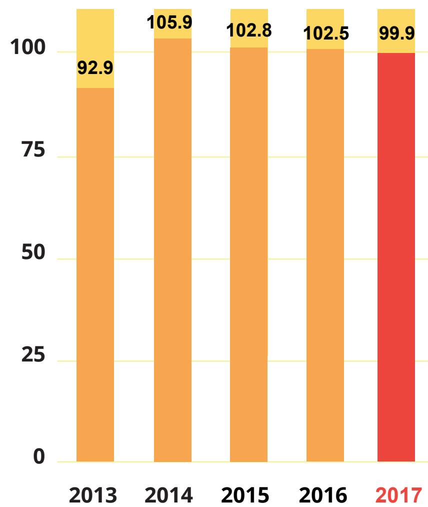
Mr Syed Amir, male aged 30, is a holder of Bachelor of Laws (Honours) from International Islamic University Malaysia and a Master of Science in Management from University of Bath, UK. Mr Syed Amir joined the Gunung Group in 2011 as an Assistance Manager in the Legal Department. He was exposed to several areas of law with regards to the compliance of a public listed company. He was also actively involved in the group's non-contentious matters especially on drafting, negotiating and vetting off various legal documents pertaining to the group's businesses. In 2014, Mr Syed Amir was promoted as the Manager in the Legal Department. During this period, he was tasked to oversee the group's hydropower division (PHREC). He was responsible in managing the contractual relationships between PHREC and its partners, as well as balancing it with the interest of the other stakeholders especially at the State of Perak level. In 2017, Mr Syed Amir assumed the position as the Head of Legal and Compliance of the Gunung Group. As the Head of Legal, he is responsible to provide legal and strategic business advise to the Board of Directors as and when needed.

PERFORMANCE REVIEW

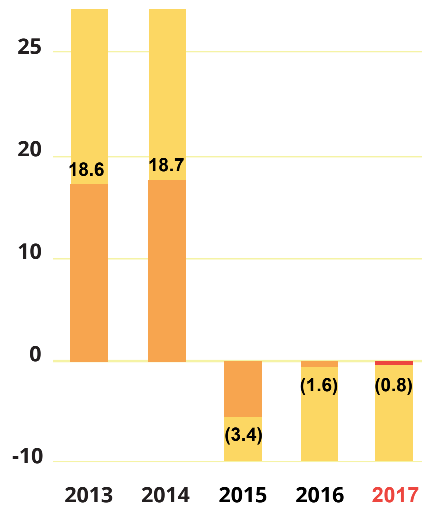
REVENUE
(RM Million)



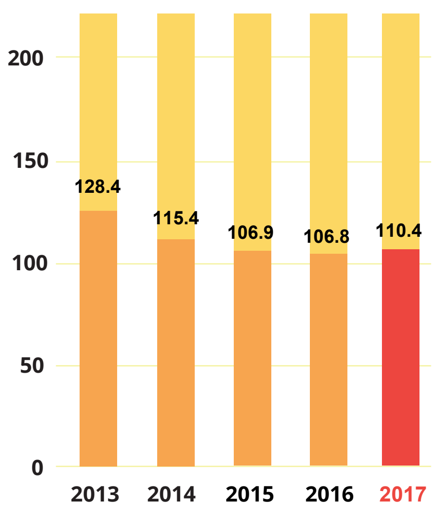
SHAREHOLDERS' FUNDS
(RM Million)



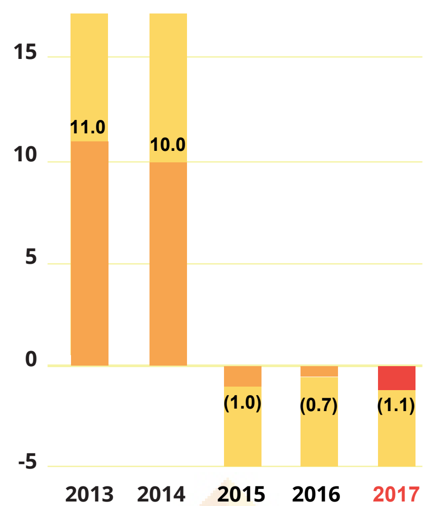
PROFIT BEFORE TAX
(RM Million)



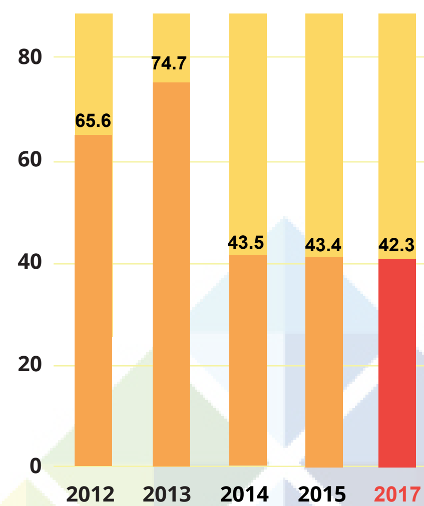
TOTAL ASSETS
(RM Million)



EARNINGS PER SHARE
(SEN)



NET ASSET VALUE PER SHARE
(SEN)



PERFORMANCE REVIEW (Cont'd)

Group Financial Calendar

3 January

Announcement on the award of a contract to GPB Corporation Sdn Bhd by the Ministry of Defense for the provision of a school transportation service for the children of the armed forces personnel throughout Malaysia. The contract is for a 3-year period with a value of up to RM43,904,850.

3 January

Announcement on the subscription of a 49% stake in Kundur Hydro RE Sdn Bhd (KHRE) via Gunung Hydropower Sdn Bhd. KHRE is the developer for the 2MW small hydro power plant located in Sungai Geroh, Gopeng, Perak.

27 February

Announcement on the financial results for the fourth quarter for the financial year ended 31 December 2016.

28 April

Announcement on the Annual Report 2016 and Notice of 22nd Annual General Meeting of Gunung Capital Berhad.

24 May

Announcement on the 22nd Annual General Meeting, where all resolutions were approved by the shareholders.

24 May

Announcement on the financial results for the first quarter ended 31 March 2017.

18 August

Announcement on the financial results for the second quarter ended 30 June 2017.

28 November

Announcement on the financial results for the third quarter ended 30 September 2017.

CORPORATE GOVERNANCE STATEMENT

The Board of Directors ("the Board") of Gunung Capital Berhad ("Gunung") recognises the importance of adopting the principles and recommendations of the Malaysian Code on Corporate Governance 2017 ("the Code") for long term sustainable business growth and to protect and enhance shareholders' values. Accordingly, the Board supports the principles laid out in the Code.

The Board is pleased to disclose below the manner in which it has applied the principles and recommendations of good corporate governance set out in the Code and except as stated otherwise, its compliance with the same as well as the relevant provisions in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements").

1. ESTABLISHING CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD AND MANAGEMENT

The Board is responsible for ensuring that shareholders' value and interests are protected and enhanced. Various processes and systems are in place to assist the Board in carrying out their stewardship responsibility. The processes include the following:-

1.1 Clear Functions of the Board and Management

The Group is led and controlled by an effective Board. All Board members carry an independent judgement to bear on issues of strategy, performance, resources and standards of conduct. The Board understands the Board's philosophy, principles, ethics, mission and vision and reflects this understanding on key issues throughout the year.

The Board delegates authority and vests accountability for the Group's day to day operations with a Management team led by the Chief Executive Officer ("CEO"). The Board, however assumes the following responsibilities in discharging its duty of stewardship of the Group:

- Reviewing and adopting a strategic plan for the Group;
- Overseeing the Group's business conduct to evaluate whether the Group is being properly managed and build sustainable value for the Shareholders;
- Succession planning including appointing, training, fixing the compensation of and where appropriate, replacing Senior Management;
- Identifying principal risks and ensuring implementation of appropriate systems to manage these risks;
- Developing and implementing an investor relations programme and shareholder communications policy for the Group; and
- Reviewing the adequacy and integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

To ensure effective discharge of its leadership role, the Board delegates specific powers to the Board Committees, the CEO and the Management.

The Audit Committee, Remuneration Committee and Nomination Committee ("Committees" or "Board Committees") operate within defined terms of reference that have been drawn up in accordance with the best practices prescribed by the Code. The Committees function primarily to assist the Board in the execution of its duties and responsibilities in order to enhance business and operational efficiency as well as efficacy. Deliberation and decisions at Committee level are recorded. The Committee Chairman will report to the Board on the outcome of the Committees' meetings and the minutes of meetings are circulated to the Board. The Board reviews the Committees' authority and terms of reference from time to time to ensure its relevance and to enhance its efficacy.

The Board retains full responsibility for the direction and control of the Company and the Group. The ultimate decision on all matters lies with the Board.

1. ESTABLISHING CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD AND MANAGEMENT (cont'd)

1.2 Clear Roles and Responsibilities

The Board is collectively responsible for oversight and overall management of the Group. The Executive Directors are responsible for the day-to-day operational management of the Group. On the other hand, the presence of the Independent Non-Executive Directors, who are not engage in the daily management of the Group, brings objectivity and independence to any evaluation of strategic, performance or resources related issues. In this manner, the Independent Non-Executive Directors fulfill a crucial corporate accountability role as they provide independent and objective views, opinions and judgement on issues being deliberated.

The Board has not developed position descriptions for the Board members and the CEO and also the corporate objectives for which the CEO is responsible to meet. Bearing that in mind, the Board is of the opinion that the CEO, assisted by the Executive Directors and key management, is responsible for the day-to-day operations of the Group and represents management to the Board.

The Chairman is responsible for ensuring the smooth and effective functioning of the Board. His duties include providing leadership for the Board, ensuring that the Board carries out its responsibilities in the best interest of the Company and that all the key issues are discussed in a timely manner. The CEO is responsible for providing the vision and strategic direction of the Group and to formulate appropriate corporate strategies and develop the business. He is assisted by the Executive Director for implementing the policies and decisions of the Board and overseeing the day-to-day operations of the Group. Although the position of Chairman and CEO are held by the same individual, it does not mean that independence is compromised. The Board is satisfied with the current composition and good mix with 33.3% Executive Directors and 66.7% Independent Non-Executive Directors.

It is the practice of the Board to deliberate on significant matters that concerned the overall Group business strategy, acquisition or divestment policy, approval of major capital expenditure, consideration of significant financial matters and review of the financial and operating performance of the Group.

1.3 Formalised Ethical Standards through Code of Conduct

The Company has formalized a Code of Conduct for the Group. The objective of the Code of Conduct is to set out the ethical standards to all employees in their dealings with fellow colleagues, customers, shareholders, suppliers, competitors, the wider community and the environment. Every employee must display and behave in a manner which is consistent with the Group's philosophy and core values.

Through the Code of Conduct, the Board sets the tone for proper ethical behavior expected of the Board members and the employees.

In order to strengthen the corporate governance practices across the Group, a whistle-blowing policy has been established to provide employees with accessible avenue to report suspected fraud, corruption, dishonest practices or other similar matters. The aim of this policy is to promote and encourage the reporting of such matters in good faith, with the confidence that employees making such reports will be protected from reprisal.

The whistle-blowing policy together with anti-fraud policy is available for all staff and can be accessed via the Company's website - www.gunung.om.my.

1. ESTABLISHING CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD AND MANAGEMENT (cont'd)

1.4 Strategies Promoting Sustainability

The Board is aware of the importance of business sustainability in general and promotes good corporate governance in the application of sustainability practices. The Board promotes good corporate governance in the application of sustainability practices. The Board oversees the conduct of the Group's business to evaluate whether the business is being managed sustainably with regards to the economy, social and environment.

Employees are rewarded for productivity improvements and contribution towards the achievement of the Group's immediate and long-term objectives. The rewards encompass not only compensation and benefits but also performance recognition and professional development and career progression.

1.5 Access to Information and Advice

The Board and its Committees have full and unrestricted access to all information necessary in the furtherance of their duties, which is not only quantitative but also other information deemed suitable such as customer satisfaction, product and service quality, market share and market reaction.

The Board is provided with the agenda for every Board meeting together with reports relevant to the issues of the meeting covering areas of financial, operational and regulatory compliance, in advance, for the Board's reference. The Chairman of the Board takes primary responsibility for organising information necessary for the Board to deal with the agenda and for providing this information to directors on a timely basis.

All directors have the right and duty to make further enquiries where they consider necessary. In some instances, members of Senior Management are invited to be in attendance at Board meetings to provide insight and to furnish clarification on issues that may be raised by the Board.

The Board papers are circulated on a timely basis, at least five (5) days in advance of the meeting to enable the members to have sufficient time to review the papers prepared. Board papers are comprehensive and encompass all aspects of the matters being considered, enabling the Board to look at both the quantitative and qualitative factors so that informed decisions are made.

Meeting papers on issues or corporate proposals which are deemed confidential and sensitive would only be presented to the Directors during the meeting itself. Minutes of previous Board and Committees meetings are also circulated to the Board for their information. Verbal explanations and briefings are also provided by Executive Directors, Management and external consultants to enhance understanding of matters in relation to the Group's business and operations.

All Directors have access to the advice and service of the Company Secretaries. The Board of Directors, whether as a full board or in their individual capacity, may upon approval of the Board of Directors, seek independent professional advice if required, in furtherance of their duties, at the Group's expense.

1.6 Qualified and Competent Company Secretary

Both the Company Secretaries graduated with professional qualification from the Institute of Chartered Secretaries and Administrators (ICSA) and qualified under Section 235(2) of the Companies Act 2016.

1. ESTABLISHING CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD AND MANAGEMENT (cont'd)

1.6 Qualified and Competent Company Secretary (cont'd)

The Company Secretaries provides a central source of guidance and advice to the Board, on matters of ethics and good corporate governance. The Company Secretaries are required to provide the directors, collectively and individually, with detailed guidance on their duties and responsibilities. The Company Secretaries assists in determining board agenda, formulating governance, coordinates board assessment process and other board-related matters.

The Company Secretaries ensures that all Board meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are recorded and maintained in the statutory register of the Company. The Company Secretary also keeps abreast of the evolving capital market environment, regulatory changes and developments in Corporate Governance through continuous training.

1.7 Board Charter

A Board Charter had been established with the objectives to ensure that all Board members are aware of their duties and responsibilities, the various legislations and regulations affecting their conduct and that the principles and practices of good corporate governance are applied in all dealings by Board members individually and/or on behalf of the Company. Board Charter outlines processes and procedures for the Board and its committees in discharging their stewardship effectively and efficiently. The Board Charter shall be subject to review and update as and when the needs arise.

The Board Charter is published in the Company's website at www.gunung.com.my and is in line with Recommendation of the Code.

2. STRENGTHENING COMPOSITION OF THE BOARD

2.1 Nomination Committee

The Nomination Committee which was established by the Board consists entirely of Independent Non-Executive Directors.

The composition, functions and activities of the Nomination Committee during the financial year ended 31 December 2017 are presented in the Nomination Committee Report herein.

2.2 Develop, Maintain and Review Criteria for Recruitment and Annual Assessment of Directors

The Nomination Committee operates within defined terms of reference that has been drawn up in accordance with the best practices prescribed by the Code.

The Nomination Committee is empowered by the Board to amongst others, identify and recommend to the Board suitable candidates for appointment to the Board and Board Committees, re-election and re-appointment of Directors, review the independence of Directors as well as the Board structure, size and composition and determining the impact of the number on its effectiveness as well as considering the Board's succession planning and training programmes.

2. STRENGTHENING COMPOSITION OF THE BOARD (cont'd)

2.2 Develop, Maintain and Review Criteria for Recruitment and Annual Assessment of Directors (cont'd)

The Nomination Committee also assesses the effectiveness of the Board, the Committees of the Board and contribution of each individual Director on an annual basis. Additionally, the Committee also reviews the required mix of skills, experience and other qualities, including core competencies of the members of the Board. The Board Members have attended training programmes during the year to enhance their knowledge and skills in specific areas. All assessments and evaluations carried out by the Nomination Committee in the discharge of all its functions are documented. The Company Secretary will ensure that all appointments are properly effected with the necessary legal and regulatory obligations duly met.

The Nomination Committee mets twice (2) during the financial year ended 31 December 2017 and the meeting was attended by all members. The Committee conducted annual assessment on each individual Director, Board as a whole and Board Committees.

The Board acknowledges the recommendation of the Code on gender diversity. In term of gender equality (excluding bus drivers) under the employment of Gunung Group, we have achieved more than a 55% female employee target, appointment of women management staffs have been undertaken in some of the subsidiaries of the Group. The Nomination Committee will take steps to ensure suitable women candidates are sought as part of its recruitment exercise. Nevertheless, the Group is committed to provide fair and equal opportunities and nurturing diversity within the Group. The evaluation of the suitability of candidates is based on the candidates' competency, character, time commitment, integrity, performance and experience to bring value and expertise to the Board.

2.3 Establish Formal and Transparent Remuneration Policies and Procedures

The Remuneration Committee which was established by the Board comprises the following:-

(1) Dato' Shaiful Annuar bin Ahmad Shaffie *(Chairman / Independent Non-Executive Director)*
(2) Peter Wong Hoy Kim *(Member / Senior Independent Non-Executive Director)*
(3) Iskandar Ibrahim *(Member / Executive Director)*

The Remuneration Committee is chaired by an Independent Non-Executive Director and consists mainly of independent non-executive directors.

The Committee met once during the financial year ended 31 December 2017 to consider remuneration package and employment related matters of the Executive Directors.

The Remuneration Committee is responsible for, inter alia, recommending to the Board the policy framework and remuneration structure for Directors as well as the remuneration packages for Executive Directors.

The Executive Directors did not participate in any way in determining their individual remuneration. The Board, as a whole, determines the remuneration of Non-Executive Directors with individual Directors abstaining from decisions in respect of their individual remuneration.

2. STRENGTHENING COMPOSITION OF THE BOARD (cont'd)

2.3 Establish Formal and Transparent Remuneration Policies and Procedures (cont'd)

The components of Director's remuneration are structured so as to link rewards to financial performance of the Group in the case of Executive Directors. In the case of Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the individual Non-Executive Director concerned.

The current practice is for Directors' remuneration to be based upon individual contributions, experience, responsibilities and core competencies with the quantum sufficient to attract, retain and motivate Directors of the quality required to manage the businesses of the Group and to align the interest of the Directors with those of the shareholders.

All Directors are paid annual fees which are determined by the Board as a whole. In addition to the annual fees, all Directors are paid meeting allowances for attending meetings. The Directors' fees are approved annually by the Company subject to the approval of the shareholders.

As per the Listing Requirements of Bursa Securities, the Company is required to disclose the remuneration of the Directors of the Company (including the remuneration for services rendered to the Company as a group) for the financial year ended 2017, stating the amount received and/or receivable from the Company and the amount received on a group basis respectively.

The aggregate remuneration paid and/or receivable to the Executive Directors and Non-Executive Directors of the Company for services rendered to the Group for the financial year ended 31 December 2017 are as follows:-

Directors' Remuneration

Executive Directors	2017 Fees *	Salaries	Statutory Contributions	Benefits	Total
Dato' Syed Abu Hussin bin Hafiz Syed Abdul Fasal	36,000	650,000	72,829	3,000	761,829
Iskandar Ibrahim	36,000			4,500	40,500
	72,000	650,000	72,829	7,500	802,329
Non-Executive Director					
Dato' Shaiful Annuar bin Ahmad Shaffie	36,000			7,000	43,000
Peter Wong Hoy Kim	36,000			7,000	43,000
Dato' Rosli bin Sharif	36,000			4,500	40,500
	108,000			18,500	126,500
TOTAL	180,000	650,000	72,829	26,000	928,829

* subject to the approval of the shareholders.

2. STRENGTHENING COMPOSITION OF THE BOARD (cont'd)

2.3 Establish Formal and Transparent Remuneration Policies and Procedures (cont'd)

Remuneration of the Top Management

The details of the aggregate remuneration of the top five (5) Senior Management staff of the Company (comprising remuneration received and/or receivable from the Company and its subsidiaries) for the financial year ended 31 December 2017 are categorised as follows:

Category	Company	Subsidiaries	Total
Salaries and bonuses	-	626,500	626,500
Benefits	-	372,000	372,000
Statutory Contributions	-	84,546	84,546
Benefits in kind	-	-	-
Total	-	1,083,046	1,083,046

The number of top five (5) Senior Management staff whose remuneration falls within the following bands of RM50,000 is as set out below:-

Remuneration Range	Number of Senior Management Staff
RM100,001 – RM150,000	2
RM150,001 – RM200,000	1
RM250,001 – RM300,000	1
RM350,001 – RM400,000	1

3. REINFORCING INDEPENDENCE OF THE BOARD

3.1 Assessment of Independence Annually

The Board adopts the concept of independence in tandem with the definition of Independent Director in Section 1.01 of the Listing Requirements of Bursa Securities through the assistance of the NC. The Board also carries out an annual assessment of the independence of its independent directors.

All Directors retire by rotation and their respective re-election is subject to the shareholders' approval at the AGM.

3. REINFORCING INDEPENDENCE OF THE BOARD (cont'd)

3.2 Tenure of Independent Directors

One of the recommendations of the code states that the tenure of an independent director should not exceed a cumulative term of 9 years. However, the Nomination Committee has determined at the annual assessment carried out that Mr. Peter Wong Hoy Kim, who has served on the Board for more than 9 years, remain objective and independent in participating in the deliberations and decision making of the Board and Board Committees. The length of his service on the Board does not interfere with their exercise of independent judgment and act in the best interest of the Group notably in discharging his roles as the member of the Audit Committee, Nomination Committee and Remuneration Committee.

3.3 Shareholders' Approval for the Retaining Independent Director

The Board has reviewed and satisfied with the professional skill, contribution and independent judgement and that Mr. Peter Wong Hoy Kim is continuing with his appointment in the Board. Therefore, the Board recommends and proposes to his re-appointment as Senior Independent Non-executive Director of the Company, to be tabled for shareholders' approval at the forthcoming 23rd AGM. Mr. Peter Wong Hoy Kim has served on the Board for more than 12 years, to comply with the Code, shareholders' approval via two tier voting process will be adopted.

3.4 Composition of the Board

The Board has a balanced composition of Executive and Independent Non-Executive Directors such that no individual or group of individuals can dominate the Board's decision-making powers and processes.

The Board currently consists of six (6) members; comprising two (2) Executive Directors (including Executive Chairman) and four (4) Independent Non-Executive Directors.

Brief profile of each Board member is presented in this Annual Report under Profile of Directors. The Directors, with their different background and specializations, collectively bring with them a wide range of experience and expertise in areas such as finance, corporate affairs, project and business development, marketing and operations. The Executive Directors are responsible for implementing the policies and decisions of the Board, overseeing business operations as well as coordinating the development and implementation of business and corporate strategies. The Independent Non-Executive Directors bring to bear objective and independent judgment to the decision making of the Board and provide a capable check and balance to the Executive Directors.

The Board, through the Nomination Committee, conducts annual assessment on the effectiveness of the Board as a whole, the Board Committees and contribution of each individual Director. The assessment also considered the qualifications, contribution and performance of Directors in meeting the needs of the Group based on the criteria - competency, character, time commitment, integrity and experience as set out under paragraph 2.20A of the Listing Requirements. The evaluation process is a mix of self and peer review and this is properly documented. The assessment and comments are summarised and discussed at Nomination Committee meeting before it is presented to the Board.

The Articles of Association of the Company provides that at least one-third of the Board is subject to retirement by rotation at each Annual General Meeting ("AGM") and all Directors shall retire from office once at least in every three (3) years. A retiring Director is eligible for re-election. This provides an opportunity for shareholders to renew their mandates. The re-election of each Director is voted on separately at the AGM.

4. FOSTERING COMMITMENT OF DIRECTORS

4.1 Time Commitment

The Board meets at least once every financial quarter with urgent and important matters resolved by way of circular resolutions and convening of additional meetings as and when the need arises. During the financial year ended 31 December 2017, the Board met on five (5) occasions, where it deliberated upon a variety of issues including the Group's financial results, corporate development, strategic decisions, business plan and directions of the Group, operational issues and compliance matters.

The Directors of the Group do not hold more than 5 directorships in public listed companies as prescribed by Bursa Securities Listing Requirement.

All Directors have complied with the requirement to attend at least 50% of the Board meetings held in the financial year pursuant to the Listing Requirements. The attendance record of the Directors at Board meetings held during the financial year ended 31 December 2017 is set out below: -

Directors	Meeting Attendance
Dato' Syed Abu Hussin bin Hafiz Syed Abdul Fasal	4/5
Iskandar Ibrahim	5/5
Peter Wong Hoy Kim	5/5
Dato' Shaiful Annuar bin Ahmad Shaffie	5/5
Dato' Rosli bin Sharif	3/5

Board Meetings are scheduled ahead to enable the Directors to plan and adjust their schedule to ensure good attendance and the expected degree of attention given to the Board agenda. Members of the Management team and external advisors are invited, as and when the need arises, to attend the Board of Directors' and the Committees' meetings to present and advise the members with information and clarification on certain items in the agenda to enable them to arrive at a considered decision.

All proceedings of the Board and Committee meetings are recorded and the minutes thereof signed by the Chairman of the respective meetings.

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their duties and responsibilities as Directors of the Company. This is evidenced by their attendances at the Board and various Board Committees meetings held during the year.

A Director accepting new directorships in other companies will notify the Board of his new appointment. A Director shall limit his directorship of companies to a number which is in compliance with the Listing Requirements and at such number that he can best devote his time and effectiveness to the Group. Presently, there is no induction process for new Directors. In general, any new appointment would be given background information on the Group and its activities with site visits arranged as deemed necessary.

4.2 Directors' Training

All Directors have attended and successfully completed the Mandatory Accreditation Programme ("MAP") as prescribed by the Listing Requirements.

All Directors are being advised of developments or changes to relevant laws and regulatory requirements and suitable training and education programmes are identified for their participation from time to time. Management briefings during Board and Audit Committee meetings on various operational, technical and corporate matters were also aimed at ensuring that Directors are well versed with the knowledge of the Group's business and affairs in enabling them to make meaningful decisions.

The Company facilitates the organisation of training programmes for Directors and maintains a record of the trainings attended by the Directors. On the recommendation of the Nomination Committee, the Directors will endeavour to attend more training programmes organized by Bursa Malaysia in relation to the Listing Requirements.

During the financial year ended 31 December 2017, all the Directors of the Company attended the following training courses, conferences and seminars:-

Directors	Details of Training
Dato' Syed Abu Hussin bin Hafiz Syed Abdul Fasal	Communicate & Connect (10-12 October 2017)
Iskandar Ibrahim	Companies Act, 2016 : Nuts and Bolts (6 December 2017)
Dato' Shaiful Annuar bin Ahmad Shaffie	Rule of Law, the Executive and the Judiciary (28 November 2017)
Peter Wong Hoy Kim	2018 Budget Seminar (4 December 2017)
Dato' Rosli bin Sharif	Sustainability Forum for Directors/CEOs : "The Velocity of Global Change & Sustainability – The New Business Model (10 January 2017)

5. UPHOLDING INTERGRITY IN FINANCIAL REPORTING

5.1 Compliance with Applicable Financial Reporting Standards

The Board aims to provide and present a clear, balanced and comprehensive assessment of the Group's financial performance and prospects, primarily through the annual and quarterly financial statements to Shareholders as well as the Management Discussion & Analysis ("MD&A") in the 2017 Annual Report. The Board is assisted by the Audit Committee to oversee the Group's financial reporting processes, ensures its compliance with applicable financial reporting standards and regulatory requirements as well as the quality of its financial reporting. The Audit Committee scrutinises the financial and statutory compliance aspects of the audited financial statements and adherence to internal policies and procedures prior to full deliberation at the Board level. The Board ensures the integrity of the Group's financial reporting and fully recognises that accountability in financial disclosure forms an integral part of good corporate governance practices.

5. UPHOLDING INTERGRITY IN FINANCIAL REPORTING (cont'd)

5.1 Compliance with Applicable Financial Reporting Standards (cont'd)

The Directors have ensured that the financial statements of the Group and of the Company are drawn up in accordance with the requirements of the applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board and the provisions of the Companies Act 2016. In preparing the financial statements, the Directors have selected and applied consistently suitable accounting policies and made reasonable and prudent judgement and estimates.

5.2 Assessment of Suitability and Independence of External Auditors

During the financial year ended 31 December 2017, the Independent Directors held dialogue sessions with the External Auditors in the absence of the Executive Directors and Management.

The Group maintains a close and transparent relationship with its auditors in seeking professional advice and ensuring compliance with the relevant accounting and financial reporting standards.

The Audit Committee has adopted Exhibit 14 of Bursa Securities' Corporate Governance Guide, 2nd edition, to review and assess with Management annually, the performance, suitability and independence of the external auditors and the level of non-audit services rendered by them.

Being satisfied with the external auditors' performance, technical competency and audit independence, the Audit Committee recommended to the Board for their re-appointment. The Board has approved the Audit Committee's recommendation for shareholders' approval to be sought at the forthcoming Annual General Meeting on the re-appointment of the external auditors for the ensuing year.

6. RECOGNISING AND MANAGING RISKS

6.1 Sound Framework to Manage Risks

Recognizing the importance of risk management, the Board has in the past years established a sound framework to identify, evaluate, control, monitor and report the principal business risks faced by the Group on an ongoing basis.

The Company has established a Risk Management Committee to review and recommend the risk management policies and strategies for the Group as well as assisting the Board to fulfill its risk management responsibilities in order to manage the overall risk exposure of the Group.

The risk management and internal control system is regularly reviewed by Management and relevant recommendations is made to the Audit Committee and Board for approval. The Company continues to maintain and review its internal control procedures to ensure that its assets and its shareholders' investments are protected.

An overview of the state of internal controls and risk management within the Group is spelt out in this Annual Report under the Statement on Risk Management and Internal Control.

6.2 Internal Audit Function

The Board has established an internal audit function within the Company, which reports directly to the Audit Committee. Details of the Group's internal audit function are set out in the Audit Committee Report of this Annual Report.

The Statement on Risk Management and Internal Control of this Annual Report provides an overview of the risk management framework and state of internal control within the Group.

7. ENSURING TIMELY AND HIGH QUALITY DISCLOSURE

7.1 Corporate Disclosure Policy

The Board is cognizant of the requirement for prompt dissemination of information to shareholders, investing community and authorities to ensure clear and complete information of the Group's position and financial performance are given in a timely manner within the bounds of practicality and regulatory framework governing release of material and price sensitive information.

Following increased awareness for greater accountability and transparency in disclosure, the Board has formalized its current disclosure practice into a policy in line with the provisions of Listing Requirements, to enable comprehensive, timely and accurate disclosure to the regulators, shareholders and other stakeholders.

Besides that, the Board believes that the Company's Annual Report is a vital source of essential information for shareholders, investors and other stakeholders. The Company strives to provide a high level of reporting and transparency as an added value for users.

7.2 Leverage on information technology for Effective Dissemination of Information

The Group strives to ensure that shareholders and the general public would have an easy and convenient access to the Group's latest financial results, governance, press releases, annual reports and other corporate information via its website www.gunung.com.my.

Any queries or concerns regarding the Group may be directed to Investor Relations via its dedicated email address at office@gunung.com.my

8. STRENGTHENING RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

8.1 Shareholders Participation at General Meetings

General meetings are the key platform for the Board to meet the shareholders and for the Board to provide an overview of the Group's progress to-date and respond to questions from shareholders concerning the Group's business, operations and prospects.

The Board regards the Annual General Meeting (AGM) and other general meetings as an opportunity to communicate directly with shareholders and encourages attendance and participation in dialogue.

Shareholders may also obtain the Group's latest announcements through its corporate website at www.gunung.com.my or Bursa Securities' website at www.bursamalaysia.com.

8. STRENGTHENING RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS (cont'd)

8.2 Encourage Poll Voting

Pursuant to Paragraph 8.2A of the Listing Requirements requiring that all resolutions set out in the notice of general meetings, or in any notice of resolution which may properly be moved and is intended to be moved at any general meeting be voted by poll with effect from 1 July 2016, the Company will ensure that at the upcoming AGM of the Company, all resolutions will be voted by poll. Poll voting will reflect shareholders' views more accurately and fairly by ensuring that every vote is recognised in accordance with the principle of "one share one vote".

8.3 Effective Communication and Proactive Engagement

The Board acknowledges the need for shareholders to be kept informed of all material business matters affecting the Group. Shareholders are provided with an overview of the Group's performance and operations through timely release of financial results on yearly and quarterly basis as well as various other announcements.

The general meetings also provide a useful forum for shareholders to engage directly with the Board and senior management. The shareholders are at liberty to raise questions or seek clarification on the agenda of the meeting from the Board and the senior management.

COMPLIANCE STATEMENT

For the financial year ended 31 December 2017 and until to-date, the Group has complied substantially with the Principles and Recommendations of the Code insofar as applicable and described herein.

This Statement was made in accordance with a resolution of the Board of Directors at a meeting held on 19 April 2018.

DIRECTORS' RESPONSIBILITIES STATEMENT IN RESPECT OF THE ANNUAL AUDITED FINANCIAL STATEMENTS

The Directors are required by the Companies Act 2016 ("the Act") to prepare financial statements for each financial year which gives a true and fair view of the state of affairs of the Group and the Company at the end of the financial year and the results and cash flow of the Group and of the Company for the financial year. As required by the Act and the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad, the financial statements have been prepared in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Act.

In preparing those financial statements, the Company's Directors have:

- adopted suitable accounting policies and applied them consistently;
- made judgements and estimates that are prudent and reasonable;
- ensured applicable approved accounting standards have been followed.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2016. The Directors are also responsible for the assets of the Company and hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This Statement was made in accordance with a resolution of the Board of Directors at a meeting held on 19 April 2018.

ADDITIONAL COMPLIANCE INFORMATION

The following information is provided in accordance with Paragraph 9.25 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad as set out in Part A of Appendix 9C thereto.

1. Utilisation of Proceeds

During the financial year ended 31 December 2017, the Company did not raise any funds through any corporate proposal.

2. Audit Fees and Non-Audit Fees

During the financial year ended 31 December 2017, the amount of audit fees and non audit fees paid or payable to the Company and the Group are as follows:

	Group	Company
Audit Fees	RM 97,100	RM 45,000
Non-Audit Fees	RM 17,000	RM 17,000

3. Material Contracts Involving Directors and Major Shareholders

There were no material contracts subsisting as at 31 December 2017 or entered into since the end of the previous financial year, by the Company and its subsidiaries involving Directors' and major shareholders' interest.

4. Contract Relating to Loans

During the financial year, there were no contracts relating to loans entered into by the Company involving the interests of directors and/or major shareholders.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors ("the Board") of Gunung Capital Berhad is pleased to present its Statement on Risk Management & Internal Control which has been prepared pursuant to Paragraph 15.26(b) of Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") and guided by the Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers ("the Guidelines").

RESPONSIBILITY OF THE BOARD

The Board of the Directors ("Board") is responsible for Gunung Capital Berhad ("GCB") and its subsidiary companies ("Gunung Group") system of internal control.

The Board acknowledges that the system of internal control is designed to help manage rather than totally eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement, loss or fraud. As such the system is designed to identify and manage the Group's risk within the acceptable risk profile.

The Board recognises the importance of a sound risk management and a system of internal control to meet the Group's business objectives, safeguard shareholders' interest and the Group's assets. The Board affirms its overall responsibility for the Group's risk management and system of internal control, which includes the establishment of an appropriate control environment and framework as well as reviewing the adequacy and effectiveness of the systems.

The key areas covered by the Group's risk management and system of internal control are financial, organisational, operational, environmental and compliance controls. The Audit Committee and Risk Management Committee assist the Board in the implementation of the risk management and internal control systems within an established framework throughout the Group.

INTERNAL CONTROL ENVIRONMENT ELEMENTS

The Board recognizes the importance of key internal control environment elements that set the tone of Gunung Group. It is the foundation of all other components of internal control, providing the discipline and structure. It influences the control consciousness of the employees in Gunung Group. In recognising the importance of control environment in the overall governance process, the Board of GCB has instituted the following:

Board and Board Committee

- Appointment of 3 Independent Non-Executive Directors comprising of no less than 50% of the total Board, who are to ensure that strategies proposed are fully discussed and evaluated.

- Appointment of Board Committees, including Audit Committee to assist the Board in overseeing the overall management of principal areas of risk and evaluate the adequacy and effectiveness of the Risk Management and internal control systems. Whilst the Nomination and Remuneration Committee have been delegated with specific responsibilities with terms of reference, these Committees have the authority to examine all matters within their scope of responsibility and report back to the Board with their recommendations for the Board's decision.

Organisational Structure

- The organisational structure of Gunung Group is clear and detailed, de?ning the roles and responsibilities of the various Committees of the Board, Management of the Corporate Of?ce and subsidiary companies.

- Appointment of Chief Executive Officer ("CEO") on the Board of the operating subsidiary companies within the Gunung Group. The MD/CEO's appointment, roles and responsibilities, and authority limits are set by the respective Boards.

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

Risk Management

- Risk Management is regarded as an integral part of the management process and the process of continual improvement. There is an on-going process for identifying, assessing and responding to risks to achieve the objectives of the Group. The process was in place for the period under review and up to the date of issuance of the Statement on Risk Management and Internal Control. The Group has a formalised risk management process in place to identify, evaluate and manage the significant risks faced by the Group in meeting its business objectives.

- The Group's internal control mechanism is embedded in the various work processes and procedures at appropriate levels in the Group. The Board maintains an organisational structure with clearly defined levels of responsibility and authority and appropriate reporting procedures which are clearly set out in the Board Charter. The Board meets at least quarterly and has a Schedule of Matters specifically reserved for its collective decision in order that effective control over strategic, management, financial, operational, environmental and compliance issues can be maintained.

- The CEO, CFO, and senior management team are tasked to identify major business and compliance risks concerning their respective business units, oversees and ensures integration of risk management into their business processes to safeguard the interest of the Group covering strategic, operation, reporting and compliance risks. In addition they are assigned with the responsibility of managing the Group. Key functions such as finance, tax, treasury, corporate, legal matters and contract awarding are controlled centrally by them. They are also accountable for the conduct and performance of the various business units. They monitor the affairs of the business units through review of performance and operation reports and having monthly management meetings with the Departmental heads of the business units to identify, discuss and resolve business, financial, operational, environmental, compliance and management issues. The meetings also serve as a platform whereby the Group's goals and objectives are communicated.

The key objectives of Gunung Group's risk management are as follows:

- Optimise return to shareholders and protect the interests of other stakeholders.
- Safeguard Gunung Group's assets.
- Improve Gunung Group's operating performance.
- Fulfill Gunung Group's strategic objectives.
- Ensure appropriate and timely responses to changes in the environment that affect Gunung Group's ability to achieve its objectives.
- Reduce risks of material misstatement in official announcements and financial statements.
- Comply with the Malaysian Code of Corporate Governance, the relevant laws and requirements.

Strategic Planning and Performance Monitoring

- Establishment of a clear Gunung Group's vision, mission, short and long-term strategic and action plan.

- Establishment of performance monitoring as tool for Management to monitor performance and measure against the corporate objectives approved by the Board, covering all key financial, customer, operational, people, systems and organizational indicators.

Insurance on Assets

- Gunung Group purchase insurances on all its assets and liability coverage for accidents, bodily injury or property damage;

- Insurance coverage is reviewed regularly to ensure comprehensive coverage in view of the changing business environment or assets.

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

Business Continuity Management

- Gunung Group has identified the potential events that threaten its organization and established a framework for building resilience and the capability for effective response which safeguards the interests of its key stakeholders, reputation, brand and value creating activities in the event of disaster.

Internal Audit

- Reviews of the internal control system are carried out on a regular basis by the Internal Audit Department. The findings of their audits were tabled at the Audit Committee meetings for deliberation and the Audit Committee's expectations on the corrective measures were communicated to the respective heads of departments and business units. Then the result of such reviews are reported once every quarter to the Board of Directors.

- Internal control weaknesses identified during the financial period under review have been or are being addressed by Management. None of the weakness has resulted in any material loss that would require disclosure in Gunung Group statements.

- The internal audit will focus its resources on areas of high risks which will be audited more frequently than low risk areas.

- During the financial year under review, the Internal Auditors carried out reviews on the following core areas of the business units to assess the adequacy and effectiveness of the internal control system, compliance with regulations and the Group's policies and procedures by each of the business units: (i) Vehicle spare parts inventory management (ii) Vehicle fleet repair & maintenance (iii) Service-contract revenue procedures (iv) Account receivables (v) Human resource and payroll.

THE 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), 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 FYE 2016, and reported to the Board that nothing has come to their attention that causes them to believe that this 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) 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, having received assurance from the CEO, the ED and the Group CFO, is satisfied with the adequacy and effectiveness of the Group's risk management and internal control system for the year under review and up to the date of approval of this Statement. There were no material internal control weaknesses which had resulted in material losses, uncertainties or contingencies that would require disclosure in this Annual Report.

The key elements of the Group's internal control system discussed above are summarized as follows ;

i. a clear and well-defined organisational structure taking into account the business and operational requirements of the core businesses of the Group which limits the respective levels of authority, accountability and responsibility of job functions and specifications;

ii. documentation of standard operating procedures and ensuring that internal policies, processes and procedures are drawn-up, reviewed and revised as and when required and necessary;

iii. regular operational and financial reporting to the Senior Management and/or the Board, highlighting their progress. The Audit Committee and the Board review quarterly operational as well as financial results and reports;

iv. group management meetings are held regularly when necessary to raise issues, discuss, review and monitor the business development and resolve operational and management issues and review financial performances against the business plans, the targets and the budgets, if any, for each operating unit and regular visits by the Senior Personnel or Management team to each operating unit as and when necessary;

v. board and audit committee meetings are scheduled regularly, that is at least five (5) times in a year and the respective meeting papers are distributed on a timely basis to enable members to have access to all relevant information for reviews and queries to be raised;

vi. audit committee reviews the quarterly financial results and yearly Audited Financial Statements prior to the approval of the Board; g. management ensures that safety regulations within the Group are being considered, implemented and adhered to accordingly;

vii. staff training and development programs are regularly provided to equip staff with the appropriate knowledge and skills to enable staff to carry out their job functions productively and effectively;

viii. major assets are insured to ensure that assets of the Group are sufficiently covered against mishap that may result in material losses to the Group;

ix. regular visits to the project sites by senior management and Executive Directors;

x. close involvement of the Executive Directors of the Group in its daily operations;

xi. established procedures for strategic planning and operations;

xii. related party transactions are disclosed, reviewed and monitored by the Board on a periodic basis.

The Board remains committed towards the establishment of a sound system of internal control and therefore recognizes that the system must continuously evolve to support growth. In striving for continuous improvement, the Group will put in place appropriate action plans, when necessary, to enhance the Group's system of internal control.

AUDIT COMMITTEE REPORT

COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee of the Company comprises the following members:

- Chairman of the Audit Committee
  Dato' Shaiful Annuar bin Ahmad Shaffie (IndependentNon-Executive Director)

- Member of the Audit Committee
  Peter Wong Hoy Kim (Senior Independent Non-Executive Director)

- Member of the Audit Committee
  Dato' Rosli bin Sharif (Independent Non-Executive Director)

- Member of the Audit Committee
  Dato' Jamal bin Mohd Aris (Independent Non-Executive Director)
  # Appointed on 28 February 2018

MEETINGS AND ATTENDANCE

The Audit Committee meets periodically to carry out its functions and duties in accordance with its Terms of Reference. During the financial year ended 31 December 2017, the Audit Committee held five (5) meetings. The record of attendance of these meetings during the year is as follows:-

Audit Committee Members	No of Meetings Attended	Percentage of Attendance
Dato' Shaiful Annuar bin Ahmad Shaffie	5/5	100
Peter Wong Hoy Kim	5/5	100
Dato' Rosli bin Sharif	3/5	60

SUMMARY OF WORK OF THE AUDIT COMMITTEE

During the year under review, the summary of work of the Audit Committee is as follows:-

(i) Reviewed the quarterly financial statements and results of the Group with the Management before recommending the same for the Board's approval and release to Bursa Securities and Securities Commission. The meetings were also attended by the Executive Director and the internal auditors, upon invitation to brief the Audit Committee.
(ii) Reviewed the Audit Review Memorandum presented by the external auditors.
(iii) Reviewed the annual audited financial statements of the Company and the Group and other significant accounting issues together with the external auditors. The external auditors were invited to present their findings to the Audit Committee.
(iv) Reviewed the Periodical Internal Audit Report presented by the Internal Auditors on a quarterly basis.
(v) Reviewed Audit Committee Report, Statement on Internal Control & Risk Management and Corporate Governance Statement and recommended to the Board for consideration and approval.
(vi) Evaluated the performance of Messrs. STYL Associates including assessment of their independence, technical competency, adequacy of resources and reasonableness of their audit fees and non-audit fees. The Audit Committee recommended to the Board for approval on the re-appointment of Messrs. STYL Associates as the external auditors of the Company subject to the shareholders' approval at the forthcoming Annual General Meeting.

SUMMARY OF WORK OF THE INTERNAL AUDIT FUNCTION

The Company has an in-house Internal Audit function, reports directly to the Audit Committee. The Internal Audit assists the Audit Committee in discharging its duties and responsibilities

The internal auditor has progressively conducted independent and regular reviews to assess the adequacy and effectiveness of the Group's internal control systems and ensure that the Group's policies and operating procedures are complied with. Audits were carried out on key processes or strategic business units of the Group. The internal auditor also monitored the effectiveness of administration and financial controls applied and the reliability and integrity of data that was produced within the Group. Audit findings were presented to the Audit Committee and recommendations were highlighted for improvements on a quarterly basis.

A summary of work of the internal audit function during the year under review is presented in the Statement on Internal Control and Risk Management.

The total cost incurred for the Group's internal audit function for the financial year ended 31 December 2017 amounted to approximately RM138,009.

NOMINATION COMMITTEE REPORT

COMPOSITION

The Nomination Committee comprises of three (3) members, all of whom are Independent Non-Executive Directors as follows:-

1) Dato' Shaiful Annuar bin Ahmad Shaffie (Chairman / Independent Non-Executive Director)
2) Peter Wong Hoy Kim (Member / Senior Independent Non-Executive Director)
3) Dato' Rosli bin Sharif (Member / Independent Non-Executive Director)

FUNCTIONS

The key functions of the Nomination Committee include the following:

(i) to assess the effectiveness of the Board as a whole, the Committees of the Board and the contribution of each individual Director, including Independent Non-Executive Directors;
(ii) to assess the size of the Board and review the mix of skills and experience and other qualities of the Board members required for the Board to function completely and efficiently; and
(iii) to assess and recommend new nominees for appointment to the Board for the Board's final decision-making.

The Nomination Committee met twice (2) during the financial year ended 31 December 2017.

ACTIVITIES OF THE NOMINATION COMMITTEE

During the financial year ended 31 December 2017, the Nomination Committee, in discharging its functions and duties, carried out the following activities:-

(i) Reviewed the size and composition of the Board and Board Committees;
(ii) Reviewed the mix of skill and experience and other qualities of the Board;
(iii) Assessed the effectiveness of the Board as a whole, the Board Committees and the Directors;
(iv) Discussed and recommended the re-election of retiring Directors; and
(v) Assessed and confirmed the independence of the Independent Directors.

The Nomination Committee upon its annual assessment carried out for financial year 2017, was satisfied that:

(i) The size and composition of the Company Board is optimum with appropriate mix of knowledge, skills, attribute and core competencies;

(ii) The Board has been able to discharge its duties professionally and effectively;

(iii) All the Directors continue to uphold the highest governance standards in discharging their duties and responsibilities;

(iv) All members of the Board are well qualified to hold their positions as Directors of the Company in view of their respective working experience, academic and professional qualifications, depth of knowledge, skills and experience and their personal qualities;

(v) The Independent Director, Mr. Peter Wong Hoy Kim has demonstrably independent, and his length of service on the Board of more than twelve (12) years does not in any way interfere with his exercise of objectivity judgement or his ability to act in the best interests of the Company;

(vi) The Directors are able to devote sufficient time commitment to their roles and responsibilities as evidenced by their attendance records; and

(vii) All the Directors have received appropriate trainings and educational programmes that are relevant and would serve to enhance their effectiveness in the Board.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31st December 2017.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and the principal activities of its subsidiaries are as disclosed in Note 13 to the Financial Statements. There have been no significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS

The results of the operations of the Group and of the Company for the financial year are as follows:

	GROUP RM	COMPANY RM
Loss before tax	(831,212)	(1,356,119)
Income tax credit	459,866	-
Loss for the financial year	(371,346)	(1,356,119)
Loss attributable to:		
Owners of the Company	(2,635,644)	(1,356,119)
Non-controlling interests	2,264,298	-
	(371,346)	(1,356,119)

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year. The directors also do not recommend the payment of any dividend in respect of the current financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those as disclosed in the Financial Statements.

ISSUE OF SHARES AND DEBENTURES

As approved by the shareholders via Directors' Circular Resolutions dated 14th June 2017 and 20th June 2017, the issued paid up share capital of the Company was increased from RM94,440,883 to RM94,478,393 during the financial year by the allotment of 77,500 new ordinary shares pursuant to the Employees' Share Option Scheme ("”ESOS”“) of the Company. These new shares rank pari passu with the then existing ordinary shares of the Company.

The Company has not issued any debentures during the financial year.

WARRANTS 2010/2020

Pursuant to a deed poll dated 3rd September 2010, the Company issued 25,177,000 detachable warrants on 11th October 2010 in conjunction with a rights issue of 50,354,000 new ordinary shares in the Company. Each warrant entitles the registered holder at any time during the exercise period from 11th October 2010 to 11th October 2020 to subscribe for one (1) new ordinary share in the Company at an exercise price of RM0.50 per share.

In 2015, the exercise price of the warrant was adjusted from RM0.50 to RM0.40 and additional 37,765,500 warrants were issued arising from the adjustments pursuant to the bonus issue exercise. As at 31st December 2017, none of the aforesaid warrants have been exercised.

SHARE OPTIONS

A new Gunung Capital Berhad's ESOS was approved by shareholders at an Extraordinary General Meeting held on 29th May 2015 and became effective on 5th June 2015 for a period of five (5) years.

The salient features of the ESOS are as follows:

a) the maximum number of new shares that may be issued and allotted under the scheme shall not, in aggregate, exceed ten percent (10%) of the Company's total issued and paid-up share capital (excluding treasury shares, if any) at any one time during the duration of the ESOS;

b) eligible person are confirmed employees including executive and non-executive directors of the Group. The employees must be employed on a full-time basis and are on the payroll of at least one (1) company in the Group which is not dormant. The directors must be appointed as a director of a company within the Group (excluding dormant subsidiaries). However, where the employee/director is serving under an employment contract, the contract should be for a duration of at least one (1) year;

c) not more than fifty percent (50%) and five percent (5%) of the shares under the ESOS will be granted to the executive directors and non-executive directors respectively. In addition, not more than fifteen percent (15%) of the shares under the ESOS will be granted to the senior management;

d) the option price may be at a discount of not exceeding ten percent (10%) from the five (5)-day volume weighted average market price of the underlying shares preceding the date of offer or at par value of the ordinary shares of the Company, whichever is higher;

e) the ESOS shall be in force for a period of five (5) years and extendable for another five (5) years from the effective date; and

f) the options granted may be exercised in full immediately or in parts within the duration of the scheme.

No options have been granted by the Company to any parties during the financial year to take up unissued shares of the Company. The share options exercised during the financial year are as follows:

			Number of options over ordinary shares			
Granted on	**Expiry date**	**Exercise price per ordinary**	**Balance as at 1.1.2017**	**Granted**	**Exercised**	**Balance as at 31.12.2017**
1st April 2016	4th June 2020	0.41	18,763,000	-	(77,500)	18,685,500

The options granted may be exercised in a staggered basis within the option period up to 4th June 2020. The option price for the ordinary shares under the ESOS is RM0.41 per ordinary share.

DIRECTORS

The names of the directors of the Company in office since the beginning of the current financial year to the date of this report are:

Dato' Syed Abu Hussin bin Hafiz Syed Abdul Fasal
Peter Wong Hoy Kim
Dato' Shaiful Annuar bin Ahmad Shaffie
Iskandar Ibrahim
Dato' Rosli bin Sharif
Dato' Jamal bin Mohd Haris (appointed on 7.2.2018)

The names of the directors of the Company's subsidiaries in office since the beginning of the current financial year to the date of this report are:

Dato' Syed Abu Hussin bin Hafiz Syed Abdul Fasal
Sahipol Baharin bin Abdul Kadir
Syed Amir Nidzamuddin bin Syed Abu Hussin
Syed Abu Talib bin Hafis Syed Abdul Fasal
Beroz Nikmal bin Mirdin
Iskandar Ibrahim
Mazelan bin Mansor
Mohd Mazanni bin Mazelan
Dato' Aminudin Zaki bin Hashim
Mohd Farouq Sahibjahn bin Mohd Yusoff Sahibjahn

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than the benefit included in the aggregate amount of emoluments received or due and receivable by directors as disclosed in the financial statements or the fixed salary of full-time employees of the Company or its related corporation) 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 except for any benefit which may be deemed to have arisen by virtue of the transactions as disclosed in Note 27 to the Financial Statements.

Neither during nor at the end of the financial year, was the Company a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS

The shareholdings in the Company of those who were directors at the end of the financial year, as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act, 2016, are as follows:

	Number of ordinary shares			
	Balance as at 1.1.2017	**Bought**	**Sold**	**Balance as at 31.12.2017**
Shares in the Company				
Direct interest				
Dato' Syed Abu Hussin Bin Hafiz Syed Abdul Fasal	51,198,691	-	-	51,198,691

DIRECTORS' INTERESTS

The shareholdings in the Company of those who were directors at the end of the financial year, as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act, 2016, are as follows:

	Number of ordinary shares			
	Balance as at 1.1.2017	**Bought**	**Sold**	**Balance as at 31.12.2017**
Shares in the Company				
Indirect interest				
Dato' Syed Abu Hussin Bin Hafiz Syed Abdul Fasa	1,856,666	6,000,000	-	7,856,666
Iskandar Ibrahim	11,634,866	497,000	(6,000,000)	6,131,866

	Number of Warrant 2010/2020			
	Balance as at 1.1.2017	**Bought**	**Sold**	**Balance as at 31.12.2017**
Direct interest				
Dato' Syed Abu Hussin Bin Hafiz Syed Abdul Fasal	7,488,226	-	-	7,488,226
Indirect interest				
Iskandar Ibrahim	1,789,000	-	(1,789,000)	-

In addition to the above, the following directors are deemed to have an interest in the shares of the Company to the extent of options granted to them pursuant to the ESOS as follows:

	Number of options over ordinary shares			
	Balance as at 1.1.2017	**Granted**	**Exercised/ Lapsed**	**Balance as at 31.12.2017**
Shares options in the Company				
Direct interest				
Dato' Syed Abu Hussin Bin Hafiz Syed Abdul Fasal	6,800,000	-	-	6,800,000
Peter Wong Hoy Kim	500,000	-	-	500,000
Dato' Shaiful Annuar Bin Ahmad Shaffie	500,000	-	-	500,000
Iskandar Ibrahim	4,000,000	-	-	4,000,000

By virtue of the directors' interests in the shares of the Company, the directors are deemed to have an interest in the shares of the subsidiaries as disclosed in Note 13 to the Financial Statements.

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

The Company does not maintain directors' and officers' liability insurance for purposes of Section 289 of the Companies Act, 2016, throughout the financial year.

OTHER STATUTORY INFORMATION

a) Before the statements of profit or loss and other comprehensive income and the statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:

   (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that no known bad debts need to be written off and that adequate allowance had been made for doubtful debts; and

   (ii) to ensure that any current assets which were unlikely to realise in the ordinary course of business their values as shown in the financial statements of the Group and of the Company have been written down to an amount which they might be expected to realise.

b) At the date of this report, the directors are not aware of any circumstances:

   (i) which would require the writing off of bad debts or render the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

   (ii) which would render the values attributable to 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.

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

   (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; or

   (ii) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

d) No contingent liability or other liability of the Group and of the Company 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."

e) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

f) In the opinion of the directors, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

AUDITORS

The auditors' remuneration of the Group and of the Company are disclosed in Note 7 to the Financial Statements.

There was no indemnity given to or insurance effected for the auditors of the Company.

The auditors, STYL Associates, have indicated their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors,

DATO' SYED ABU HUSSIN
BIN HAFIZ SYED ABDUL FASAL
Director

ISKANDAR IBRAHIM
Director

Petaling Jaya
Date: 19th April 2018

STATEMENT BY DIRECTORS

We, Dato' Syed Abu Hussin Bin Hafiz Syed Abdul Fasal and Iskandar Ibrahim, being two of the directors of Gunung Capital Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International 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 at 31st December 2017 and of the financial performance and cash flows of the Group and of the Company for the year ended on that date.

Signed on behalf of the Board in accordance with a resolution of the directors,

DATO' SYED ABU HUSSIN BIN HAFIZ SYED ABDUL FASAL
Director

ISKANDAR IBRAHIM
Director

Petaling Jaya
Date: 19th April 2018

STATUTORY DECLARATION

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

I, Iskandar Ibrahim, being the director primarily responsible for the financial management of Gunung Capital Berhad, do solemnly and sincerely declare that the accompanying financial statements are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

ISKANDAR IBRAHIM

Subscribed and solemnly declared by the
abovenamed Iskandar Ibrahim,
at Petaling Jaya in the state of
Selangor Darul Ehsan, on 19th April 2018

Before me,

Wong Choy Yin
No. B 508

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Gunung Capital Berhad, which comprise the statements of financial position as at 31st December 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 59 to 106.

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 31st December 2017, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International 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 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.

1) ***Impairment assessment on the carrying amount of capital work-in-progress***

As stated in Note 12 a) to the financial statements, the Group has loss making subsidiaries, which held RM10,299,535 of capital work-in-progress as at 31st December 2017. As these subsidiaries are loss making, an impairment indicator arises and the Group has performed impairment assessments on these Cash Generating Units ("CGUs").

We have focused on the judgement assessments as the process is complex and they require significant judgements and estimates about the future results and key assumptions applied to cash flow projections of the CGUs in determining their recoverable amounts. These key assumptions include forecast growth in future revenues and operating profit margins, as well as determining an appropriate pre-tax discount rate and growth rates.

Key Audit Matters (cont'd)

1) ***Impairment assessment on the carrying amount of capital work-in-progress (cont'd)***

Audit response

Our procedures in relation to the management's impairment test assessment included:

a) compared short-term cash flow projections against recent performance and assessed and challenged the assumptions used in the projections by comparing to actual historical operating profit margins and growth rates and corroborate the findings from the other areas of our audit;

b) compared prior period budgets to actual outcomes to assess reliability of management's forecasting process and controls;

c) verified pre-tax discount rate for each CGU by comparing to the cost of borrowing of the Group and relevant risk factors; and

d) performed sensitivity analysis to stress test the key assumptions in the impairment model.

2) ***Impairment assessment on the goodwill***

As stated in Note 17 to the financial statements, goodwill on consolidation stood at RM22,036,009 for the acquisition of various subsidiaries. This is an area of focus given the materiality of the Group's goodwill balances and the inherent subjectivity in impairment testing.

The judgements in relation to goodwill impairment relate primarily to the assumptions underlying the calculation of the value in use of the business, being the achievability of the long-term business plans.

Audit response

Our procedures in relation to the management's impairment test assessment on the subsidiaries included:

a) making enquiries of and challenging the management on the key assumptions made, including:
   i) the consistent application of management's methodology;
   ii) the achievability of the business plans;
   iii) assumptions in relation to terminal growth in the business at the end of the plan period; and
   iv) revenue growth, operating margin and discount rates.

b) evaluating the reasonableness of management's estimate of expected future cash flows by taking into consideration the past performances of the subsidiaries;

c) performing sensitivity analysis to assess the impact on the recoverable amount of these CGUs;

d) verified pre-tax discount rate for each CGU by comparing to the weighted average cost of capital of the Group and relevant risk factors; and

e) reviewing the adequacy of disclosure of goodwill in the financial statements.

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 other information 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 other information and, in doing so, consider whether the other information 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 this other information, 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 Malaysian Financial Reporting Standards, International 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.

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

- 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.

- 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

- Conclude on the appropriateness of the director's 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.

- 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.

- 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.

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 auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 13 to the Financial Statements.

OTHER MATTERS

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.

STYL ASSOCIATES
Firm No: AF 1929
Chartered Accountants

TAN CHIN HUAT
Approval No: 2037/06/18(J)
Chartered Accountant

Date: 19th April 2018
Petaling Jaya, Selangor Darul Ehsan

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

		GROUP		COMPANY	
		2017	2016	2017	2016
	Note	RM	RM	RM	RM
Revenue	6	40,273,049	39,626,416	-	-
Other operating income	7	8,618,304	2,574,710	424,249	352,807
Other direct costs		(30,888,455)	(26,186,079)	-	-
Depreciation of property, plant and equipment		(7,443,956)	(7,643,532)	(2,918)	(2,918)
Directors' remuneration	8	(898,829)	(2,265,213)	(898,829)	(1,890,193)
Staff costs	9	(5,295,209)	(5,164,392)	-	-
Other operating expenses	7	(5,184,013)	(2,557,991)	(878,621)	(1,309,048)
Loss from operations		(819,109)	(1,616,081)	(1,356,119)	(2,849,352)
Finance cost	10	(12,103)	(9,890)	-	-
Loss before tax		(831,212)	(1,625,971)	(1,356,119)	(2,849,352)
Income tax credit/(expense)	11	459,866	(597,623)	-	-
Total comprehensive loss for the financial year		(371,346)	(2,223,594)	(1,356,119)	(2,849,352)
Attributable to:					
Owners of the Company		(2,635,644)	(1,703,695)	(1,356,119)	(2,849,352)
Non-controlling interests		2,264,298	(519,899)	-	-
Total comprehensive loss for the financial year		(371,346)	(2,223,594)	(1,356,119)	(2,849,352)
Loss per share attributable to Owners of the Company:					
Basic (RM)	12	(0.01)	(0.01)		
Diluted (RM)	12	(0.01)	(0.01)		

The accompanying Notes form an integral part of the Financial Statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 31ST DECEMBER 2017

		GROUP		COMPANY	
		2017	2016	2017	2016
	Note	RM	RM	RM	RM
ASSETS					
Non-current Assets					
Property, plant and equipment	13	25,242,899	28,051,676	6,567	9,485
Investment in subsidiaries	14	-	-	58,393,166	58,393,166
Investment in associates	15	-	-	-	-
Other financial assets	16	3,435,114	30,128	-	-
Other receivables	17	1,928,166	245,000	-	-
Goodwill on consolidation	18	22,036,009	22,036,009	-	-
Deferred tax assets	19	1,850,547	2,247,588	-	-
Total Non-current Assets		54,492,735	52,610,401	58,399,733	58,402,651
Current Assets					
Inventories	20	756,813	634,462	-	-
Trade receivables	17	1,052,523	535,699	-	-
Other receivables and prepaid expenses	17	4,308,717	1,826,560	29,018	80,519
Tax recoverable		20,147	22,180	-	-
Amount owing by subsidiaries	14	-	-	26,308,442	26,837,000
Cash and cash equivalents	21	49,792,955	51,144,452	13,932,832	14,687,823
Total Current Assets		55,931,155	54,163,353	40,270,292	41,605,342
TOTAL ASSETS		110,423,890	106,773,754	98,670,025	100,007,993
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	22	94,478,393	94,440,883	94,478,393	94,440,883
Reserves	23	5,384,232	8,025,611	4,117,787	5,479,641
Equity Attributable to Owners of the Company		99,862,625	102,466,494	98,596,180	99,920,524
Non-controlling interests		1,774,471	(489,827)	-	-
Total Equity		101,637,096	101,976,667	98,596,180	99,920,524
Non-current Liabilities					
Finance lease and hire purchase creditors	24	214,713	143,864	-	-
Term loan	25	677,162	-	-	-
Other payable	26	1,714,421	-	-	-
Deferred tax liabilities	19	2,976,817	3,836,056		
Total Non-current Liabilities		5,583,113	3,979,920	-	-
Current Liabilities					
Finance lease and hire purchase creditors	24	38,392	86,552	-	-
Term loan	25	325,838	-	-	-
Other payables and accrued expenses	26	2,839,451	729,884	73,845	87,469
Tax liabilities		-	731	-	-
Total Current Liabilities		3,203,681	817,167	73,845	87,469
Total Liabilities		8,786,794	4,797,087	73,845	87,469
TOTAL EQUITY AND LIABILITIES		110,423,890	106,773,754	98,670,025	100,007,993

The accompanying Notes form an integral part of the Financial Statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	<——Attributable to Owners of the Company				——>			
	Share capital RM	ESOS reserve RM	Warrant reserve RM	Equity transaction reserve RM	Distributable reserve- Retained earnings RM	Total RM	Non-controlling interests RM	Total RM
Balance as at 1st January 2016	94,440,883	-	1,007,080	(5,180,980)	12,522,862	102,789,845	(1,350,710)	101,439,135
Total comprehensive loss for the financial year	-	-	-	-	(1,703,695)	(1,703,695)	(519,899)	(2,223,594)
Transactions with Owners of the Company:								
Issuance of shares by subsidiary to non-controlling interests	-	-	-	(11,871)	-	(11,871)	1,380,782	1,368,911
Issuance of ESOS during the financial year	-	1,392,215	-	-	-	1,392,215	-	1,392,215
Balance as at 31st December 2016	94,440,883	1,392,215	1,007,080	(5,192,851)	10,819,167	102,466,494	(489,827)	101,976,667
Total comprehensive income/(loss) for the financial year	-	-	-	-	(2,635,644)	(2,635,644)	2,264,298	(371,346)
Transactions with Owners of the Company:								
ESOS exercised during the financial year	37,510	(5,735)	-	-	-	31,775	-	31,775
Balance as at 31st December 2017	94,478,393	1,386,480	1,007,080	(5,192,851)	8,183,523	99,862,625	1,774,471	101,637,096

The accompanying Notes form an integral part of the Financial Statements.

STATEMENT OF CHANGES IN EQUITY (Cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital RM	Warrant reserve RM	ESOS reserve RM	Retained earnings RM	Total RM
Balance as at 1st January 2016	94,440,883	1,007,080	-	5,929,698	101,377,661
Total comprehensive loss for the financial year	-	-	-	(2,849,352)	(2,849,352)
Issuance of ESOS during the financial year	-	-	1,392,215	-	1,392,215
Balance as at 31st December 2016	94,440,883	1,007,080	1,392,215	3,080,346	99,920,524
Total comprehensive loss for the financial year	-	-	-	(1,356,119)	(1,356,119)
ESOS exercised during the financial year	37,510	-	(5,735)	-	31,775
Balance as at 31st December 2017	94,478,393	1,007,080	1,386,480	1,724,227	98,596,180

The accompanying Notes form an integral part of the Financial Statements.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	GROUP		COMPANY	
	2017 RM	2016 RM	2017 RM	2016 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before tax	(831,212)	(1,625,971)	(1,356,119)	(2,849,352)
Adjustments for:				
Depreciation of property, plant and equipment	7,443,956	7,643,532	2,918	2,918
ESOS expense	-	1,392,215	-	1,392,215
Impairment loss on trade receivables	-	268,039	-	-
Fair value loss on amount owing by other receivable	111,834	-	-	-
Fair value gain on amount owing to other payable	(616,754)	-	-	-
Gain on disposal of property, plant and equipment	(69,651)	(1,688)	-	-
Property, plant and equipment written off	-	13,156	-	-
Gain on disposal of investment in associate	(5,600,000)	(495,000)	-	-
Reversal of impairment loss on investment	(1,416)	-	-	-
Finance costs	12,103	9,890	-	-
Interest income	(1,010,998)	(881,993)	(424,249)	(352,807)
Operating profit/(loss) before working capital changes	(562,138)	6,322,180	(1,777,450)	(1,807,026)
Changes in working capital:				
Increase in inventories	(122,351)	(26,942)	-	-
(Increase)/Decrease in trade receivables	(516,824)	199,017	-	-
Decrease in other receivables and prepaid expenses	1,322,843	3,905,682	51,501	2,500
Decrease in amount owing by subsidiaries	-	-	528,558	4,410,000
Increase/(Decrease) in other payables and accrued expenses	1,037,172	(1,481,363)	(13,624)	33,897
Cash Generated From/(Used In) Operations	1,158,702	8,918,574	(1,211,015)	2,639,371
Tax paid	(1,030)	(153,214)	-	-
Net Cash From/(Used In) Operating Activities	1,157,672	8,765,360	(1,211,015)	2,639,371
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of property, plant and equipment	190,000	169,998	-	-
Proceeds from disposal of associate	-	25,000	-	-
Acquisition of property, plant and equipment	(4,638,828)	(948,343)	-	-
Acquisition of investment in subsidiary, net of cash acquired (Note 13)	-	(2,499,016)	-	-
Interest received	1,010,998	881,993	424,249	352,807
Net Cash From/(Used In) Investing Activities	(3,437,830)	(2,370,368)	424,249	352,807

STATEMENTS OF CASH FLOWS (Cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2017

	GROUP		COMPANY	
	2017	2016	2017	2016
	RM	RM	RM	RM
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from drawdown of term loan	1,003,000	-	-	-
Proceeds from issuance of shares to non-controlling interests	-	21,750	-	-
Proceeds from issuance of shares	31,775	-	31,775	-
Repayment of finance lease and hire purchase creditors	(94,011)	(78,473)	-	-
Finance costs paid	(12,103)	(9,890)	-	-
Net Cash From/(Used In) Financing Activities	928,661	(66,613)	31,775	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(1,351,497)	6,328,379	(754,991)	2,992,178
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	51,144,452	44,816,073	14,687,823	11,695,645
CASH AND CASH EQUIVALENTS CARRIED FORWARD (Note 20)	49,792,955	51,144,452	13,932,832	14,687,823

Note:
During the financial year:

i) the Group's additions to property, plant and equipment amounted to RM4,755,528 (2016: RM1,114,743) of which RM116,700 (2016: RM166,400) was acquired under hire purchase arrangement. Cash payment for the acquisition of property, plant and equipment amounted to RM4,638,828 (2016: RM948,343).

ii) the Group disposed off 2.5% (2016: 10.5%) equity interest in an associate for a consideration of RM5,600,000 (2016: RM495,000), of which RM5,100,000 (2016: RM470,000) remained unpaid as at financial year end and the balance RM500,000 (2016: RMnil) was netted off against the amount owing to other payable.

iii) the Group acquired other financial assets amounting to RM3,403,570 of which RM2,903,570 is still outstanding as at 31st December 2017 and the balance RM500,000 was netted off against the amount owing to other payable.

The accompanying Notes form an integral part of the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1) GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The Company is an investment holding company and the principal activities of its subsidiaries are as disclosed in Note 13 to the Financial Statements. There have been no significant changes in the nature of these activities during the financial year.

The registered office of the Company is located at 11B, Level 2, Persiaran Greentown 9, Pusat Perdagangan Greentown, 30450 Ipoh, Perak Darul Ridzuan.

The principal place of business of the Company is located at D-3-3, Ayer@8, Jalan P8G, Presint 8, 62250 Putrajaya.

The financial statements are presented in Ringgit Malaysia (RM).

The financial statements have been authorised by the Board of Directors for issuance on 19th April 2018.

2) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards (MFRS), International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, 2016 in Malaysia.

Adoption of Amendments to MFRSs and Annual Improvements

The accounting policies adopted by the Group and by the Company are consistent with those adopted in the previous year, except as follows:

Amendments to MFRS 107	Disclosure Initiative
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses
Annual improvements to MFRSs 2014 - 2016 Cycle	
- Amendments to MFRS 12 Disclosure of Interests in Other Entities	

The adoption of the above pronouncements did not have any impact on the financial statements of the Group and the Company, except for the amendments to MFRS 107 Statement of Cash Flows - *Disclosure Initiative*.

The amendments to MFRS 107 Statement of Cash Flows - *Disclosure Initiative* require the Group and the Company to disclose a reconciliation between the opening and closing balances for liabilities arising from financing activities, including changes arising from both cash flow and non-cash flow items, which is disclosed in Note 23 to the Financial Statements.

2) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (cont'd)

Standards Issued but not yet Effective

As at the date of authorisation of these financial statements, the following Standards, Amendments and Annual Improvements have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective and have not been adopted by the Group and the Company:

		Effective for annual period beginning on or after
MFRS 9	Financial Instruments (IFRS 9 as issued by International Accounting Standards Board ("IASB") in July 2014)	1st January 2018
MFRS 15	Revenue from Contracts with Customers	1st January 2018
Amendments to MFRS 15	Clarifications to MFRS 15 Revenue Contracts with Customers	1st January 2018
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration	1st January 2018
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions	1st January 2018
Amendments to MFRS 4	Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1st January 2018
Amendments to MFRS 140	Transfers of Investment Property	1st January 2018
Annual improvements to MFRSs 2014 - 2016 Cycle		1st January 2018
- Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards		
- Amendments to MFRS 128 Investments in Associates and Joint Ventures		
MFRS 16	Leases	1st January 2019
Annual improvements to MFRSs 2015 - 2017 Cycle		1st January 2019
- Amendments to MFRS 3 Business Combinations		
- Amendments to MFRS 9 Financial Instruments - Prepayment Features with Negative Compensation		
- Amendments to MFRS 11 Joint Arrangements		
- Amendments to MFRS 112 Income Taxes		
- Amendments to MFRS 123 Borrowing Costs		
- Amendments to MFRS 128 Investment in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures		
IC Interpretation 23	Uncertainty over Income Tax Treatments	1st January 2019
MFRS 17	Insurance Contracts	1st January 2021
- Amendments to MFRS 10 and MFRS 128	Sale and Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The Group and the Company will adopt the above pronouncements where applicable when they become effective in the respective financial periods. These pronouncements are not expected to have any material effect to the financial statements of the Group and of the Company upon their initial application other than the standards described below, for which the effects of adoption of the above pronouncements are still being assessed by the directors:

2) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (cont'd)

(a) MFRS 15 Revenue from Contracts with Customers

MFRS 15 Revenue from Contracts with Customers was issued in September 2014 and established a five-step model that will apply to revenue recognition arising from contracts with customers as follows:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies the performance obligations

Under this Standard, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principle of this Standard is to provide a more structured approach to measuring and recognising revenue

(b) MFRS 9 Financial Instruments

In November 2014, the MASB issued the final version of MFRS 9 Financial Instruments, replacing MFRS 139. This Standard makes changes to the requirements for classification and measurement, impairment and hedge accounting. There is now a new expected credit losses model on impairment for all financial assets that replaces the incurred loss impairment model used in MFRS 139. The expected credit losses model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in MFRS 139. Under MFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about any entity's risk management activities have also been introduced.

This Standard will come into effect on or after 1st January 2018 with early adoption permitted. Retrospective application is required, but comparative information is not compulsory.

(c) MFRS 16 Leases

MFRS 16 Leases supersedes MFRS 117 Leases and the related interpretations. Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Currently under MFRS 117 Leases, leases are classified either as finance leases or operating leases. A lessee recognises on its statement of financial position, assets and liabilities arising from the finance leases. MFRS 16 eliminates the distinction between finance and operating leases for lessees. All leases will be brought onto its statement of financial position except for short-term and low value asset leases.

The right-of-use asset is depreciated in accordance with the principles in MFRS 116 Property, Plant and Equipment and the lease liability is accreted over time with interest expenses recognised in profit or loss. For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

3) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The operations of the Group are subject to a variety of financial risks: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group has formulated a financial risk management framework whose principal objective is to minimise the Group's exposure to risks and/or costs associated with the financing, investing and operating activities of the Group. The Group also ensures that the above risks are managed in order to minimise the effects of the unpredictability of the financial markets on the performance of the Group.

Market risk

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

The Group has in place policies to manage its competitive risks from its competitors in providing better alternatives in terms of better services.

Foreign currency risk management

As at 31st December 2017, the Group and the Company are not exposed to any material foreign currency risk as the transactions and balances are mainly denominated in Ringgit Malaysia.

Interest rate risk management

The Group is exposed to interest rate risk because entities in the Group borrow funds at fixed interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed rate borrowings.

Changes in interest rates are not expected to have a significant impact on the Group’s profit or loss.

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 loans and advances to subsidiary.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. As at the end of the reporting period, the maximum exposure to credit risk arising from receivables and amount owing by subsidiaries are represented by the carrying amounts in the statements of financial position.

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 that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 120 days, which are deemed to have higher credit risk, are monitored individually.

3) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

Credit risk (cont'd)

The ageing analysis of trade receivables as at the end of the reporting period are as follows:

	GROUP	
	2017	**2016**
	RM	**RM**
Neither past due nor impaired	133,408	202,420
Past due 0 - 30 days not impaired	474,363	146,409
Past due 31 - 120 days not impaired	244,760	121,256
Past due more than 120 days not impaired	199,992	65,614
	919,115	333,279
Impaired	471,162	471,162
	1,523,685	1,006,861

i) *Receivables that are neither past due nor impaired*

Trade receivables that are neither past due nor impaired are creditworthy receivables with good payment records with the Group.

None of the Group's trade receivables that is neither past due nor impaired have been renegotiated during the financial year.

ii) *Receivables that are past due but not impaired*

The Group has trade receivables amounting to RM919,115 (2016: RM333,279) that is past due at the reporting date but not impaired.

These receivables are unsecured. Management is confident that these receivables are recoverable as these accounts are still active.

iii) *Receivables that are impaired*

The Group's trade receivables and the movement of the allowance accounts used to record the impairment are as follows:

	GROUP	
	2017	**2016**
	RM	**RM**
Trade receivables		
- nominal amounts	471,162	471,162
Less: Allowance for impairment	(471,162)	(471,162)
	-	-

3) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

Credit risk (cont'd)

iii) Receivables that are impaired (cont'd)

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

	GROUP 2017 RM	GROUP 2016 RM
As at beginning of year	471,162	203,123
Impairment loss recognised	-	268,039
As at end of year	471,162	471,162

Trade receivables that are individually determined to be impaired at the reporting date relate to receivables that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due.

The Group practises prudent liquidity risk management to minimise the mismatch of financial assets and liabilities and to maintain sufficient funds for contingent funding requirement of working capital.

The table below summaries the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations:

	Carrying amount RM	Contractual undiscounted cash flows RM	On demand or within one year RM	Two to five years RM	Five years and above RM
GROUP					
2017					
Financial liabilities					
Other payables	4,384,579	5,001,333	2,670,158	918,828	1,412,347
Term loan	1,003,000	1,003,000	325,838	677,162	-
Finance lease and hire purchase creditors	253,105	298,889	50,468	178,128	70,293
	5,640,684	6,303,222	3,046,464	1,774,118	1,482,640
2016					
Financial liabilities					
Other payables	577,706	577,706	577,706	-	-
Finance lease and hire purchase creditors	230,416	260,785	100,164	120,224	40,397
	808,122	838,491	677,870	120,224	40,397

3) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

Liquidity risk (cont'd)

	Carrying amount RM	Contractual undiscounted cash flows RM	On demand or within one year RM	Two to five years RM	Five years and above RM
COMPANY					
2017					
Financial liabilities					
Other payables	-	-	-	-	-
2016					
Financial liabilities					
Other payables	16,863	16,863	16,863	-	-

Capital Risk Management Policies and Procedures

The primary objective of the Group's capital management is to 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 Group manages its capital structure and makes adjustments to it in light of changes in economic conditions.

No changes were made in the Group's approach to capital management during the financial year.

The gearing ratio at the end of the reporting period is as follows:

	GROUP 2017 RM	GROUP 2016 RM
Debts (i)	1,256,105	230,416
Cash and cash equivalents	(49,792,955)	(51,144,452)
Net debt/(cash) position	(48,536,850)	(50,914,036)
Total equity (ii)	101,637,096	101,976,667
Debt to equity ratio	-	-

(i) Debt is defined as hire purchase creditors and term loan as disclosed in Notes 23 and 24 respectively.

(ii) Equity includes issued capital, reserves and non-controlling interests.

(iii) The Group is not subject to any externally imposed capital requirement as at the reporting date.

(iv) The debt to equity ratio of the Group is nil in 2017 and 2016 as the Group is in a net cash position of RM48,536,850 and RM50,914,036 respectively.

4) **SIGNIFICANT ACCOUNTING POLICIES**

a) **Basis of Accounting**

The financial statements are prepared under the historical cost convention unless otherwise indicated in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is 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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristic into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

(i) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

(ii) Level 2 are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

(iii) Level 3 inputs are unobservable inputs for the asset or liability.

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

b) **Revenue Recognition**

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably. Revenue is measured at the fair value of consideration received or receivable, net of returns, allowances and trade discounts.

Revenue from services are recognised when services are rendered. Revenue represents the invoiced value of services rendered net of discounts and allowances. Interest income is recognised on accrual basis.

c) **Employee Benefits**

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

4) SIGNIFICANT ACCOUNTING POLICIES

c) Employee Benefits

(ii) Defined contributions plans

The Group and its eligible employees are required by law to make monthly contributions to Employees Provident Fund ("EPF"), a statutory defined contribution plan, at certain prescribed rates based on the employees' salaries. The Group's and the Company's contributions to EPF are charged to profit or loss. Once the contributions have been paid, there are no further payment obligations.

(iii) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense in profit or loss with a corresponding increase in the share option reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on the date of the grant. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on the vesting date. At each reporting date, the Group revises its estimates of the number of options that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in profit or loss, with a corresponding adjustment to the share option reserve over the remaining vesting period. The equity amount is recognised in the share option reserve until the option is exercised, upon which it will be transferred to share capital, or until the option expires, upon which it will be transferred directly to retained earnings.

d) Borrowing Costs

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 added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the year in which they are incurred.

e) Government Grants

Governments grants are recognised when there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received. Government grants related to assets are recognised as deferred revenue that is recognised in profit or loss on a systematic basic over the useful lives of the assets. Government grants related to income are presented as a credit in the profit or loss separately.

f) Income Tax

(i) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the financial year end.

Current taxes are recognised in profit or loss, except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

4) SIGNIFICANT ACCOUNTING POLICIES (cont'd)

f) Income Tax (cont'd)

(ii) Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which those deductible temporary differences, unused tax losses and unused tax credits can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The tax effects of unutilised reinvestment allowances are only recognised upon actual realisation.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group and the Company expect, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group and the Company intend to settle its current tax assets and liabilities on a net basis.

g) Subsidiaries and Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

The Company controls an investee if and only if the Company has all the following:
- Power over the investee (i.e existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its investment with the investee; and
- The ability to use its power over the investee to affect its returns.

4) SIGNIFICANT ACCOUNTING POLICIES (cont'd)

g) Subsidiaries and Basis of Consolidation (cont'd)

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:
- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meeting.

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Losses of subsidiaries are attributable to the non-controlling interests even if that results in a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment.

h) Business Combinations

Acquisition of subsidiaries are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of asset transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At acquisition date, the identifiable assets acquired and liabilities assumed are recognised at their fair values, except that:
- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with MFRS 112 Income Taxes and MFRS 119 Employee Benefits respectively;
- liabilities or equity instruments related to the share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with MFRS 2 Share-based Payment at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with MFRS 5 Non-Current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

4) SIGNIFICANT ACCOUNTING POLICIES (cont'd)

h) Business Combinations (cont'd)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another Standard.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with MFRS 139 or MFRS 137 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held equity interests in the acquiree are remeasured to its acquisition date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised at that date.

The policy described above is applied to all business combinations that take place on or after 1st January 2011.

4) **SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

h) **Business Combinations (cont'd)**

i) **Non-controlling Interests**

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

j) **Property, Plant and Equipment**

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of property, plant and equipment, other than capital work-in-progress which is not depreciated, is calculated to write off the cost of the property, plant and equipment on a straight-line basis over the expected useful lives of the property, plant and equipment concerned. The annual depreciation rates used are:

	%
Plant and machinery	10
Motor vehicles	11 - 20
Furniture, fittings and equipment	10 - 15

The carrying values of property, plant and equipment are reviewed for impairment when events or change in circumstances indicate that the carrying value may not be recoverable. The residual values, useful lives and depreciation methods are reviewed at each financial year end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gain or loss arising from the disposal of an asset is determined as the difference between the estimated net disposal proceed and the carrying amount of the asset, and is recognised in profit or loss.

k) **Investment in Subsidiaries**

In the Company's separate financial statements, investments in subsidiary are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

4) SIGNIFICANT ACCOUNTING POLICIES (cont'd)

l) Investment in Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with MFRS 5 Non-Current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost and adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

When a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Investment in associated company is stated at cost less accumulated impairment losses.

m) Goodwill on Consolidation

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating units and part of the operation within that cash-generating units is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstances is measured based on the relative fair values of the operations disposed of and portion of the cash-generating units retained.

4) SIGNIFICANT ACCOUNTING POLICIES (cont'd)

n) Inventories

Inventories are valued at the lower of cost (determined principally on the first-in, first-out method) and net realisable value. Cost of work-in-progress consists of raw materials, direct labour and an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

o) Financial Instruments

i) Initial recognition and measurement

A financial instrument is recognised in the financial statements when, and only when, the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs that are directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

ii) Financial instrument categories and subsequent measurement

The Group categories financial instruments as follows:

Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification at initial recognition.

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

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

4) SIGNIFICANT ACCOUNTING POLICIES (cont'd)

o) Financial Instruments (cont'd)

ii) Financial instrument categories and subsequent measurement (cont'd)

Financial assets (cont'd)

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

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

Investment in quoted securities are designated as fair value through profit or loss on initial recognition.

b) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

c) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

d) *Available-for-sale (AFS) financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on available-for-sale equity instrument are recognised in profit or loss when the Company's right to receive payment is established.

Available-for-sale financial assets are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

4) SIGNIFICANT ACCOUNTING POLICIES (cont'd)

o) Financial Instruments (cont'd)

ii) Financial instrument categories and subsequent measurement (cont'd)

Financial assets (cont'd)

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

a) *Financial liabilities at fair value through profit or loss*

Financial liabilities are classified as financial liabilities at fair value through profit or loss when the financial liability is either held for trading or it is designated as financial liabilities at fair value through profit or loss.

A financial liability is classified as held for trading if:

a) it has been acquired principally for the purpose of repurchasing it in the near term; or

b) on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

c) it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as financial liabilities at fair value through profit or loss upon initial recognition if:

a) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

b) the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

4) SIGNIFICANT ACCOUNTING POLICIES (cont'd)

o) Financial Instruments (cont'd)

ii) Financial instrument categories and subsequent measurement The Group categories financial instruments as follows: (cont'd)

Financial assets (cont'd)

a) *Financial liabilities at fair value through profit or loss (cont'd)*

c) it forms part of a contract containing one or more embedded derivatives, and MFRS 139 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as financial liabilities at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the statements of profit or loss and other comprehensive income.

b) *Other financial liabilities*

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

iii) Impairment of Financial Assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occured after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, including redeemable bonds classified as available-for-sale and finance lease receivables, objective evidence of impairment could include:

i) significant financial difficulty of the issuer or counterparty; or

ii) default or delinquency in interest or principal payments; or

iii) it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

4) SIGNIFICANT ACCOUNTING POLICIES (cont'd)

o) Financial Instruments (cont'd)

iii) Impairment of Financial Assets (cont'd)

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

p) Impairment of Non-Financial Assets

At the end of each reporting period, the Group reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. 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 risk specific to the asset. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss unless the asset is carried at a revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any unutilised previously recognised revaluation surplus for the same asset.

4) **SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

p) **Impairment of Non-Financial Assets (cont'd)**

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

q) **Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

r) **Cash and Cash Equivalents**

Cash and cash equivalents comprise cash and bank balances, term deposits and other short term, highly liquid investments that are readily convertible into cash with insignificant risk of changes in value against which bank overdraft, if any, are deducted.

s) **Equity Instruments**

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

t) **Financial Guarantee Contracts**

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

4) SIGNIFICANT ACCOUNTING POLICIES (cont'd)

u) Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group.

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. All operating segments' operating results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Group, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

w) Warrant Reserve

Proceeds from the issuance of warrant, net of issue costs, are credited to warrant reserve which is non-distributable. Warrant reserve is transferred to the share capital account upon the exercise of warrant and the warrant reserve in relation to the unexercised warrant at the expiry of the warrant will be transferred to retained earnings.

5) CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Critical Judgements in Applying the Group's and the Company's Accounting Policies

In the process of applying the Group's and the Company's accounting policies, the directors are of the opinion that there are no instances of application of judgement which are expected to have significant effect on the amounts recognised in the financial statements.

5) CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

Key Sources of Estimation Uncertainty

The key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year is discussed below:

i) Impairment of Goodwill

The Group and the Company determine whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the CGUs to which goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at the financial year end is disclosed in Note 17.

ii) Impairment on Receivables

The Group makes impairment of receivables based on an assessment of the recoverability of receivables. Impairment is applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. The management specifically analyses historical bad debts, customer concentration, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of impairment of receivables. Where expectations differ from the original estimates, the difference will impact the carrying amount of receivables.

iii) Impairment of Investment in Subsidiaries

The Company reviews the carrying amount of investment in subsidiaries. The recoverable amount of the investment in subsidiaries has been determined on the basis of its value in use.

iv) Impairment of Property, Plant and Equipment

The Group performs an impairment review as and when there are impairment indicators to ensure that the carrying value of the property, plant and equipment does not exceed its recoverable amount. The recoverable amount represents the present value of the estimated future cash flows expected to arise from continuing operations. Therefore, in arriving at the recoverable amount, management exercises judgement in estimating the future cash flows, growth rate and discount rate.

6) REVENUE

	GROUP	
	2017 RM	2016 RM
Transportation services and related activities	40,244,527	39,016,744
Sales of sparepart and services	28,522	105,672
Contract fees received	-	504,000
	40,273,049	39,626,416

7) OTHER OPERATING EXPENSES/(INCOME)

Included in other operating expenses/(income) are the following charges/(credits):

	GROUP		COMPANY	
	2017	2016	2017	2016
	RM	RM	RM	RM
Auditors' remuneration				
Statutory audit:				
- Auditors of the Company	70,700	61,100	45,000	45,000
- Other auditors	34,500	34,500	-	-
Non-audit services:				
- Auditors of the Company				
- underprovision in prior year	-	14,000	-	-
Fair value loss on amount owing by other receivable	111,834	-	-	-
Impairment loss on trade receivables	-	268,039	-	-
Property, plant and equipment written off	-	13,156	-	-
Rental of equipment	3,710	2,560	-	-
Rental of exhibition booth	1,500	-	-	-
Rental of GPS tracker	1,638	1,560	-	-
Rental of machine	-	5,194	-	-
Rental of motor vehicle	28,572	85,248	-	-
Rental of premises	383,716	398,496	203,520	198,720
Fair value gain on amount owing to other payable	(616,754)	-	-	-
Gain on disposal of investment in associate	(5,600,000)	(495,000)	-	-
Gain on disposal of property, plant and equipment	(69,651)	(1,688)	-	-
Government grant received	(1,315,885)	(1,177,403)	-	-
Interest income	(1,010,998)	(881,993)	(424,249)	(352,807)
Reversal of impairment loss on investment	(1,416)	-	-	-

8) DIRECTORS' REMUNERATION

	GROUP		COMPANY	
	2017	2016	2017	2016
	RM	RM	RM	RM
Executive directors:				
Salaries, bonus, overtime and allowances	657,500	848,250	657,500	728,250
Fees	60,000	330,000	60,000	90,000
Defined contribution plan - EPF	72,069	100,800	72,069	86,400
SOCSO contribution	760	2,103	760	1,483
ESOS expense	-	801,360	-	801,360
	790,329	2,082,513	790,329	1,707,493
Non-executive directors:				
Fees	90,000	90,000	90,000	90,000
Other emoluments	18,500	18,500	18,500	18,500
ESOS expense	-	74,200	-	74,200
	108,500	182,700	108,500	182,700
	898,829	2,265,213	898,829	1,890,193

8) DIRECTORS' REMUNERATION (cont'd)

The number of directors of the Company whose total remuneration during the financial year fell within the following band is analysed below:

	Number of directors	
	2017	2016
Executive directors:		
Below RM50,000	1	-
RM350,001 - RM400,000	-	1
RM500,001 - RM550,000	-	1
RM700,001 - RM750,000	1	-
Above RM750,000	-	1
Non-executive directors:		
Below RM50,000	4	1
RM50,001 - RM100,000	-	2

9) STAFF COSTS

	GROUP	
	2017 RM	2016 RM
Salaries, bonus, overtime and allowances	4,788,924	4,216,624
Defined contribution plan - EPF	457,207	386,194
SOCSO contribution	49,078	44,919
ESOS expense	-	516,655
	5,295,209	5,164,392

10) FINANCE COSTS

	GROUP	
	2017 RM	2016 RM
Interest on:		
finance lease and hire purchase	11,473	9,890
term loan	630	-
	12,103	9,890

11) INCOME TAX EXPENSE/(CREDIT)

	GROUP		COMPANY	
	2017	2016	2017	2016
	RM	RM	RM	RM
Income tax payable				
- current year	2,766	731	-	-
- overprovision in prior year	(434)	(888)	-	-
	2,332	(157)	-	-
Real property gain tax				
- underprovision in prior year	-	40,646	-	-
Deferred tax in respect of:				
Tax assets (Note 18)	397,041	(202,217)	701	700
Tax liabilities (Note 18)	(859,239)	759,351	(701)	(700)
	(462,198)	557,134	-	-
	(459,866)	597,623	-	-

A numerical reconciliation between the income tax expense/(credit) and the product of accounting loss multiplied by the applicable statutory income tax rate, is as follows:

	GROUP		COMPANY	
	2017	2016	2017	2016
	RM	RM	RM	RM
Accounting loss	(831,212)	(1,625,971)	(1,356,119)	(2,849,352)
Tax at the applicable statutory income tax rate of 24% (2016: 24%)	(199,491)	(390,233)	(325,469)	(683,844)
Tax effects in respect of:				
Income not subject to tax	(2,047,199)	(493,923)	(101,280)	(84,674)
Expenses that are not deductible for tax purposes	832,049	284,862	35,176	-
Expenses that are disregarded	391,412	768,518	391,412	768,518
Deferred tax assets not recognised	667,632	443,333	161	-
Overprovision of income tax in prior years	(435)	-	-	-
Overprovision of deferred taxation in prior year	(103,834)	(55,580)	-	-
Underprovision of real property gain tax in prior year	-	40,646	-	-
Income tax expense/(credit)	(459,866)	597,623	-	-

Details of unutilised tax losses and unabsorbed capital allowances which have not been recognised in the financial statements due to uncertainty of realisation are as follows:

	GROUP		COMPANY	
	2017	2016	2017	2016
	RM	RM	RM	RM
Unutilised tax losses	9,521,000	7,855,000	2,115,000	2,115,000
Unabsorbed capital allowances	557,000	437,000	33,837	21,000
	10,078,000	8,292,000	2,148,837	2,136,000

The unutilised tax losses and unabsorbed capital allowances are available for offset against future taxable profits, subject to the agreement by the tax authorities.

12) LOSS PER SHARE

Basic

Basic loss per share is calculated by dividing the loss for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year.

	GROUP 2017	GROUP 2016
Loss attributable to Owners of the Company (RM)	(2,635,644)	(1,703,695)
	2017 Units	**2016 Units**
Weighted average number of ordinary shares in issue	236,144,591	236,102,208
Basic loss per share (RM)	(0.01)	(0.01)

Diluted

Diluted loss per share is calculated by dividing the loss for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year have been adjusted for the dilutive effects of the unexercised warrants and options issued by the Company.

	GROUP 2017 RM	GROUP 2016 RM
Loss attributable to Owners of the Company (RM)	(2,635,644)	(1,703,695)
	2017 Units	**2016 Units**
Weighted average number of ordinary shares in issue	236,144,591	236,102,208
Adjusted for potential ordinary shares on conversion of warrants	7,583,399	9,938,289
Adjusted for potential ordinary shares on employee share options	1,840,399	2,567,568
Adjusted weighted average number of ordinary shares in issue	245,568,389	248,608,065
Diluted loss per share (RM)	(0.01)	(0.01)

13) PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery RM	Motor vehicles RM	Furniture, fittings and equipment RM	Capital work-in-progress RM	Total RM
GROUP					
2017					
Cost					
At					
As at 1st January 2017	6,219	107,706,285	1,217,959	5,776,412	114,706,875
Additions	-	113,462	118,943	4,523,123	4,755,528
Disposals	-	(218,816)	-	-	(218,816)
Reclassification	-	4,406,592	-	-	4,406,592
As at 31st December 2017	6,219	112,007,523	1,336,902	10,299,535	123,650,179
Accumulated depreciation					
As at 1st January 2017	3,832	86,127,071	524,296	-	86,655,199
Charge for the year	622	7,329,583	113,751	-	7,443,956
Disposals	-	(98,467)	-	-	(98,467)
Reclassification	-	4,406,592	-	-	4,406,592
As at 31st December 2017	4,454	97,764,779	638,047	-	98,407,280
Net carrying amount	1,765	14,242,744	698,855	10,299,535	25,242,899
As at 31st December 2017					
2016					
Cost					
At					
As at 1st January 2016	6,219	109,228,322	1,062,945	2,284,670	112,582,156
Acquisition of subsidiary	-	-	17,074	2,709,634	2,726,708
Additions	-	177,621	155,014	782,108	1,114,743
Disposals	-	(1,699,658)	-	-	(1,699,658)
Written off	-	-	(17,074)	-	(17,074)
As at 31st December 2016	6,219	107,706,285	1,217,959	5,776,412	114,706,875
Accumulated depreciation					
As at 1st January 2016	3,211	80,120,489	419,316	-	80,543,016
Acquisition of subsidiary	-	-	3,918	-	3,918
Charge for the year	621	7,537,931	104,980	-	7,643,532
Disposals	-	(1,531,349)	-	-	(1,531,349)
Written off	-	-	(3,918)	-	(3,918)
As at 31st December 2016	3,832	86,127,071	524,296	-	86,655,199
Net carrying amount					
As at 31st December 2016	2,387	21,579,214	693,663	5,776,412	28,051,676

13) PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Furniture, fittings and equipment RM	Total RM
Company		
2017		
Cost		
As at 1st January 2017	40,721	40,721
Additions	-	-
As at 31st December 2017	40,721	40,721
Accumulated depreciation		
As at 1st January 2017	31,236	31,236
Charge for the year	2,918	2,918
As at 31st December 2017	34,154	34,154
Net carrying amount		
As at 31st December 2017	6,567	6,567
2016		
Cost		
As at 1st January 2016	40,721	40,721
Additions	-	-
As at 31st December 2016	40,721	40,721
Accumulated depreciation		
As at 1st January 2016	28,318	28,318
Charge for the year	2,918	2,918
As at 31st December 2016	31,236	31,236
Net carrying amount		
As at 31st December 2016	9,485	9,485

Included in property, plant and equipment of the Group are motor vehicles with carrying amount of RM676,079 (2016: RM240,315) held under hire purchase arrangements.

Included in property, plant and equipment of the Group are fully depreciated property, plant and equipment which is still in use with a cost of RM3,661,738 (2016: RM1,365,635).

a) Impairment assessment

The Group assessed whether there were an indicators of impairment during the financial year. In doing this, management considered the current environments and performance of the Cash Generating Units ("CGUs"). Management considered the loss making subsidiaries as impairment indicators and these subsidiaries held RM10,299,535 of capital work-in-progress as at 31st December 2017.

13) PROPERTY, PLANT AND EQUIPMENT (cont'd)

a) Impairment assessment (cont'd)

Management has made estimates about the future results and key assumptions applied to cash flow projection of the CGUs in determining their recoverable amounts using the Value-In-Use model ("VIU"). These key assumptions include forecast growth in future revenues and operating profit margins, as well as determining an appropriate pre-tax discount rate and growth rate. Management has determined that the recoverable amounts are in excess of the carrying amounts of the capital work-in-progress and no impairment has been recorded in the current year.

14) INVESTMENT IN SUBSIDIARIES

	COMPANY	
	2017	2016
	RM	RM
Unquoted shares - At cost	58,393,166	58,393,166

The details of the subsidiaries are as follows:

Name of Company	Country of Incorporation	Proportion of Ownership Interest/Voting Rights held by the Company 2017 %	2016 %	Principal Activities
Subsidiaries of the Company				
Gunung Resources Sdn. Bhd.	Malaysia	100	100	Chartering of specialty vehicles
Gunung Hydropower Sdn. Bhd. ("GHSB")	Malaysia	95	95	Dealing in hydropower and hydroelectric activities
GPB Corporation Sdn. Bhd. ("GPB") *	Malaysia	100	100	Chartering of land-based passenger transportation assets and specialty vehicles
Pusaka Hijau Sdn. Bhd. ("PHSB")	Malaysia	85	85	Investment holding company
Subsidiary of GPB				
Bas Rakyat Sdn. Bhd. *	Malaysia	100	100	Public transportation services
Subsidiary of PHSB				
Perak Hydro Renewable Energy Corporation Sdn. Bhd. ("PHREC")	Malaysia	51	51	Developing, maintaining and operating of hydropower and hydroelectric activities

14) INVESTMENT IN SUBSIDIARIES (cont'd)

Name of Company	Country of Incorporation	Proportion of Ownership Interest/Voting Rights held by the Company 2017 %	2016 %	Principal Activities
Subsidiary of PHREC				
Kundur Hydro R E Sdn. Bhd. ("KHRE") ** (Ceased to be the subsidiary of PHREC and became a subsidiary of GHSB since 2016)	Malaysia	26	26	Dealing in hydropower and hydroelectric activities
Subsidiaries of GHSB				
Kundur Hydro R E Sdn. Bhd. ("KHRE")	Malaysia	44	44	Dealing in hydropower and hydroelectric activities
Conso Hydro R E Sdn. Bhd. ("CHRE") ***	Malaysia	45	45	Dealing in hydropower and hydroelectric activities

* Audited by firms of auditors other than the auditors of the Company.
** The proportion of ownership interest held by the Company is 70% (2016: 70%)
*** The proportion of ownership interest held by the Company is 50.1% (2016: 50.1%) by virtue of the shareholding held by GHSB of 45% (2016: 45%) and PHREC of 5.1% (2016: 5.1%).

In 2016, the Group acquired 50% equity interest in Conso Hydro R E Sdn. Bhd. (CHRE), a company incorporated in Malaysia, for a total consideration of RM2,500,000.

The effects of the acquisition on the financial results of the Group in 2016 are as follows:

Post-acquisition results of the subsidiary acquired:

	2016 GROUP RM
Net loss	(59,053)
Non-controlling interests	29,526
Increase in Group's loss attributable to Owners	(29,527)

14) INVESTMENT IN SUBSIDIARIES (cont'd)

The fair value of the identifiable assets and liabilities of CHRE as at the date of acquisition, and the goodwill arising therefrom, are as follows:

	Carrying amount RM	Fair value RM
Property, plant and equipment	2,722,790	2,722,790
Other receivables	2,648	2,648
Cash and bank balances	984	984
Other payables	(32,100)	(32,100)
Net identifiable assets	2,694,322	2,694,322
Less: Non-controlling interests		(1,347,161)
Group's interest in fair value of net identifiable assets		1,347,161
Goodwill on acquisition		1,152,839
Purchase consideration		2,500,000
Purchase consideration satisfied by cash		(2,500,000)
Add: Cash and cash equivalents acquired		984
Net cash outflow on acquisition		(2,499,016)

The summarised financial information of GHSB and PHSB that have non controlling interests, is as follows:

a) Summarised statements of financial position

	GHSB		PHSB	
	2017 RM	2016 RM	2017 RM	2016 RM
Current				
Assets	12,162,989	7,596,469	9,529,884	897,322
Liabilities	(8,430,792)	(3,356,231)	(8,533,065)	(4,712,145)
Net assets	3,732,197	4,240,238	996,819	(3,814,823)
Net assets attributable to non-controlling interests at the end of the financial year	186,610	212,012	149,523	(572,223)

14) INVESTMENT IN SUBSIDIARIES (cont'd)

b) Summarised statements of profit or loss and other comprehensive income

	GHSB		PHSB	
	2017 RM	2016 RM	2017 RM	2016 RM
Revenue	-	-	-	-
Profit/(Loss) before tax	(508,041)	(258,121)	4,811,642	(974,168)
Income tax expense	-	-	-	-
Total comprehensive income/(loss) for the financial year	(508,041)	(258,121)	4,811,642	(974,168)
Profit for the year representing total comprehensive income allocated to non-controlling interests	(25,402)	(12,906)	721,746	(146,125)

c) Summarised statement of cash flows

	GHSB		PHSB	
	2017 RM	2016 RM	2017 RM	2016 RM
Net cash used in operating activites	(278,176)	(336,528)	(1,025,508)	(1,034,066)
Net cash used in investing activites	(4,519,868)	(3,516,258)	(505,694)	(199,949)
Net cash from financing activities	4,956,438	3,643,550	1,534,811	1,283,872
Net changes in cash and cash equivalents	158,394	(209,236)	3,609	49,857
Cash and cash equivalents at the beginning of year	435,853	645,089	61,622	11,765
Cash and cash equivalents at the end of the year	594,247	435,853	65,231	61,622

The summarised financial information represents the amount before inter-company eliminations.

The amount owing by subsidiaries, which arose mainly from expenses paid on behalf and advance given, is unsecured, interest-free and repayable on demand.

15) INVESTMENT IN ASSOCIATES

	GROUP	
	2017 RM	2016 RM
Unquoted shares, at cost	-	-

15) INVESTMENT IN ASSOCIATES (cont'd)

The details of the associates are as follows:

Name of Company	Country of Incorporation	Proportion of Ownership Interest/Voting Rights held by the Company 2017 %	2016 %	Principal Activities
Kerian Energy Sdn. Bhd.	Malaysia	N/A *	15	Dealing in hydropower and hydroelectric activities
Selama Hidro Sdn. Bhd.	Malaysia	15	15	Dealing in hydropower and hydroelectric activities
Zeqna Corporation Sdn. Bhd.	Malaysia	15	15	Dealing in hydropower and hydroelectric activities
Koridor Mentari Sdn. Bhd.	Malaysia	15	15	Dealing in hydropower and hydroelectric activities
Sumber Sejahtera Sdn. Bhd.	Malaysia	15	15	Dealing in hydropower and hydroelectric activities
WGC PHREC Hydro Sdn. Bhd.	Malaysia	15	15	Dealing in hydropower and hydroelectric activities
Maju Renewable Energy Sdn. Bhd.	Malaysia	15	15	Dealing in hydropower and hydroelectric activities
Maju Renewable Energy (Talang) Sdn. Bhd.	Malaysia	15	-	Dealing in hydropower and hydroelectric activities
Maju Renewable Energy (Temenggor) Sdn. Bhd.	Malaysia	15	-	Dealing in hydropower and hydroelectric activities
Gelinting Hydro Sdn. Bhd.	Malaysia	15	15	Dealing in hydropower and hydroelectric activities
AVA Hidro Sdn. Bhd.	Malaysia	15	15	Dealing in hydropower and hydroelectric activities
Pelus Hidro Sdn. Bhd.	Malaysia	15	15	Dealing in hydropower and hydroelectric activities
Manifest Frontier Sdn. Bhd.	Malaysia	15	15	Dealing in hydropower and hydroelectric activities

The investments in associates are held under PHREC, a subsidiary of the Company. On 17th December 2012, PHREC had signed a Water Rights Agreement ("WRA") with the State Government of Perak Darul Ridzuan. The WRA is an essential component in the associates' business activities in hydropower and hydroelectric activities in the state of Perak. Shares were allotted to PHREC by virtue of the WRA.

The costs associated with the acquisition of the WRA could not be specifically identified and all expenses if any, related to this acquisition, had been charged to profit and loss of PHREC during the previous financial years as they were incurred.

The results of some associates have not been consolidated in this set of financial statements due to the unavailability of audited financial statements of the certain associates. The directors are of the opinion that the omission of these results would have no impact to the overall results of the Group as certain of the associates' business activities are still in the early development stages of constructing hydropower plants.

15) INVESTMENT IN ASSOCIATES (cont'd)

The Company has not recognised losses relating to the associates, where its share of losses exceeds the Company's interest in these associates as the Company has no obligation in respect of these losses.

* On 14th December 2017, due to increase of the paid-up share capital in Kerian Energy Sdn Bhd, the Group's equity interest reduced from 15% to 5%. Subsequently on 29th December 2017, the Group disposed of 2.5% of its equity interest in Kerian Energy Sdn. Bhd, hence resulted in the equity interest further reduced from 5% to 2.5%. The investment is now shown as other financial assets in Note 15 to the Financial Statements.

The summarised financial information of the certain associates, not adjusted for the proportion of ownership interest held by the Group as at 31st December 2017, is as follow:

	GROUP	
	2017	2016
	RM	RM
Assets and Liabilities		
Non-current Assets	15,727,855	13,644,278
Current Assets	3,574,771	9,582,777
Total Assets	19,302,626	23,227,055
Total Liabilities	39,172,751	140,442,479
Results		
Loss for the year	(15,504,878)	(96,659)

16) OTHER FINANCIAL ASSETS

	GROUP	
	2017	2016
	RM	RM
Available for sale financial assets		
Unquoted shares, at cost	3,657,248	253,678
Less: Accumulated impairment loss	(222,134)	(223,550)
Net carrying amount	3,435,114	30,128

16) OTHER FINANCIAL ASSETS (cont'd)

Name of Company	Country of Incorporation	Proportion of Ownership Interest/Voting Rights held by the Company 2017 %	2016 %	Principal Activities
Kerian Energy Sdn. Bhd.	Malaysia	2.5	15	Dealing in hydropower and in hydroelectric activities
Kuasa Sezaman Sdn. Bhd.	Malaysia	9.9	9.9	Dealing in hydropower and in hydroelectric activities and
Red & Yellow Omnibus Company Sdn. Bhd.	Malaysia	4.94	4.94	Bus transportation

17) TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAID EXPENSES

	GROUP 2017 RM	GROUP 2016 RM
Trade receivables	1,523,685	1,006,861
Less: Allowance for doubtful debts	(471,162)	(471,162)
Net	1,052,523	535,699

Trade receivables comprise amounts receivable for sales of goods and services rendered. The normal credit period granted on sales of goods and services rendered ranges from 45 to 60 days. Other credit terms are assessed and approved on a case by case basis.

Included in trade receivables of the Group are debts arising from government agency customer.

Other receivables and prepaid expenses consist of:

	GROUP 2017 RM	GROUP 2016 RM	COMPANY 2017 RM	COMPANY 2016 RM
Non-current asset				
Other receivables	1,928,166	245,000	-	-
Current assets				
Other receivables	3,873,701	811,895	-	-
Refundable deposits	178,071	38,945	25,000	25,000
Prepaid expenses	256,945	975,720	4,018	55,519
	4,308,717	1,826,560	29,018	80,519
	6,236,883	2,071,560	29,018	80,519

The trade and other receivables are all denominated in Ringgit Malaysia.

18) GOODWILL ON CONSOLIDATION

	GROUP	
	2017	2016
	RM	RM
Balance as at beginning of the year	22,036,009	20,883,170
Add: Additions during the year	-	1,152,839
Balance as at end of the year	22,036,009	22,036,009

Goodwill in respect of acquisition of the subsidiaries by the Group has been allocated to its cash-generating unit (CGUs) where the recoverable amount of CGUs has been based on value-in-use calculations using five year and twenty two year financial projections. No revenue and expenses growth were projected from sixth year and twenty third year to perpetuity.

The discount rate based on the Group's weighted average cost of capital was applied in determining the recoverable amount of the respective CGU.

Sensitivity to changes in assumptions

Management believes that no reasonable possible changes in any of the key assumptions above would cause the carrying values of the CGUs to materially exceed their recoverable amounts.

19) DEFERRED TAXATION

	GROUP		COMPANY	
	2017	2016	2017	2016
	RM	RM	RM	RM
Deferred tax assets				
Balance as at beginning of the year	2,247,588	2,045,371	2,277	2,977
Recognised in profit or loss (Note 10)	(397,041)	202,217	(701)	(700)
Balance as at end of the year	1,850,547	2,247,588	1,576	2,277
Deferred tax liabilities				
Balance as at beginning of the year	3,836,056	3,076,705	2,277	2,977
Recognised in profit or loss (Note 10)	(859,239)	759,351	(701)	(700)
Balance as at end of the year	2,976,817	3,836,056	1,576	2,277

Presented after appropriate offsetting as follows:

	GROUP		COMPANY	
	2017	2016	2017	2016
	RM	RM	RM	RM
Deferred tax assets	1,850,547	2,247,588	-	-
Deffered tax liabilities	(2,976,817)	(3,836,056)	-	-

19) DEFERRED TAXATION (cont'd)

The recognised deferred taxation are made up of the following:

	GROUP		COMPANY	
	2017 RM	2016 RM	2017 RM	2016 RM
Deferred tax assets				
Tax effects of:				
Unabsorbed capital allowances	1,850,547	2,247,588	1,576	2,277
Deferred tax liabilities				
Tax effects of:				
Temporary differences between tax capital allowance and book depreciation of property, plant and equipment	2,976,817	3,836,056	1,576	2,277

20) INVENTORIES

	GROUP	
	2017 RM	2016 RM
At cost:		
Spare parts for motor vehicles	756,813	634,462

21) CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2017 RM	2016 RM	2017 RM	2016 RM
Cash and cash equivalents consist of:				
Deposits with licensed banks	41,951	40,733	-	-
Cash and bank balances	49,751,004	51,103,719	13,932,832	14,687,823
	49,792,955	51,144,452	13,932,832	14,687,823

The deposits of the Group earn effective interest rate ranging from 3.1% to 3.6% (2016: 3.1% to 3.6%) per annum and have maturity ranging from 1 to 12 (2016: 1 to 12) months.

The cash and cash equivalents are all denominated in Ringgit Malaysia.

22) SHARE CAPITAL

	GROUP AND COMPANY No. of ordinary shares of RM0.40 each		GROUP AND COMPANY Amount	
	2017	2016	2017 RM	2016 RM
Authorised	-	750,000,000	-	300,000,000
Issued and fully paid				
Balance as at beginning of year	236,102,208	236,102,208	94,440,883	94,440,883
Issued during the year	77,500	-	37,510	-
Balance as at end of the year	236,179,708	236,102,208	94,478,393	94,440,883

The Group's and the Company's issued and fully paid-up share capital comprises ordinary shares with a par value of RM0.40 each. The new Companies Act, 2016, which came into operation on 31st January 2017, introduced the "no par value" regime. Accordingly, the concepts of "authorised share capital" and "par value" have been abolished.

As approved by the shareholders via Directors' Circular Resolutions dated 14th June 2017 and 20th June 2017, the issued paid up share capital of the Company was increased from RM94,440,883 to RM94,478,393 during the financial year by the allotment of 77,500 new ordinary shares pursuant to the Employees' Share Option Scheme ("ESOS") of the Company. These new shares rank pari passu with the then existing ordinary shares of the Company.

WARRANTS 2010/2020

Pursuant to a deed poll dated 3rd September 2010, the Company issued 25,177,000 detachable warrants on 11th October 2010 in conjunction with a rights issue of 50,354,000 new ordinary shares in the Company. Each warrant entitles the registered holder at any time during the exercise period from 11th October 2010 to 11th October 2020 to subscribe for one (1) new ordinary share in the Company at an exercise price of RM0.50 per share.

In 2015, the exercise price of the warrant was adjusted from RM0.50 to RM0.40 and additional 37,765,500 warrants were issued arising from the adjustments pursuant to the bonus issue exercise. As at 31st December 2017, none of the aforesaid warrants have been exercised.

SHARE OPTIONS

A new Gunung Capital Berhad's Employees' Share Option Scheme ("ESOS") was approved by shareholders at an Extraordinary General Meeting held on 29th May 2015 and became effective on 5th June 2015 for a period of five (5) years.

The salient features of the ESOS are as follows:

a) the maximum number of new shares that may be issued and allotted under the scheme shall not, in aggregate, exceed ten percent (10%) of the Company's total issued and paid-up share capital (excluding treasury shares, if any) at any one time during the duration of the ESOS;

b) eligible person are confirmed employees including executive and non-executive directors of the Group. The employees must be employed on a full-time basis and are on the payroll of at lease one (1) company in the Group which is not dormant. The directors must be appointed as a director of a company within the Group (excluding dormant subsidiaries). However, where the employee/director is serving under an employment contract, the contract should be for a duration of at least one (1) year;

22) SHARE CAPITAL (cont'd)

SHARE OPTIONS (cont'd)

c) not more than fifty percent (50%) and five percent (5%) of the shares under the ESOS will be granted to the executive directors and non-executive directors respectively. In addition, not more than fifteen percent (15%) of the shares under the ESOS will be granted to the senior management;

d) the option price may be at a discount of not exceeding ten percent (10%) from the five (5)-day volume weighted average market price of the underlying shares preceding the date of offer or at par value of the ordinary shares of the Company, whichever is higher;

e) the ESOS shall be in force for a period of five (5) years and extendable for another five (5) years from the effective date; and

f) the options granted may be exercised in full immediately or in parts within the duration of the scheme.

			Number of options over ordinary shares			
Granted on	Expiry date	Exercise price per ordinary share	Balance as at 1.1.2017	Granted	Exercised	Balance as at 31.12.2017
1st April 2016	4th June 2020	0.41	18,763,000	-	(77,500)	18,685,500

The options granted may be exercised in a staggered basis within the option period up to 4th June 2020. The option price for the ordinary shares under the ESOS is RM0.41 per ordinary share.

23) RESERVES

	GROUP		COMPANY	
	2017 RM	2016 RM	2017 RM	2016 RM
Distributable reserve:				
Retained earnings	8,183,523	10,819,167	1,724,227	3,080,346
Non-Distributable reserves:				
Warrant reserve	1,007,080	1,007,080	1,007,080	1,007,080
ESOS reserve	1,386,480	1,392,215	1,386,480	1,392,215
Equity transaction reserve	(5,192,851)	(5,192,851)	-	-
	(2,799,291)	(2,793,556)	2,393,560	2,399,295
	5,384,232	8,025,611	4,117,787	5,479,641

Retained earnings

The Company is able to distribute dividends out of its entire retained earnings under the single-tier system.

Warrants reserve

Warrants reserve represents the proceeds from the issuance of warrants which is non-distributable. The warrants reserve is transferred to the share capital account upon the exercise of warrants and the warrants reserve in relation to the unexercised warrants at the expiry of the warrants will be transferred to retained earnings.

23) RESERVES (cont'd)

Equity transaction reserve

The equity transaction reserve comprises the differences between the share of non-controlling interests in subsidiaries acquired, disposed and the consideration paid or received.

24) FINANCE LEASE AND HIRE PURCHASE CREDITORS

	GROUP	
	2017	2016
	RM	RM
Gross balance	298,889	260,785
Less:		
Finance lease and hire purchase interest in suspense	(45,784)	(30,369)
Principal outstanding	253,105	230,416
Portion payable within the next 12 months (included in current liabilities)	38,392	86,552
Portion payable after the next 12 months:		
Payable between 1 and 2 years	33,891	27,236
Payable between 2 and 5 years	113,732	72,075
Payable after 5 years	67,090	44,553
	214,713	143,864
	253,105	230,416

The interest rates on the hire purchase obligations range from 2.37% to 2.89% (2016: 2.37% to 2.89%) per annum.

The movement of finance lease and hire purchase liabilities is as follows:

	GROUP	
	2017	2016
	RM	RM
As at 1st January	260,785	149,222
Additions:		
Principal	116,700	166,400
Interest	26,888	33,526
	143,588	199,926
Payments of:		
Principal	(94,011)	(78,473)
Interest	(11,473)	(9,890)
	(105,484)	(88,363)
Gross balance	298,889	260,785
Less:		
Finance lease and hire purchase interest in suspense	(45,784)	(30,369)
As at 31st December	253,105	230,416

25) TERM LOAN

	GROUP	
	2017	2016
	RM	RM
Secured term loan	1,003,000	-
Less: Portion payable within the next 12 months	(325,838)	-
Non-current portion	677,162	-

The non-current portion of the term loan is repayable as follows:

	GROUP	
Financial years ending 31st December:		
2019	416,295	-
2020	260,867	-

The above term loan is secured by the following:

i) Facility agreement as principal instrument;
ii) Fresh Credit Guarantee Corporation (M) Berhad (CGC) guarantee under Green Technology Financing Scheme (GTFS);
iii) Fresh Deed of Assignment of Renewable Energy Power Purchase Agreement (REPPA) proceeds between the Group and the financial institution that all REPPA proceeds to be channelled direct to the Group's Collection Account with the financial institution;
iv) Fresh Debenture over fixed and floating present and future assets of a subsidiary;
v) Fresh Joint and Several Guarantee to be executed by several individuals in their personal capacity; and
vi) Fresh Corporate Guarantee to be executed by a company in which a director of a subsidiary is also the director.

The above term loan bears interest at rates of 6.85% per annum.

26) TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

Trade and other payables comprise amounts outstanding for trade and ongoing costs. The average credit period granted to the Group and the Company for trade purchases is 30 days.

Other payables and accrued expenses consist of:

	GROUP		COMPANY	
	2017	2016	2017	2016
	RM	RM	RM	RM
Non-current liabilities				
Other payable	1,714,421	-	-	-
Current liabilities				
Other payables	2,670,158	577,706	-	16,863
Accrued expenses	169,293	152,178	73,845	70,606
	2,839,451	729,884	73,845	87,469
	4,553,872	729,884	73,845	87,469

The trade and other payables are all denominated in Ringgit Malaysia.

27) SEGMENTAL INFORMATION

BUSINESS SEGMENTS

	Transportation services RM	Hydropower activities RM	Investment holding and others RM	Eliminations RM	Consolidated RM
2017					
REVENUE					
Sales	40,301,621	-	-	(28,572)	40,273,049
RESULTS					
Profit/(Loss) before tax	(3,778,694)	4,303,601	(1,356,119)	-	(831,212)
Income tax credit					459,866
Loss for the year					(371,346)
OTHER INFORMATION					
Segment assets	52,590,025	21,692,873	98,670,025	(64,379,580)	108,573,343
Segment liabilities	15,433,121	16,963,857	73,845	(26,660,846)	5,809,977
Capital expenditure	-	8,159,098	-	-	8,159,098
Depreciation	7,343,809	97,229	2,918	-	7,443,956
Non cash expenses other than depreciation	-	111,834	-	-	111,834
2016					
REVENUE					
Sales	39,661,660	-	-	(35,244)	39,626,416
RESULTS					
Profit/(Loss) before tax	2,461,023	(1,237,642)	(2,849,352)	-	(1,625,971)
Income tax expense					(597,623)
Loss for the year					(2,223,594)
OTHER INFORMATION					
Segment assets	60,598,260	8,493,791	100,007,993	(64,573,878)	104,526,166
Segment liabilities	19,660,330	8,068,376	87,469	(26,855,144)	961,031
Capital expenditure	332,635	782,108	-	-	1,114,743
Depreciation	7,538,263	102,351	2,918	-	7,643,532
Non cash expenses other than depreciation	40,639	240,556	1,392,215	-	1,673,410

27) SEGMENTAL INFORMATION (cont'd)

GEOGRAPHICAL SEGMENTS

The Group's operations are entirely located in Malaysia. Therefore, information on geographical segments is not presented.

INFORMATION ABOUT A MAJOR CUSTOMER

Revenue from one major customer, being a group of government agencies, amounted to RM37,352,499 (2016:RM36,478,919) arising from transportation services.

28) SIGNIFICANT RELATED PARTY TRANSACTIONS

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 have the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel are 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 include all the directors of the Group.

In the normal course of business, the Group and the Company undertake on agreed terms and prices, transactions with its related companies and other related parties.

a) In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions. The related party transactions listed below were carried out on terms and conditions obtainable in transactions with unrelated parties unless otherwise stated.

	GROUP		COMPANY	
	2017 RM	2016 RM	2017 RM	2016 RM
i) Professional fees paid to a related party, AAsia-East Capital Sdn. Bhd.	390,000	360,000	390,000	360,000
ii) Rental of premises paid to a director, Dato' Syed Abu Hussin Bin Hafiz Syed Abdul Fasal	203,520	198,720	203,520	198,720
iii) Development expenditure paid to a related party, AAsia-East Capital Sdn. Bhd.	-	120,000	-	-

b) Government related entities

On 3rd November 2010, Bas Rakyat Sdn. Bhd., a wholly-owned subsidiary of GPB Corporation Sdn. Bhd. has entered into an agreement with Perak State Government (State Government) for the provision of public transportation services in Manjung district in the state of Perak Darul Ridzuan. In 2013, Bas Rakyat Sdn. Bhd. is a government related entity as its remaining 25% equity interest is related to the State Government. However, the 25% equity interest was transferred to GPB Corporation Sdn. Bhd. in 2015.

The duration of the agreement is 84 months. Under the agreement, the State Government will reimburse Bas Rakyat Sdn. Bhd. for a period of 60 months and no subsequent payment will be made for the remaining period of 24 months.

	2017 RM	2016 RM
Income from public transportation services	-	504,000

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 23rd Annual General Meeting of the Company will be held at the Meeting Room, D-1-6, Ayer@8, Jalan P8G, Presint 8, 62250 Putrajaya on Thursday, 24 May 2018 at 10.00 a.m. for the following purposes:-

AGENDA

As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2017 together with the Directors' Reports and Auditors' Report thereon.
   (Please refer to Explanatory Note A)

2. To approve the payment of Directors' Fees of RM180,000 for the financial year ended 31 December 2017. **(Resolution 1)**

3. To approve the payment of Directors' benefits (excluding Directors' Fee) payable of up to RM65,000 for the period from 1 January 2018 until the next Annual General Meeting of the Company. **(Resolution 2)**

4. To re-elect Tuan Iskandar Ibrahim who retires by rotation in accordance with Article 101 of the Company's Articles of Association (Constitution). **(Resolution 3)**

5. To re-elect Dato' Syed Abu Hussin bin Hafiz Syed Abdul Fasal who retires by rotation in accordance with Article 101 of the Company's Articles of Association (Constitution). **(Resolution 4)**

6. To re-elect Dato' Syed Abu Hussin bin Hafiz Syed Abdul Fasal who retires by rotation in accordance with Article 101 of the Company's Articles of Association (Constitution). **(Resolution 5)**

7. To re-appoint Messrs STYL Associates as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 6)**

Special Business
To consider and if thought fit, to pass the following ordinary resolutions:-

8. **Authority to Issue Shares Pursuant to Section 75 and 76 of the Companies Act, 2016** **(Resolution 7)**

   "That subject to Section 75 and 76 of the Companies Act, 2016 and the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this Resolution in any one financial year does not exceed 10% of the total issued share capital of the Company for the time being.

   AND THAT such authority shall commence immediately upon passing of this Resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company." *(Please refer to Explanatory Note B)*

9. **Retention of Independent Non-Executive** **(Resolution 8)**

   "Approval be and is hereby given to Mr. Peter Wong Hoy Kim who has served as Senior Independent Non-Executive Director of the Company for a cumulative term of more than twelve (12) years, to continue to act as Senior Independent Non-Executive Director of the Company." *(Please refer to Explanatory Note C)*

By Order of the Board

Jesslyn Ong Bee Fang (MAICSA 7020672)
Eric Toh Chee Seong (MAICSA 7016178)
Company Secretaries

Perak Darul Ridzuan
30 April 2018

Notes:

1. A member of the Company, eligible to attend and vote at the meeting, is entitled to appoint a proxy or proxies to vote in his/her stead. A proxy may but need not be a member of the Company.
2. Where a member appoints two (2) or more proxies, the appointments shall be invalid unless he/she specifies the proportions of his/her shareholdings to be represented by each proxy.
3. 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. An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of subsection 25A(1) of the Central Depositories Act.
4. The Form of Proxy shall be in writing under the hand of the appointor or his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.
5. All Forms of Proxy must be deposited at the Company's Registered Office at No. 11B, Level 2, Greentown Business Centre, Persiaran Greentown 9, 30450 Ipoh, Perak Darul Ridzuan not less than 48 hours before the time set for holding the meeting or at any adjournment thereof.
6. Only members whose names appear on the Record of Depositors as at 16 May 2018 shall be entitled to attend the said AGM or appoint a proxy(ies) to attend, vote and speak on their behalf.

Explanatory Notes :

(A) To receive the Audited Financial Statements.

This Agenda is meant for discussion only in accordance with the provision of Section 340(1)(a) of the Companies Act, 2016 and does not require a formal approval of the shareholders. Hence, this agenda will not be put forward for voting.

(B) Special Business - Ordinary Resolution 7

The proposed Resolution 7 is the renewal of the mandate obtained from the members at the last Annual General Meeting. As at the date of this Notice, the Company did not allot any shares pursuant to mandate granted to the Directors at the 22nd Annual General Meeting held on 24 May 2017 as there were no requirements for such fund raising activities.

The proposed Resolution 6, if passed, would provide flexibility to the Directors to undertake fund raising activities, including but not limited to further placement of shares for the purpose of funding the Company's future investment project(s), working capital and/or acquisition(s), by the issuance of shares in the Company to such persons at any time as the Directors may deem fit provided that the aggregate number of shares issued pursuant to the mandate does not exceed 10% of the total number of issued shares of the Company for the time being, without having to convene a general meeting. This authority, unless revoked or varied by the Company in a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company or at the expiry of the period within which the next annual general meeting is required to be held after the approval was given, whichever is earlier.

NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

(C) Special Business - Ordinary Resolution 8

Mr. Wong Hoy Kim was appointed as Senior Independent Non-Executive Director on 7 November 2003 and has served for more than twelve (12) years. At the 22nd Annual General Meeting held on 24 May 2017, the shareholders of the Company approved the resolutions for them to continue to act as Senior Independent Non-Executive Directors of the Company.

The Nomination Committee and the Board have assessed the independence of Mr. Wong Hoy Kim at its meetings held on 19 April 2018 and have recommended that he continue to act as an Independent Non-Executive Director of the Company based on the following justifications:

a) He provides a check and balance and bring an element of objectivity to the Board of Directors.
b) He continues to be independent in his thinking.
c) He actively participated in board discussion and provided an independent voice on the Board.

Shareholders' approval for the proposed Ordinary Resolution 8 will be sought via two tier voting process.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

1. Details of Director who is standing for election

No individual is seeking election as a Director at the forthcoming 23rd Annual General Meeting of the Company.

2. Statement relating to general mandate for issue of securities in accordance with Paragraph 6.03 (3) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

Details of the general mandate for the authority to allot and issue shares pursuant to Section 75 and 76 of the Companies Act, 2016 are set out in Explanatory Note B of the Notice of 23rd Annual General Meeting.

ANALYSIS OF SHAREHOLDINGS

AS AT 29 MARCH 2018

Issued and fully paid-up capital	:	236,179,708 shares equivalent to RM94,472,658.20
Class of shares	:	Ordinary shares
No. of Shareholders	:	2,658

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
Less than 100	384	14.45	18,224	0.01
100 to 1,000	107	4.03	39,264	0.02
1,001 to 10,000	1,308	49.21	5,592,770	2.37
10,001 to 100,000	716	26.94	23,311,595	9.87
100,001 to less than 5% of issued shares	141	5.30	142,810,291	60.46
5% and above of issued shares	2	0.07	64,407,564	27.27
Total	2,658	100.00	236,179,708	100.00

LIST OF THIRTY LARGEST SHAREHOLDERS
(As per Record of Depositors)

	Name of Shareholders	No. of Shares	%
1.	SYED ABU HUSSIN BIN HAFIZ SYED ABDUL FASAL	36,580,468	15.49
2.	ERAYEAR EQUITY SDN BHD	27,827,096	11.78
3.	CATURAN GAMA SDN BHD	9,856,666	4.17
4.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR OOI HOCK LAI (E-SPG)	9,615,333	4.07
5.	SJ SEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NASRI BINTI HASHIM (SMT)	8,324,911	3.52
6.	UOB KAY HIAN NOMINEES (TEMPATAN) PLEDGED SECURITIES ACCOUNT FOR TEONG LIAN AIK	7,292,333	3.09
7.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR SYED ABU HUSSIN BIN HAFIZ SYED ABDUL FASAL (M96067)	7,287,833	3.09
8.	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR AASIA-EAST CAPITAL SDN BHD	6,705,532	2.84
9.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR OOI HOCK LAI (8120833)	6,666,666	2.82
10.	OOI CHIN HEAN	6,248,066	2.65
11.	CITIGROUP NOMINEES (ASING) SDN BHD PERSHING LLC FOR KENNETH RAININ FOUNDATION	5,798,905	2.46
12.	TAN CHAI CHEK	5,518,166	2.34

ANALYSIS OF SHAREHOLDINGS (Cont'd)

AS AT 29 MARCH 2018

	Name of Shareholders	No. of Shares	%
13.	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT OOI HOCK LAI	5,320,333	2.25
14.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SYED ABU HUSSIN BIN HAFIZ SYED ABDUL FASAL	5,000,000	2.12
15.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIEW KON SING @ LIEW KONG	3,966,800	1.68
16.	HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR IBRAHIM BIN HAMZAH	3,294,200	1.39
17.	CITIGROUP NOMINEES (ASING) SDN BHD PERSHING LLC FOR CARSTONE HOLDINGS LLC	2,504,278	1.06
18.	SYED ABU HUSSIN BIN HAFIZ SYED ABDUL FASAL	2,301,000	0.97
19.	CIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SIEW MUN CHUANG (PG)	2,000,000	0.85
20.	CIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NASRI BINTI HASHIM (M96074)	2,000,000	0.85
21.	HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WAN MOHAMMAD KHAIR-IL ANUAR (CCTS)	1,753,333	0.74
22	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR MOHAMMED AMIN BIN MAHMUD (MM1004)	1,565,300	0.66
23.	OOI HOCK LAI	1,443,333	0.61
24.	LAU MENG HONG	1,400,000	0.59
25.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR OOI HOCK LAI (8112444)	1,208,333	0.51
26.	MAYBANK NOMINEES (TEMPATAN) SDN BHD YEOH SIOK KEONG	1,104,000	0.47
27.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN CHUNG CHING (E-PTS)	1,043,466	0.44
28.	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN SIEW SIONG	1,000,000	0.42
29.	TEO KENG CHOO	1,000,000	0.42
30.	LOH DE KIANG	968,333	0.41

SUBSTANTIAL SHAREHOLDERS AS AT 29 MARCH 2018
(As per Register of Substantial Shareholders)

Name of Shareholdings	Direct No. of Shares	%	Indirect No. of Shares	%
Dato' Syed Abu Hussin bin Hafiz Syed Abdul Fasal	51,198,691	21.68	9,856,666	4.17
Erayear Equity Sdn Bhd	27,827,096	11.78	-	-
Low Bok Tek	-	-	27,827,096	11.78
Ooi Hock Lai	24,251,298	10.27		

DIRECTORS' SHAREHOLDING AS AT 29 MARCH 2018
(As per Register of Directors' Shareholdings)

Name	Direct No. of Shares	%	Indirect No. of Shares	%
Dato' Syed Abu Hussin bin Hafiz Syed Abdul Fasal	51,198,691	21.68	9,856,666	4.17
Iskandar Ibrahim	-	-	6,343,066	2.69
Dato' Shaiful Annuar bin Ahmad Shaffie	-	-	-	-
Peter Wong Hoy Kim	-	-	-	-
Dato' Rosli bin Sharif	-	-	-	-
Dato' Jamal bin Mohd Aris	-	-	-	-

ANALYSIS OF WARRANTHOLDINGS 2010/2020

AS AT 29 MARCH 2018

Class of Securities	:	Warrants 2010/2020
No. of Warrants	:	62,942,500
Exercise Price of Warrants	:	RM0.50
Exercise Period of Warrants	:	From 5 October 2010 to 4 October 2020
Expiry Date of Warrants	:	4 October 2020
No. of Warrantholders	:	504

DISTRIBUTION OF WARRANTHOLDINGS 2010/2020

Size of Warrant Holdings	No. of Warrant holders	%	No. of Warrants	%
Less than 100	24	4.76	942	0.00
100 to 1,000	28	5.56	5,650	0.01
1,001 to 10,000	176	34.92	857,233	1.36
10,001 to 100,000	202	40.08	8,260,412	13.12
100,001 to less than 5% of issued warrants	71	14.09	25,646,225	40.75
5% and above of issued warrants	3	0.59	28,172,038	44.76
Total	504	100.00	62,942,500	100.00

LIST OF THIRTY LARGEST REGISTERED WARRANTHOLDERS 2010/2020
(As per Record of Depositors)

	Name of Warrant Holders	No. of Warrants	%
1.	ERAYEAR EQUITY SDN. BHD.	16,998,912	27.01
2.	SYED ABU HUSSIN BIN HAFIZ SYED ABDUL FASAL	6,413,226	10.19
3.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR MOHAMMED AMIN BIN MAHMUD (MM1004)	4,759,900	7.56
4.	SJ SEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NASRI BINTI HASHIM (SMT)	2,382,000	3.78
5.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KONG KOK CHOY (8092812)	2,200,000	3.50
6.	TAN CHAI CHEK	2,149,125	3.41
7.	OOI CHIN AIK	1,568,000	2.49
8.	SJ SEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SYED ABU HUSSIN BIN HAFIZ SYED ABDUL FASAL (SMT)	1,075,000	1.71
9.	GEORGE LEE SANG KIAN	859,300	1.37
10.	TAN KHAY LONG	814,800	1.29

ANALYSIS OF WARRANTHOLDINGS 2010/2020 (Cont'd)

AS AT 29 MARCH 2018

	Name of Warrant Holders	No. of Warrants	%
11.	ROSLAN BIN HUSSIN	775,000	1.23
12.	CHIAM GUANG SOON	600,000	0.95
13.	WONG HEN SANG	575,000	0.91
14.	LOW WEE FOOK	550,000	0.87
15.	TAN ENG HAI	510,900	0.81
16.	GEORGE LEE SANG KIAN	490,000	0.78
17.	LIM CHOON LIAN	450,000	0.71
18.	MAYBANK NOMINEES (TEMPATAN) SDN BHD CHUNG SENG KONG	390,100	0.62
19.	OOI GENE HOCK	351,250	0.56
20.	LUM FOOK SENG	350,000	0.56
21.	TEO LIAN HING	292,000	0.46
22.	KHAW CHEOW KHENG	260,000	0.41
23.	CHEW CHUON GHEE	250,000	0.40
24.	CHONG BOON CHEONG	250,000	0.40
25.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR NASRI BINTI HASHIM (M96074)	250,000	0.40
26.	OOI PEY WONG	250,000	0.40
27.	SHARI BIN OSMAN	242,500	0.39
28.	ONG CHAI LUN	236,000	0.37
29.	DING NYOK CHOO	230,000	0.37
30.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES AACOUNT FOR YEO BOON HWANG (6000251)	229,900	0.37

ANALYSIS OF WARRANTHOLDINGS 2010/2020 (Cont'd)

AS AT 29 MARCH 2018

DIRECTORS' WARRANTHOLDING 2010/2020 AS AT 29 MARCH 2018

Name	Direct No. of Warrants	%	Indirect No. of Warrants	%
Dato' Syed Abu Hussin bin Hafiz Syed Abdul Fasal	7,488,226	11.90	-	-
Iskandar Ibrahim	-	-	-	-
Dato' Shaiful Annuar bin Ahmad Shaffie				
Peter Wong Hoy Kim	-	-	-	-
Dato' Rosli bin Sharif	-	-	-	-
Dato' Jamal bin Mohd Aris	-	-	-	-

FORM OF PROXY

GUNUNG CAPITAL BERHAD
330171-P

I/We, ________________________________NRIC No./Passport No./CompanyNo_______________________________________
(Full Name In Block Letters)

of ____
(Address)

being a member of **GUNUNG CAPITAL BERHAD** hereby appoint ____

____NRIC No./Passport No____

of ____
(Address)

or failing him/her ____________________________NRIC No./Passport No____

of ____
(Address)

or failing him/her, the Chairman of the meeting, as my/our proxy, to vote for me/us on my/our behalf at the 23rd Annual General Meeting of the Company to be held at the Meeting Room, D-1-6, Ayer@8, Jalan P8G, Presint 8, 62250 Putrajaya on Thursday, 24 May 2018 at 10.00 a.m and at any adjournment thereof in the manner indicated below.

		For	Against
Resolution 1	To approve the payment of Directors' Fees of RM180,000 for the financial year ended 31 December 2017		
Resolution 2	To approve the payment of Directors' benefits (excluding Directors' Fee) payable of up to RM65,000 for the period from 1 January 2018 until the next Annual General Meeting of the Company.		
Resolution 3	To re-elect Tuan Iskandar Ibrahim		
Resolution 4	To re-elect Dato' Syed Abu Hussin bin Hafiz Syed Abdul Fasal		
Resolution 5	To re-elect Dato' Jamal bin Mohd Aris		
Resolution 6	To re-appoint Messrs STYL Associates as Auditors of the Company		
Resolution 7	Authority to issue shares pursuant to Section 75 and 76 of the Companies Act, 2016		
Resolution 8	To retain Mr. Peter Wong Hoy Kim as Senior Independent Non-Executive Director		

(Please indicate with an 'X' in the spaces provided how you wish your vote to be cast. In the absence of specific directions, your proxy may vote or abstain from voting at his/her discretion)

Signed this______________day of________________2018

No. of Shares held	

____
Signature of Shareholder

Notes:-

1. A member of the Company, eligible to attend and vote at the meeting, is entitled to appoint a proxy or proxies to vote in his/her stead. A proxy may but need not be a member of the Company.
2. Where a member appoints two (2) or more proxies, the appointments shall be invalid unless he/she specifies the proportions of his/her shareholdings to be represented by each proxy.
3. 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. An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of subsection 25A(1) of the Central Depositories Act.
4. The Form of Proxy shall be in writing under the hand of the appointor or his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.
5. All Forms of Proxy must be deposited at the Company's Registered Office at No. 11B, Level 2, Greentown Business Centre, Persiaran Greentown 9, 30450 Ipoh, Perak Darul Ridzuan not less than 48 hours before the time set for holding the meeting or at any adjournment thereof.
6. Only members whose names appear on the Record of Depositors as at 16 May 2018 shall be entitled to attend the said AGM or appoint a proxy(ies) to attend, vote and speak on their behalf.

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Affix
Stamp
Here

The Company Secretary
GUNUNG CAPITAL BERHAD (330171-P)
No. 11B, Level 2, Greentown Business Centre
Persiaran Greentown 9, 30450 Ipoh
Perak Darul Ridzuan

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GUNUNG CAPITAL BERHAD (330171-P)

Corporate Head Office

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Jalan P8G, Presint 8
62250 Putrajaya
Tel : +60 (3) 8861 8271
Fax : +60 (3) 8861 8274
Email : office@gunung.com.my

Registered Office

No 11B, Level 2, Greentown Business Centre
Persiaran Greentown 9, 30450 Ipoh, Perak
Tel : +60 (5) 253 8318
Fax : +60 (5) 243 8318

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