

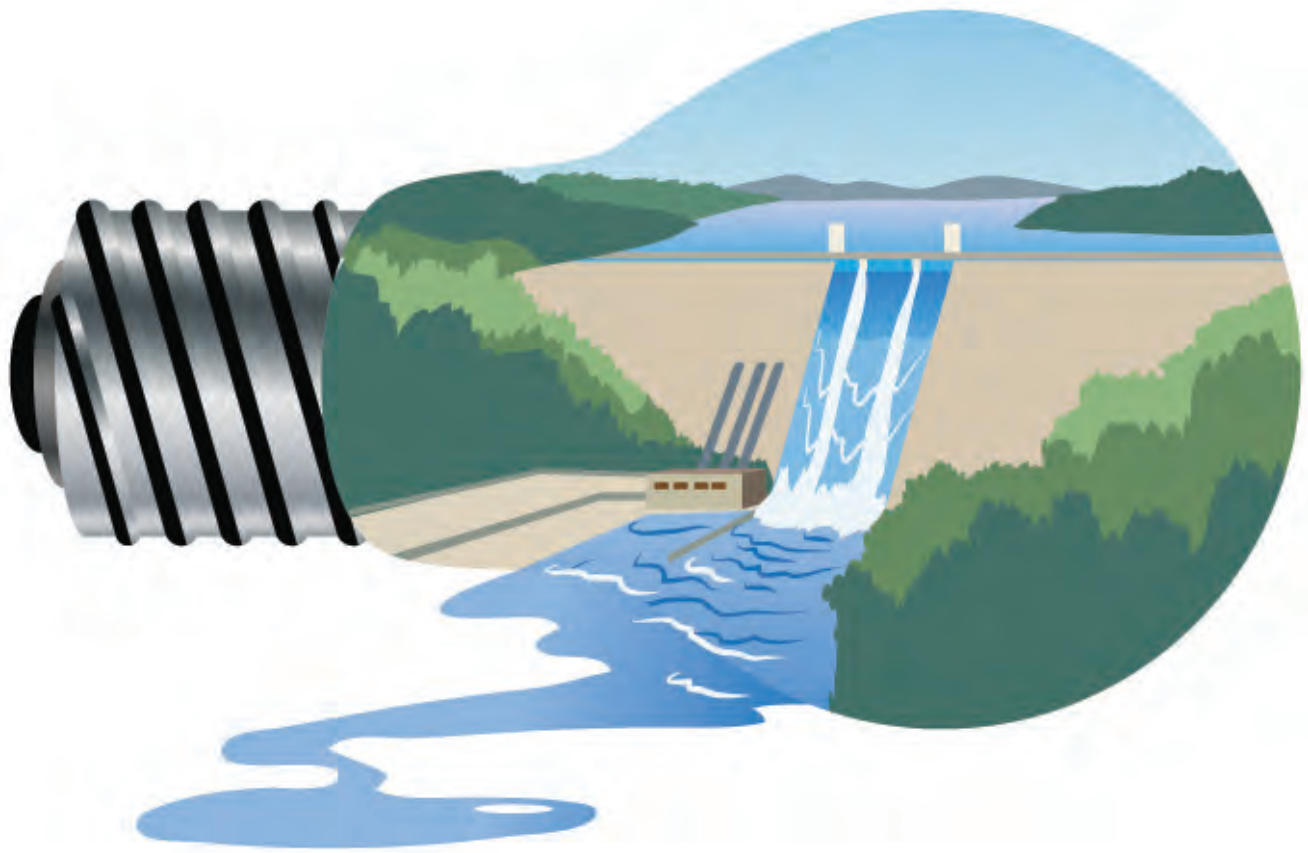


GUNUNG

CAPITAL BERHAD

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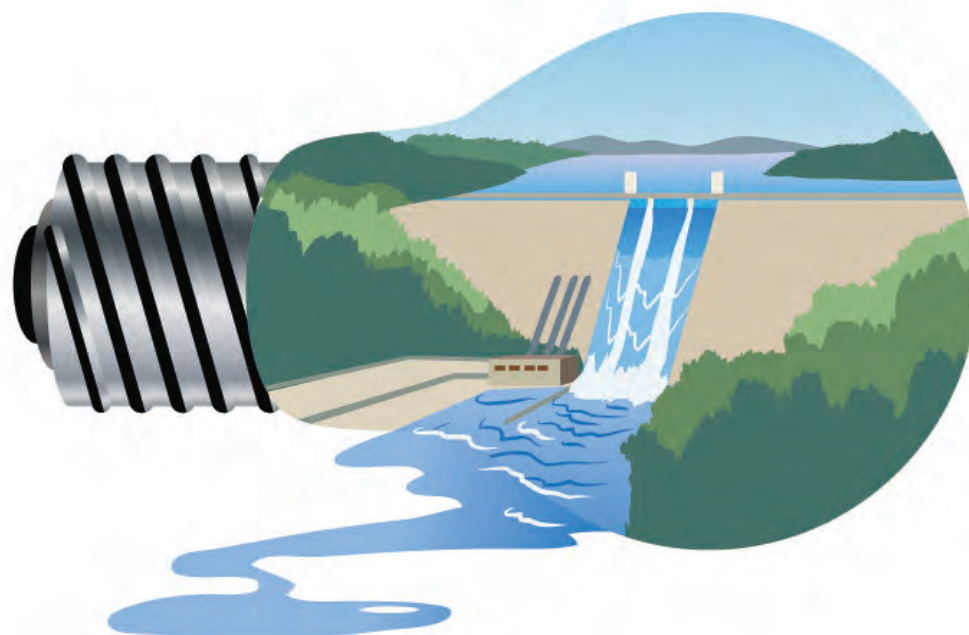
ANNUAL REPORT 2018



RENEWABLE REVOLUTION

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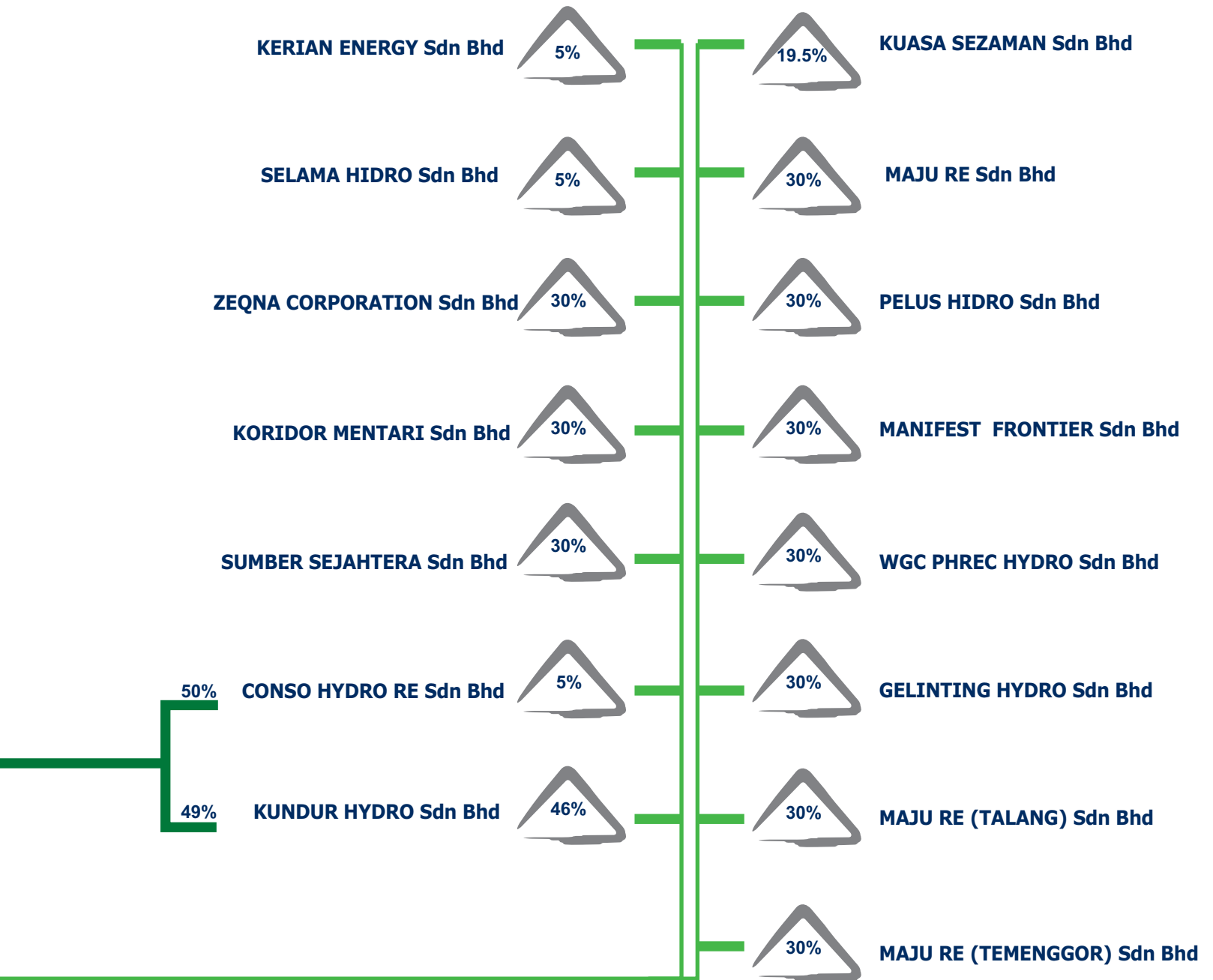
CORPORATE STRUCTURE

AS AT 31 MARCH 2019



CORPORATE STRUCTURE

AS AT 31 MARCH 2019 (cont'd)



CORPORATE INFORMATION

Board of Directors

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

Dato' Shaiful Annuar bin Ahmad Shaffie
Independent Non Executive Director

Peter Wong Hoy Kim
Senior Independent Non Executive Director

Dato' Rosli bin Sharif
Independent Non Executive Director

Dato' Jamal bin Mohd Aris
Independent Non Executive Director

Audit and Risk Management 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

Company Secretaries

Eric Toh Chee Seong (*MA/CSA 7016178*)
Jesslyn Ong Bee Fang (*MA/CSA 7020672*)

Share Registrar

Boardroom Share Registrars Sdn Bhd
(formerly known as 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

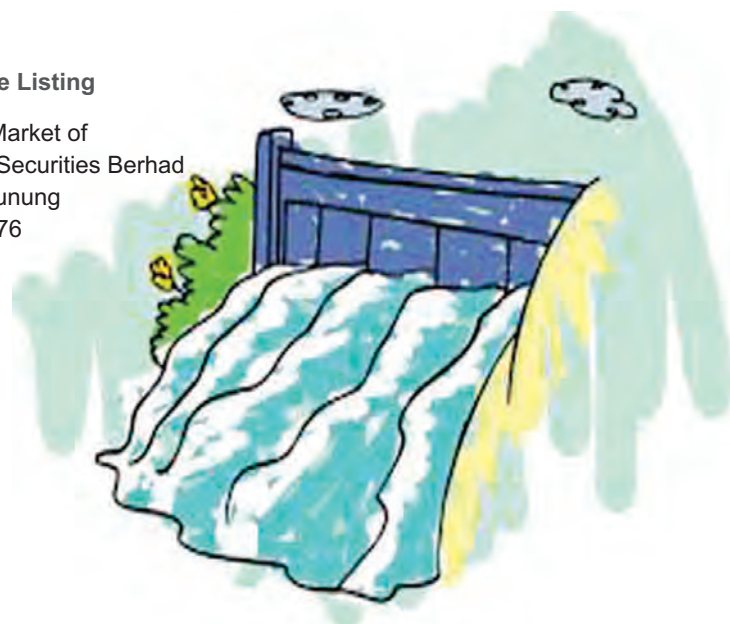
No 11B, Level 2
Greentown Business Centre
Persiaran Greentown 9
30450 Ipoh, Perak
Tel : 05-253 8318
Fax : 05-243 8318
Website: www.gunung.com.my

Auditors

STYL Associates PLT (LLP0019500-LCA & AF 001929)
Chartered Accountants
1-4-8 Level 5,
I-Avenue, Medan Kampung Relau 1,
11900 Bayan Lepas,
Penang

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 2018 (“FY 2018”). The MD&A should be read in conjunction with the audited financial statements of the Group and of the Company for FY 2018”

Overview of Group’s Business & Operations

Chartering of Transportation Assets

The Transportation division of the 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 quickly 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 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”), involving passenger transportation for National Service trainees and trainers, by bus/coach for eighty two (82) National Service camps, was suspended in May 2018 pending a further review, and then cancelled by the Government in August 2018. However, prior to the suspension of the PLKN we had completed the service-contract for the 1st batch of trainees from Jan-March and the 2nd batch of trainees from Mar-May 2018 (there was a total of 3 batches of trainees in FY2017). We had allocated on standby a total of 132 units of ‘44-seater buses’ for this service-contract under PLKN. For historical comparative analysis purposes, for FY2016 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. For FY2018 the Group’s transportation division had delivered 5,250 effective day-trips in the first five months of 2018, which was 71.3 % of the total annual effective day-trips to be provided under the service-contract. This PLKN service-contract had underpinned the Group’s contract-revenues for the previous seven consecutive years (including Q1 and Q2 2018).

In addition the shuttle bus service for the International Islamic University of Malaysia, public transport service in Majung (Perak) and ad-hoc charters continued throughout FY2018.

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.



MANAGEMENT DISCUSSION & ANALYSIS (“MD&A”) (cont'd)

PHREC had executed joint venture agreements in prior financial years with selected, capable partners, involving a number of small hydropower sites. The sites that PHREC considers currently 'active' comprises of a total nine (9) sites with a total estimated installed capacity of 81.05 MW. All of these sites have secured FIT approval, and RE Power Purchase Agreements (“RePPA”) with Tenaga Nasional Bhd (“TNB”).

- > From the total 'active' sites, two (2) small-hydropower sites with a total installed capacity of 20MW have completed the construction and development phase. One (1) site (Sungai Slim) is undergoing its commissioning and inter-connection phase with TNB, and the other site (Skim Kerian) has commenced operating and delivering energy to the National Grid.
- > From the total 'active' sites, one (1) small-hydropower site with an installed capacity of 2MW (Sungai Geruntum) is under construction and is expected to be completed within the first half of FY2020.
- > From the total 'active' sites, two (2) small-hydropower sites with a total installed capacity of 12.25MW (Sungai Korbu & Sungai Kampar), have secured their respective Development Orders to commence construction and are currently at pre-construction stage, with construction expected to commence by the second half of FY2019.
- > The balance of active sites, comprising of four (4) small-hydropower sites with a total installed capacity of 46.8MW 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 2019, and 2020 upon obtaining the necessary approvals. We have factored in a eighteen (18) month construction and commissioning period for these sites.
- > All other sites identified under the WRA are being reviewed by PHREC (some with existing joint venture arrangements with PHREC), and pre-feasibility studies have/are being carried out to determine the economic viability of these sites. We have already identified that there is approximately an estimated installed capacity total of 119MW over numerous sites under the WRA which will be economically viable for the Group to develop in the near future.

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 an associate 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 and via single tier dividends.



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

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

For the years ended 31 December (RM mil)

2014 2015 2016 2017 2018

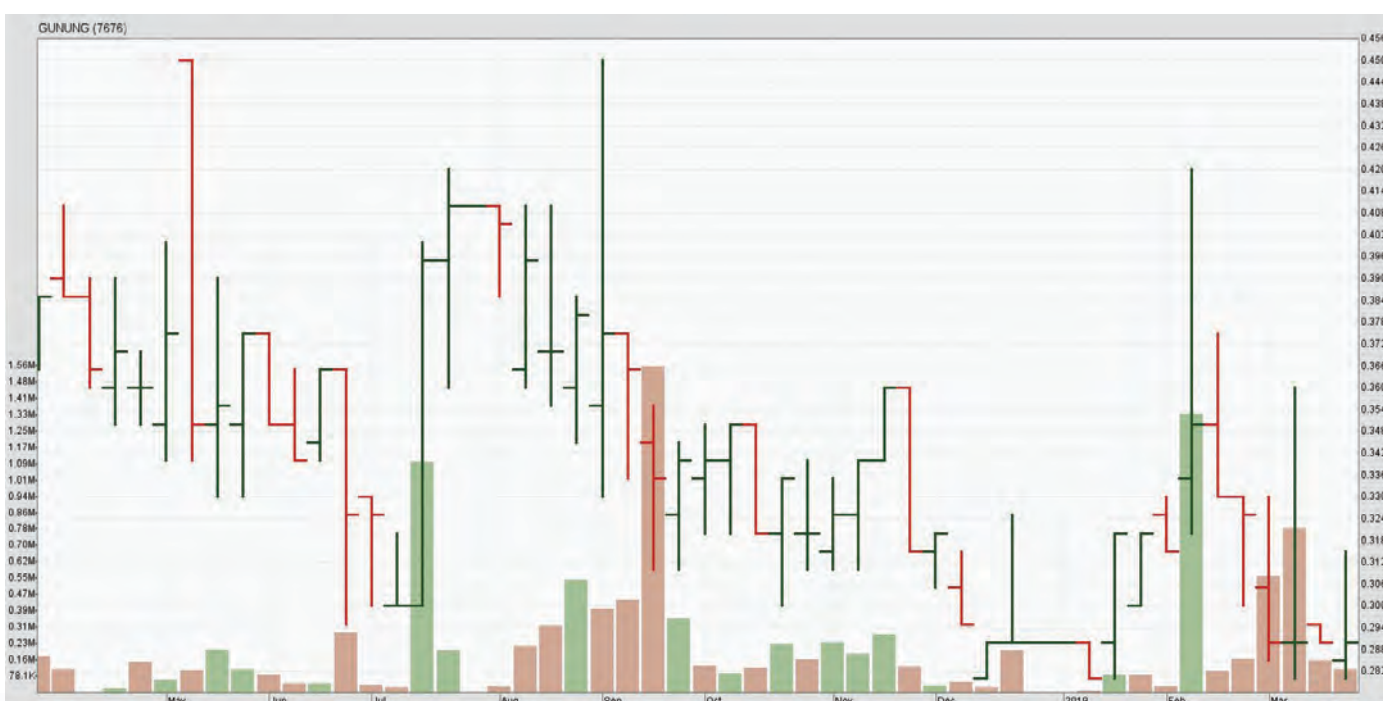
	2014	2015	2016	2017	2018
Revenue	84.78	35.63	39.63	40.27	28.44
Profit before interest and tax	19.86	(3.31)	(1.62)	(0.82)	0.82
Finance cost	1.15	0.12	0.01	0.01	0.13
Net profit attributable to owners	14.11	(2.80)	(1.70)	(2.64)	(0.21)
Shareholders’ equity	105.88	102.79	102.47	99.86	100.23
Total assets	115.43	106.93	106.77	110.42	111.87
Borrowings	3.44	0.14	0.23	1.26	2.65
Debt/ Equity (%)	3.24	0.14	0.22	1.26	2.64
Earnings per share (RM)^	0.10	(0.01)	(0.01)	(0.01)	-
Net assets per share (RM)^	0.75	0.44	0.43	0.42	0.42
Dividend per share (RM)	0.01	-	-	-	-

(*) denotes loss

^ weighted number of shares in issue for FY2014 was 141.7 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. FY2018 the total number of shares issued was 236.2 million, pursuant to 77,500 ESOS shares issued in FY2017.

Share Performance from 1 April 2018 to 31 March 2019

Year high (RM)	0.45
Year low (RM)	0.28
Year close (RM)	0.29
Market capitalization (31 Mar 2018) [RM mil]	69.67



MANAGEMENT DISCUSSION & ANALYSIS (“MD&A”) (cont'd)

Review of Financial Results and Financial Condition

Revenue

Group revenue for FY2018 was significantly lower than against that of the corresponding financial period in FY2017, down 29.4% to RM28.4 million. This was directly attributed to the drop in contract revenues from the National Service Trainee Programme (“PLKN”) service-contract, which was suspended in May 2018 pending a further review, and then cancelled by the Government in August 2018. Prior to the suspension of the PLKN we had completed the service-contract for the 1st batch of trainees from Jan-March and the 2nd batch of trainees from Mar-May. We had allocated, on standby, a total of 132 units of ‘44-seater buses’ for this service-contract under PLKN. For a historical comparative analysis purpose, for FY2016 we provided a total of 11,400 ‘effective day-trips’ under the PLKN service-contract. For financial year ended 31 December 2017, we provided a total of 12,180 ‘effective day-trips’ under this PKLN service-contract and for FY2018 the Group’s transportation division had delivered 5,250 effective day-trips in the first five months of 2018. Contract revenue from the Ministry of Defence contract to ferry school children was relatively constant throughout FY2018 and contributed approximately RM15.0 million (or 52.8%) to total Group revenue. The combined contract



revenues from the National Service Program and the Ministry of Defence contract to ferry school children, underpinned the Group’s revenue in FY2018. There was no revenue contributed by the small hydropower division in FY2018.

Profit before Tax and Expenses

Group profit before taxation for FY2018 improved substantially to RM0.69 million from a RM0.83 million loss in FY2017. This improvement was directly attributed to a gain on partial disposal of an indirect associate of RM1.80mil (comprising of 25% equity stake in Selama Hidro Sdn Bhd), and a RM1.86 million gain on disposal of 32 units of underutilized buses in FY2018.

Direct operating expenses decreased along with the drop in revenue, down by 43.8% in FY2018, reflecting the reduction of our fleet of vehicles allocated to the PLKN service-contract.

Staff costs, including Directors, increased marginally by 3.3% year-on-year as we were able to control the numbers of administration and management staff required to manage our main service-contract. This was a by-product of chartering a larger proportion of buses from third party operators than we did in FY2016 and FY2017. During FY2018 we allocated an increasing proportion of our total staff to the hydropower division.

Finance costs for FY2018 were negligible, as finance lease payables for transportation assets were fully redeemed previously, in view of expected decrease in contract-revenues from the National Service program. Interest cost for FY2018 was approximately RM127,617 and only RM12,100 in FY2017. Term loans increased by RM1.44 million to RM2.43 million FY2018 which was allocated for capital purchases by our small hydropower division.

In other operating expenses totaling RM3.31 million, Gunung recognized a one-off RM1.01 million impairment of goodwill from the transportation division, a fair value net impairment of other payables and receivables of RM0.24 million, and a RM0.13 million tax penalty on prior year underestimation.

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

Assets & Liabilities

For the years ended 31 December

	2017	(RM'000) 2018	%
<u>Total Assets</u>			
Transportation	81,816	74,357	(9.1)
Small hydropower	28,607	37,515	31.1
<u>Total Liabilities</u>			
Transportation	5,910	1,976	(66.6)
Small hydropower	2,877	7,291	153.4

For FY2018, further construction, capital expenditure & engineering, and the recognition of the partial sale of our equity in selected small hydropower sites, has contributed to a 31% increase in total assets year-on-year. Conversely, as we pair down our fleet size in view of a reduction in service-contracts in our transportation division, total assets have fallen by 9.1% year-on-year. Depreciation of our vehicles in FY2018 reduced Group consolidated property, plant and equipment by RM6.59 million. Combined, total assets increased slightly by RM1.45 million. Note, that total assets in the hydro division year-on-year was positively affected by a net RM1.1 mil fair value change to Group financial assets in line with MFRS 9.

A disposal of 32 units of underutilized buses in FY2018 generated a gain of RM1.86 million. Apart from this disposal there was no significant disposal of property, plant and equipment in FY2018.

A RM1.01 million material impairment on goodwill on consolidation, from the acquisition of GPB Corporation Sdn Bhd (transportation division) was incurred during the financial period under review. This was directly attributed to the suspension and then cancellation of the National Service Program. We expect a further partial impairment of 'goodwill on consolidation' in FY2019 in the event that no new service-contracts are secured by 100% owned subsidiary, GPB Corporation Sdn Bhd in FY2019.

Liabilities continue to be well managed, and relatively low at only 8.3% of total assets in FY2018 from 8.0% of total assets in FY2017, on the back of a decrease in current liabilities in the transportation division.

Aged analysis of trade receivables past due but not impaired:

	(RM'000)				Total
	<30 days	31-60 days	61-90 days	>180 days	
31 December 2018	176	3	-	11,170	11,349
31 December 2017	615	276	161	-	1,052

The credit terms of trade receivables granted to related parties are no different from those granted to non-related parties which are between 45-60 days. The majority of trade receivables of the Group are debts arising from Government agency customers (more than 98% of total trade receivables). A trade receivable is deemed past due when the counter party has failed to make payment when the outstanding amount are contractually due.

The past due trade receivables above 90 days are collectable. Trade receivables increased in Q2 2018 on the back of the suspension and then cancellation of the National Service Program. With 98% of receivables comprising of the PLKN Government service-contract, collection has been delayed due to the Ministry of Finance process of reviewing and verifying the scope of service provided and subsequent invoices for the service-contract carried out during the previous administration. Trade receivables from the Ferrying of School children (Ministry of Defence) are current.

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

A provision amounting to RM25,780 was made to trade receivables during the financial period under review (FY2017: nil). Invoices for the PLKN Government service-contract have been submitted to the Ministry of Defence payment system and we expect recover past due trade receivables, albeit substantially late.

The Groups cash & cash equivalents decreased RM9.30 million to RM40.49mil, a decrease of 18.7% from FY2017. This drop was primarily due to the expenditure on the PLKN service contract being incurred and the related trade receivables not collected by 31 December 2018. Non-cash depreciation expense from the Group’s fleet of vehicles, amounted to RM6.59 million. We managed to generate a RM0.89 million tax exempt interest income on our cash balances for FY2018 (RM1.01 million in FY2017).

Trade & Other Payables

Current payables in FY2018 was not significant, at RM1.17 million, and represented accrued costs for profession fees, spare parts, repairs on vehicles, and amount due to a small hydropower joint venture company for capital expenditure incurred.

Capital Requirements, Structure & Resources

Directly under 90%-owned subsidiary Gunung Hydropower Sdn Bhd, we are expecting additional capital expenditure of approximately RM13.0mil in FY2019, as construction continues, and the detailed engineering is completed on the small-hydropower sites. From internally generated funds, we expect to utilize approximately RM13.0 million. The balance of secured project financing facilities of approximately RM9.5 million will be available upon commissioning of the small hydropower plant in the first half of FY2020. With the new borrowings, the gearing ratio of the Group will increase from 1.26% to a manageable 12.12%. The weighted average interest cost of funds will be approximately 5.87% as a result of these borrowings.

Directly under 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 and investment 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 FY2019 the management does not foresee a requirement to expand or replace the existing fleet of vehicles under the Group. In fact, we are currently paring down our fleet size and will continue to do so in FY2019 to avoid the costs associated with the under utilisation our transportation assets. In FY2018 we earned a gain on the sale of our transportation assets of approximately RM1.8 million.

Foreign exchange exposure/ hedging policy

The company does not have any hedging policy or long term foreign exchange exposure. The Company has minimal one-off foreign exchange exposure to USD when purchasing spare parts for its fleet of transportation assets, and purchases of mechanical and electrical equipment for selected small hydropower projects (EURO and USD). Our current contingent liability exposure to foreign exchange movements is approximately EURO200,000.

Known Trends and Events

We expect service-contract revenues to underpin the Group’s earnings in FY2019. To address the shortfall in service-contract revenue due to the cancellation of the PLKN contract, we are focusing on securing more short term, ad hoc charters to supplement our revenue, such as shuttle bus services within university campuses.



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

Review of Operating Activities

For the years ended 31 December	2017	(RM'000) 2018	%
<u>Revenue</u>			
Transportation	40,273	28,438	(29.4)
Small hydropower	-	-	-
<u>Operating Profit</u>			
Transportation	3,736	5,126	27.1
Small hydropower	(1,795)	(1,682)	6.3

The Groups' operating profit in FY2018 of RM3.44 million was significantly higher than FY2017 at RM1.94 million, reflecting the reduction in operating costs from reducing the allocation of our fleet of vehicles to the PLKN service-contract. And also the reduction of more costly third party chartering to meet our contract-revenue obligations. This improved our operating margins in FY2018 to 12.1% from 4.8% in FY2017.

In the small-hydropower division of the Group, operating losses continued to dampen the Groups consolidated profit before tax and interest, contributing a RM1.68 million loss in FY2018 (RM1.80 million loss in FY2017). 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 FY2018 the Group registered a gain on partial disposal of an indirect associate of RM1.8mil (comprising of 25% equity stake in Selama Hidro Sdn Bhd).

It is worth noting that upon commissioning of each small hydro site, and when energy is sold to the national grid, the contribution to Group earnings will depend on the shareholding structure of each small hydro site. Those joint venture companies where the Group has a 30% (or less) equity stake, earnings will be at the associate level, and via single tier dividends. For sites under 95.1%-owned subsidiary Gunung Hydropower Sdn Bhd, earnings will be contributed directly to the Group via the consolidation of earnings and via single tier dividends.

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.



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

The Group currently relies on the Ministry of Defence for its Service-Contracts, with close to 95% of its revenue in FY2018 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.

Forward Looking Statement

The PLKN service-contract had underpinned the Group’s contract-revenues for the previous seven consecutive years (including Q1 and Q2 of 2018). The shuttle bus service for the International Islamic University of Malaysia, the Ministry of Defence contract to ferry school children, and ad-hoc charters will continue throughout FY2019. We expect these service-contract revenues to underpin the Group’s prospective earnings in the transportation division. However, from the transport division, we expect Group revenue to initially drop and then experience a minimal growth. Reducing our fleet size is an option currently undertaken to generate cashflow and reduce costs associated with the underutilization of our transportation assets. The management will be conservative with any further investment in securing additional service-contracts in chartering land-based transportation assets and specialty vehicles. Improving the overall operating efficiency will continue to be the main strategy in the transportation division.

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

In the medium 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. 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.

We are looking forward to the commissioning of a number of small-hydro projects in Perak in FY2019 and FY2020, which will contribute to Gunung’s long term revenue and earnings, and enhance Gunung’s growth potential. The long term stable income stream will reduce Gunung’s dependency on incomes solely from chartering land-based transportation assets. From the total ‘active’ sites, two (2) small-hydropower sites with a total installed capacity of 20MW have completed the construction and development phase. One (1) site (Sungai Slim) is undergoing its commissioning and inter-connection phase with TNB, and the other site (Skim Kerian) has commenced operating and delivering energy to the National Grid.



One (1) small-hydropower site with an installed capacity of 2MW (Sungai Geruntum) is under construction and is expected to be completed within the first half of FY2020.

Two (2) small-hydropower sites with a total installed capacity of 12.25MW (Sungai Korbu & Sungai Kampar), have secured their respective Development Orders to commence construction and are currently at pre-construction stage, with construction expected to commence by the second half of FY2019. The balance of active sites, comprising of four (4) small-hydropower sites with a total installed capacity of 46.8MW 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 2019, and 2020 upon obtaining the necessary approvals. We have factored in an eighteen (18) month construction and commissioning period for these sites.

All other sites identified under the WRA are being reviewed by PHREC (some with existing joint venture arrangements with PHREC), and pre-feasibility studies have/are being carried out to determine the economic viability of these sites. We have already identified that there is approximately an estimated installed capacity total of 119MW over numerous sites under the WRA which will be economically viable for the Group to develop in the near future.

The Board has not proposed a dividend/distribution policy as at FY2018, 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.

SUSTAINABILITY STATEMENT

Sustainability Message -“Energizing a Sustainable Malaysia”

“Sustainable economic development requires reliable and cost-effective energy solutions. Gunung is passionate about contributing to a Malaysia which does not depend on power from fossil fuels. We aim to accelerate the adoption of small-hydropower technology in Malaysia to conserve our environment and provide an environmentally friendly, sustainable and conflict-free energy source.

Small-hydropower is a viable technology enabling the shift towards a zero-emissions power supply, which indirectly enhances the quality of living.

We also aim to provide quality services to meet our clients’ expectations and work towards the best interests of our stakeholders through continuous improvement in efficiencies and costs. We remain aggressive in our focus on innovation, but conservative in our implementation to ensure that our solutions are a safe choice for Malaysians.



The Gunung Group is committed in ensuring business sustainability and strives to responsibly manage natural resources to contribute to the wellbeing of 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 developing renewable energy plants 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 hydro 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.”

SUSTAINABILITY STATEMENT (cont'd)

Our Stakeholders Identified



SUSTAINABILITY STATEMENT (cont'd)

Stakeholders Engagement Framework

Shareholders/Investors :

How we communicate

- Annual and extraordinary general meetings
- Annual and quarterly reporting
- Press releases and interviews
- Shareholder circulars
- One-to-one engagement, site visits, and briefings

Business Partners:

How we communicate

Principals

- Business meetings
- Training & updates
- Progress reports

Joint Venture Partners

- Director meetings
- Management and operations reports

Project Partners

- Project meetings
- Progress reports
- Performance reviews

Suppliers/ Contractors:

How we communicate

- Registration of interest and call for tenders
- Progress reports
- Regular meetings on and off site
- Performance reviews

Customers/Industry :

How we communicate

- Regular project reporting
- Exhibitions and conferences
- Press releases
- Company websites
- Involvement in meeting, dialogue sessions and briefings
- Participation in industry sponsored events

Issues That Matter :

Shareholders

- Profitability
- Business growth
- Corporate governance

Customers

- Health & safety
- Cost & productivity
- Service quality
- Environmental care and adoption of new technology and innovation

Employees

- Health & safety
- Equal opportunity
- Training and skills development
- Career development and advancement

Government/Authorities:

How we communicate

- Licence, permit, registration and certification applications and renewals
- Project proposals
- Compliance monitoring
- Consultative meetings
- Site visit briefings

Employees :

How we communicate

- Management visits to hydro sites and all local operations
- Staff meetings
- Social activities
- Internal memorandums
- Staff training
- Corporate events
- Performance reviews

Business Partners

- Profitability
- Ethical business practices

Suppliers/Contractors

- Prompt payment
- Health & safety

Government/Authority

- Regulatory compliance
- Develop the renewable industry to be competitive thereby replacing fossil fuel power plants

Local Communities

- Environmental care
- Environmental care
- Social responsibility
- Job creation

Local Communities:

How we communicate

- Site visit briefings
- Formal group briefings and question & answer sessions
- Consultative meetings
- Organising CSR events
- Involvement in community focused programmes

SUSTAINABILITY STATEMENT (cont'd)

Environmental

As an aspiring 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 to hold water and therefore no excessive deforestation requirement, the other positive environmental by-product of business is promoting responsible land use. Without a dam, our run-of-the-river small hydro plants, demand that a large catchment area upstream is preserved, with a halt on future development for at least the 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



Our aim is to be part of the reduction of carbon dioxide emissions from conventional fossil fuel based power plants, by replacing the capacity of these plants with small hydropower capacity. In FY2019/2020 we expect a total installed capacity of 74MWh of small hydropower to come on-stream under our portfolio, which will result in approximately 50,000 tonnes of 'annual avoidance of carbon dioxide equivalent'. This will be our sustainability indicator for the environmental aspect moving forward.

Replacing Carbon Dioxide Emissions with 74 MWh
(of clean Small Hydropower Renewable Energy)

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.

Average Training Hours : 3.28 Hours
(Per employee) – total 132 hours

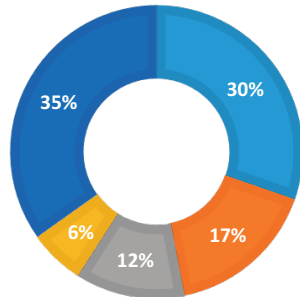
We believe that members within our organisation must work together and solidify their efforts to manifest the Company's vision and missions. We recognise talent and we recognize potential, and as such we provide the appropriate platform for employees to blossom. It is essential that the Company maximise 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 provided continual religious-based 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 2018, we had numerous compulsory internal and external training sessions for employees. Our training focus in FY2018 was on Finance (40 hours), Human Resource Management (22 hours), Sales & Marketing (16 hours), Stress Management (8 hours) and Personal/Character Development (46 hours).

Training Budget : RM130,000
(RM3,714 per employee)

SUSTAINABILITY STATEMENT (cont'd)

BREAKDOWN OF TRAINING

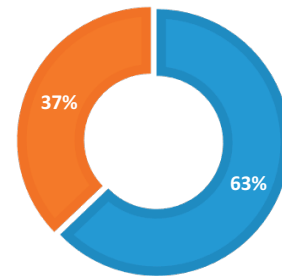


- Finance Training
- Human Resources Management
- Sales & Marketing
- Stress Management

Total budgeted cost for 132 total hours of training was RM130,000. This translated into an average 3.28 hours of training per employee (excluding fleet drivers) a RM3,714 budgeted cost per employee for training.

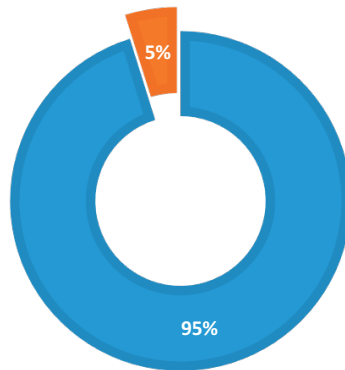
EMPLOYEES BY GENDER (ADMIN & MANAGEMENT)

■ Male ■ Female



EMPLOYEES BY GENDER (FLEET DRIVERS)

■ Male ■ Female

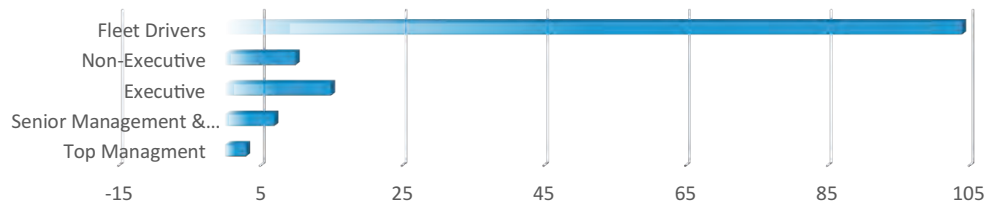


EMPLOYEES BY AGE

■ 21-30 ■ 31-40 ■ 41-50 ■ 51-60 ■ 61-above



JOB CATEGORIES TOTAL EMPLOYEES : 139



SUSTAINABILITY STATEMENT (cont'd)

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 2018, 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 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. In particular, we have committed with the State Government and various Orang Asli communities to build roads between Orang Asli villages, building community halls, providing pipes for clean water supply, and building sport facilities within the villages. A total of RM615,600 has been allocated and committed by our hydropower division for CSR to improve various Orang Asli communities within the State of Perak. 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.

CSR Committed

RM : 615,600

Improving Orang Asli Communities



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.

SUSTAINABILITY STATEMENT (cont'd)

Moving Forward

We are dedicated and committed to embrace renewable energy and expand on Sustainability for the long-term benefits of Gunung and all stakeholders, with particular focus on :-

- Employee Welfare
- Regulatory Compliance
- Social Responsibility
- Health, Safety and Environment
- Improving Natural Resource Efficiency
- Reduction in Carbon Emissions
- Creating Economic Value

To sustain and grow our business, we need expand our portfolio of small hydropower sites by adopting more of an 'asset ownership business model'. Our growth plan and strategies will continue to leverage from our core competencies of developing small hydro plants and operating within the renewable energy sector.



We will continuously improve and develop our sustainability for subsequent financial years.

Sustainability reporting has enabled us to identify, evaluate & manage material sustainability indicators in the economic, environmental and social aspects of our business. Moving forward the sustainability report 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

59, Malaysian
Managing Director cum CEO

DATE APPOINTED TO THE BOARD :	<ul style="list-style-type: none">• 8 December 2010
MEMBERSHIP OF BOARD COMMITTEES :	<ul style="list-style-type: none">• None
QUALIFICATIONS :	<ul style="list-style-type: none">• Bachelor of Computer Science, National University of Malaysia
MEMBERSHIP OF ASSOCIATIONS:	<ul style="list-style-type: none">• None
WORK EXPERIENCE AND OCCUPATION :	<ul style="list-style-type: none">• 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• 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 further re-designated as the Managing Director cum CEO on 27 November 2018 and sits on the Board of several subsidiaries of Gunung Capital Berhad.• 2011-2013 : Director UTMSPACE
DIRECTORSHIP OF PUBLIC COMPANIES (IF ANY) :	<ul style="list-style-type: none">• None
FAMILY RELATIONSHIPS (IF ANY) :	<ul style="list-style-type: none">• No family relationship with any director and/or substantial shareholder of Gunung Capital Berhad.
NO. OF BOARD MEETINGS ATTENDED FOR THE FINANCIAL YEAR :	<ul style="list-style-type: none">• 4/5

PROFILE OF DIRECTORS (cont'd)

DATO' SHAIFUL ANNUAR BIN AHMAD SHAFFIE

55, Malaysian
Independent Non-Executive Director

DATE APPOINTED TO THE BOARD :	<ul style="list-style-type: none">• 14 September 2011
MEMBERSHIP OF BOARD COMMITTEES :	<ul style="list-style-type: none">• Chairman of the Audit and Risk Management Committee, Nomination Committee and Remuneration Committee
QUALIFICATIONS :	<ul style="list-style-type: none">• Business Administration Degree from Barat College, Lake Forest Illinois, U.S.A
MEMBERSHIP OF ASSOCIATIONS:	<ul style="list-style-type: none">• None
WORK EXPERIENCE AND OCCUPATION :	<ul style="list-style-type: none">• 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 Kinijua 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) :	<ul style="list-style-type: none">• None
FAMILY RELATIONSHIPS (IF ANY) :	<ul style="list-style-type: none">• No family relationship with any director and/or substantial shareholder of Gunung Capital Berhad.
NO. OF BOARD MEETINGS ATTENDED FOR THE FINANCIAL YEAR :	<ul style="list-style-type: none">• 4/5

PROFILE OF DIRECTORS (cont'd)

PETER WONG HOY KIM

78, Malaysian

Senior Independent Non-Executive Director

DATE APPOINTED TO THE BOARD :	<ul style="list-style-type: none">• 7 November 2003
MEMBERSHIP OF BOARD COMMITTEES :	<ul style="list-style-type: none">• Member of Audit Committee, Nomination Committee and Remuneration Committee
QUALIFICATIONS :	<ul style="list-style-type: none">• 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:	<ul style="list-style-type: none">• None
WORK EXPERIENCE AND OCCUPATION :	<ul style="list-style-type: none">• 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) :	<ul style="list-style-type: none">• None
FAMILY RELATIONSHIPS (IF ANY) :	<ul style="list-style-type: none">• No family relationship with any director and/or substantial shareholder of Gunung Capital Berhad.
NO. OF BOARD MEETINGS ATTENDED FOR THE FINANCIAL YEAR :	<ul style="list-style-type: none">• 5/5

PROFILE OF DIRECTORS (cont'd)

DATO' ROSLI BIN SHARIF

65, 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 : • 5/5

PROFILE OF DIRECTORS (cont'd)

DATO' JAMAL BIN MOHD ARIS

56, 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 : • 5/5

KEY MANAGEMENT PROFILE

Syed Amir Nidzamuddin Bin Syed Abu Hussin

Head of Legal and Compliance, Gunung Capital Berhad

Mr Syed Amir, male aged 31, 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 advice to the Board of Directors as and when needed.

Rifqah Binti Ariffin

Senior Accounts Manager, Gunung Capital Berhad

Cik Rifqah, female aged 37, holds a Bachelor Degree in Accountancy from Universiti Utara Malaysia. She started her career as an Accounts Assistant with Bina Management between 2006 to 2007. In January 2008, she joined Kopeda (M) Sdn Bhd as an Accounts Executive where she was responsible for the company's overall day to day accounting and finance function. In November 2010, Cik Rifqah joined Gunung Capital Berhad as the Accounts Manager. During this period, she is entrusted to handle the full set of accounts under the Group with supervision and direction of the Executive Director. She is also responsible in the preparation and submission of the quarterly management account to the regulators. She also liaises with the Group's external auditors, tax agents, bankers, creditors and others that are directly involved in the finance function of the company. In 2017, she was promoted to her current post and she leads the Accounting Department of the Group, as well as each of the Group's subsidiaries.

Nur Iman Binti Bador

Human Resources & Administration Manager, GPB Corporation Sdn Bhd

Puan Nur Iman, female aged 68, 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.

KEY MANAGEMENT PROFILE (cont'd)

Anizarni Binti Adri

Operations Manager, GPB Corporation Sdn Bhd

Puan Anizarni, female aged 33, is a holder of Diploma in Mechatronic Engineering from Politeknik Sultan Azlan Shah, Tanjung Malim and Executive Diploma in Industrial Training from Universiti Tun Hussein Onn. She joined GPB Corporation Sdn Bhd in August 2011 as a Technical Executive where she is responsible to supervise the technicians and mechanics under the company. She is also entrusted to maintain and update the technical and process documentations of the company's huge fleet of vehicles. In 2014, Puan Anizarni was promoted to Operations Executive where her job scope has been expanded to include the management and supervision of the Operations Department and the Marketing Department, in addition to the Technical Department. In 2017, she was upgraded to her current position where she leads the operational aspects of the company under the direction of the Executive Director, and she is also the liaison of the company in dealing with customers and vendors.

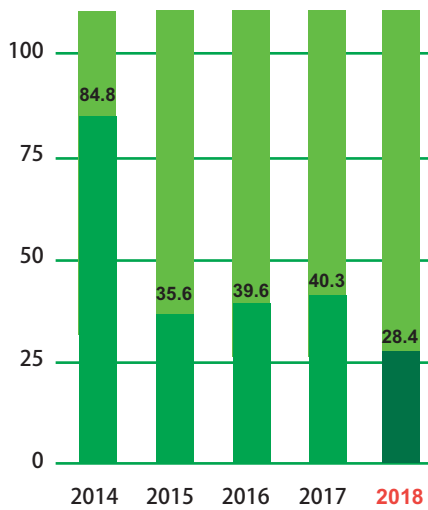
Dzulkifly bin Abdul Khalid

General Manager, Perak Hydro Renewable Energy Corporation Sdn Bhd.

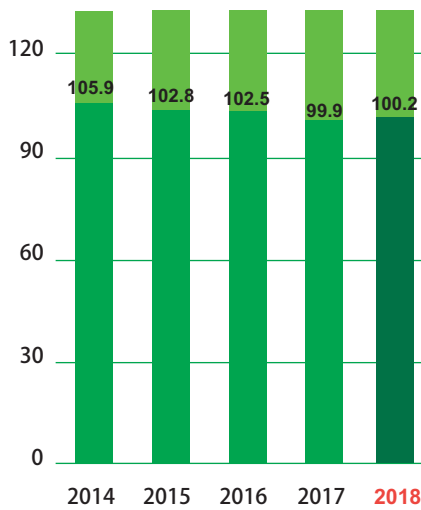
Mr Dzulkifly obtained a Certificate in Mechanical Engineering from Politeknik Ungku Omar, Ipoh in 1995. He then served for 15 years from 1995 to 2010 in Minolta Malaysia Sdn Bhd, Konica Minolta Precision Engineering Sdn Bhd and Sony Precision Engineering Sdn Bhd. His last position was the Head of Section in the Production Division where he was in charge of the production line planning which includes the management of manpower and materials. Between 2010 to 2013, he joined Sanwa Printing Sdn Bhd as the Quality Assurance (QA) Executive. He was tasked to supervise the company's QA department, ensuring the compliance with high standard of quality control in the printing industry. In 2013, Mr Dzulkifly joined Perak Hydro Renewable Energy Corporation Sdn Bhd as a Corporate Affairs Executive. His job scope was to handle the project co-ordination with various State Government Agencies as well as to engage with the public in the specific project area for the development of the small hydro projects. In 2015, he was promoted to the position of Assistant Operations Manager where he was responsible for the overall company operations which includes project progress updates, managing relationships and interactions with State Government Agencies as well as public relations. Mr Dzulkifly is then appointed into his current position in early 2018. He is now responsible for the day to day operations of the Company, as well as being in charge for the operations and project developments of the subsidiaries of the Company.

PERFORMANCE REVIEW

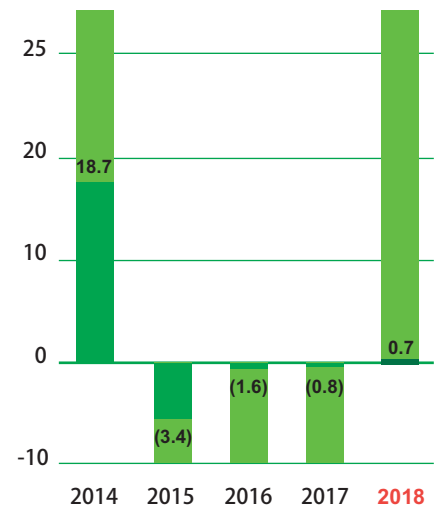
REVENUE
(RM Million)



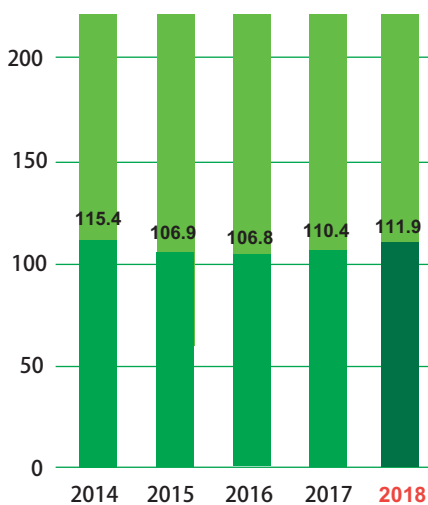
SHAREHOLDERS' FUNDS
(RM Million)



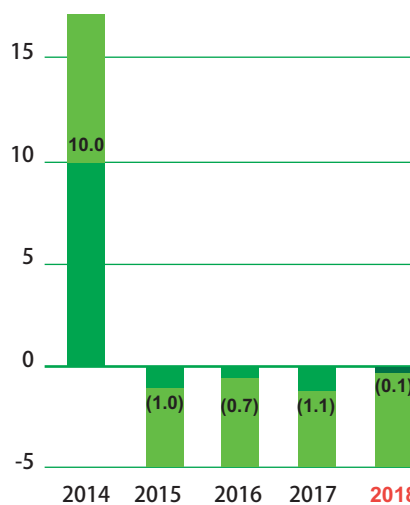
PROFIT BEFORE TAX
(RM Million)



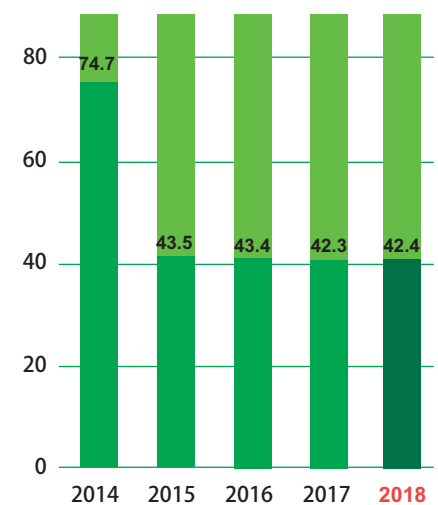
TOTAL ASSETS
(RM Million)



EARNINGS PER SHARE
(SEN)



NET ASSET VALUE PER SHARE
(SEN)



CORPORATE GOVERNANCE STATEMENT

The Board of Directors (“Board”) of Gunung Capital Berhad (“the Company”) recognises the importance of practicing and maintaining good corporate governance towards the success of the Company and its subsidiaries (“the Group”) whilst pursuing its corporate objectives.

The Board remains committed to subscribe to the principles of good corporate governance that is central to the effective operation of the Group and to ensure the highest standards of accountability and transparency. The Board supports the Corporate Governance Framework and continues to improve existing practices and achieve the objectives of the Group.

The Board is pleased to set out below the manner in which the Group has applied the three main principles in the Malaysian Code on Corporate Governance (“MCCG 2017”) known as Board Leadership and Effectiveness (Principal A), Effective Audit and Risk Management (Principal B) and Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders (Principal C) throughout the financial year ended 31 December 2018.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

I Board Responsibilities

The Board takes full responsibility for the oversight and overall performance of the Group and provides leadership within a framework of prudent and effective controls which enables risk to be appropriately assessed and managed. The Board sets the strategic direction, managing the business and affairs of the Group including ensuring achieving its strategic goals and realising long-term shareholders’ values.

The Group is led and controlled by an effective and experienced Board with the right mix of skills and balance to contribute to the achievement of the Group’s objectives. The directors collectively, with their different background and specialisation, bring with them a diverse wealth of experience and expertise in areas such as business, finance, property development and construction, regulatory and operations which are relevant to the Group.

The overall principal roles and responsibilities of the Board are as follows:

- (i) Determine and develop the Group’s strategic direction and business plans;
- (ii) Oversee the conduct and proper management of the Group’s businesses;
- (iii) Provide clear objectives and policies to management for operations;
- (iv) Identifying principal business risks faced by the Group and ensuring the implementation of appropriate internal controls and mitigating measures to address such risks;
- (v) Ensure establishment of appropriate risk management and internal control framework and risk strategy as well as adequate management information and internal control system of the Company;
- (vi) Ensure the Group’s strategies promote sustainability, with attention given to environmental, social and governance aspects of business;
- (vii) Carrying out periodic review of the Group’s financial performance and operating results and major capital commitments;
- (viii) Review the adequacy and soundness of the Group’s financial system, internal control systems and management information system and ensure that they are in compliance with the applicable standards, laws and regulations; and
- (ix) Oversee the development and implementation of a shareholder communications policy, including an investor relations programme for the Company.

The Board reviews the performance and results of the business divisions on a regular basis at its quarterly meetings by monitoring the Group’s financial results against the budget and the preceding quarter’s result. The Board members are updated on a regular basis on financial, operational, corporate, regulatory, business development and audit matters for the decisions to be made to effectively discharge the Board’s responsibilities.

CORPORATE GOVERNANCE STATEMENT (cont'd)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

I Board Responsibilities (Cont'd)

The Board also deliberates and evaluates the feasibility of business propositions and corporate proposals as well as the principal risks that may have a significant impact on the Group's business.

Key matters such as approval of annual and quarterly results, financial statements, major acquisitions and disposals, major investments, appointment of Directors are discussed and decided by the Board.

External advisers are invited to attend meetings to provide insights and professional views, advice and explanation on specific items on the meeting agenda, when required.

The Board sets the risk tolerance levels, objectives, performance targets and policies to manage the key risks faced by the Group. The details of the risk management framework are set out in the Statement on Risk Management and Internal Control of the Company's Annual Report 2018.

The Management and the Board also discuss and resolve risk management and sustainability-related issues, in particular, on business development, costing, environment and social aspects.

To ensure the effective discharge of its duties, the Board has delegated certain functions to the Managing Director and Executive Director as well as to the Audit and Risk Management Committee, Remuneration Committee and Nomination Committee ("Committees" or "Board Committees") with each operating within its clearly defined Terms of Reference ("TOR"). Deliberation and decisions at the 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 TOR from time to time to ensure its relevance and 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.

For the day-to-day operations, the Board has delegated its authorities and responsibilities to the Management team led by the Managing Director and Executive Director, representing the Management from transportation division and renewable energy (small hydropower) division respectively. The functions delegated to the Management team by the Board are, inter alia, as follows:

- implementation of strategies and business, policies and procedures approved by the Board;
- managing the daily conduct of the business and affairs of the Group;
- communicating matters of concern to the Board for information and/or decision; and
- representing the Group in its dealing with the government authorities and other external parties.

Directors' Responsibilities in relation to the Financial Statements

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 and Analysis in this Annual Report. The Board is assisted by the Audit and Risk 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 financial statements are reviewed by the Audit and Risk Committee prior to recommending them to the Board for relevant announcement and issuance to shareholders. 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.

CORPORATE GOVERNANCE STATEMENT (cont'd)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

I Board Responsibilities (Cont'd)

Directors' Responsibilities in relation to the Financial Statements (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.

Roles and Responsibilities between the Chairman and Managing Director

During the financial year under review, Dato' Syed Abu Hussin bin Hafiz Syed Abdul Fasal resigned his position as the Executive Chairman and re-designated as Managing Director to comply the principle of separation roles of the Chairman and the Chief Executive Officer (executive) to ensure a balance of power and authority, such that no one individual has unfettered powers of decision-making.

The distinct and separate roles of the Chairman and Managing Director promote accountability and facilitate division of responsibilities between them. The Managing Director focuses on implementing the plans chartered out and the day-to-day operations and management of the Group with clear authority delegated by the Board.

Company Secretaries

The Company is supported by two (2) qualified named Company Secretaries who possess the requisite qualification and are qualified to act as Company Secretaries under section 235(2) of the Companies Act 2016. They play a supportive role by ensuring adherence to the Company's Constitution, Board's policies and procedures and compliance with the relevant regulatory requirements, codes or guidance and legislations from time to time. The Company Secretaries monitor corporate governance developments and assist the Board in applying governance practices to meet the Board's needs and stakeholders' expectations.

The Company Secretary is present at meetings to record deliberations, issues discussed and conclusions in discharging her duties and responsibilities and also provide a central source of guidance and advice to the Board, on matters of ethics and good corporate governance and assist 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.

Access to Information and Advice

The Board meets on a quarterly basis, with additional meetings convened as and when necessary. The notices of Board and Board Committee meetings are sent out to the Directors via email at least seven (7) days prior to the meetings. 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. This is to allow time for the Directors to review the Board papers and to facilitate full discussion at the Board and Board Committee meetings. The Board papers are comprehensive and encompass both quantitative and qualitative factors so that informed decisions can be made.

CORPORATE GOVERNANCE STATEMENT (cont'd)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

I Board Responsibilities (Cont'd)

Access to Information and Advice (Cont'd)

All proceedings from the Board and Board Committee meetings are recorded and confirmed by the Chairman of the meetings. The minutes of Board and Board Committee meetings are circulated to all Directors for their perusal prior to confirmation of the minutes to be done at the commencement of the following Board and Board Committee meetings.

Meeting papers on issues or corporate proposals which are deemed confidential and sensitive would only be presented to the Directors during the meeting itself. 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.

Board Charter

The Company has adopted a Board Charter ("Charter") which sets out the role, duties, functions and responsibilities of the Board, Board Committees and Management so that there is a structured guide with regards to the various responsibilities including the need for Directors to carry out their leadership and supervisory role and in discharging their duties towards the Group and the Board. The demarcation of roles established in the Charter is the reference point (in relation to the Directors and Board's roles, powers, duties and functions) to guide Board activities and help to reinforce the supervisory role of the Board.

The Board will review the Charter from time to time to ensure its compliance with relevant rules and regulations and remains relevant and effective. The Charter is made available on the Company's website at www.gunung.com.my

Code of Conduct and Ethics and Whistle Blowing Policy

The Group's Handbook for Employees ("Handbook") continues to govern the standard of ethics and good conduct expected of Directors and employees. In addition, the Company has also formalized a Code of Conduct and Ethics for the Group. The objective of the Code of Conduct and Ethics is to set out the ethical standards to all Directors and 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 and Ethics and also the Handbook, the Board sets the tone for proper ethical behavior expected of the Board members and the employees. The Board will periodically review the Code of Conduct and Ethics to ensure it remains relevant and appropriate. Details of the Code of Conduct and Ethics are available for reference at the Company's website at www.gunung.com.my

The Board has put in place a Whistle-Blowing Policy to provide an avenue for employees and stakeholders to report genuine concerns about unethical behavior, malpractices and illegal acts on failure to comply with regulatory requirements without fear of reprisal. All cases shall be independently investigated and appropriate actions taken where required.

Included in the policy are the procedures and the independent person to which report on any suspected wrongdoing maybe reported for further investigation. The whistle-blower can address his/her complaints to the Chairman of the Audit and Risk Committee.

CORPORATE GOVERNANCE STATEMENT (cont'd)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

I Board Responsibilities (Cont'd)

Code of Conduct and Ethics and Whistle Blowing Policy (Cont'd)

The Board will periodically review the Whistle-Blowing Policy to ensure it remains relevant and appropriate. The details of the Whistle-Blowing Policy are available for reference at the Company's website at www.gunung.com.my

Time Commitment, Board Meetings and Directors' Training

A full year meeting schedule which sets out the dates for Board meetings, Board Committee meetings and Annual General Meeting is prepared and circulated to the Directors before the start of each calendar year to allow the Directors to plan ahead in attending such meetings.

Board Meetings are scheduled every quarter with additional meetings to be convened as and when required. Urgent and important matters are resolved by way of written resolutions and clarifications are provided to the Directors where necessary. During the financial year under review, the Board met a total of five (5) times. The attendance of the Directors who held office during the financial year is set out below:

Directors	Attendance
Dato' Syed Abu Hussin bin Hafiz Syed Abdul Fasal	4/5
Iskandar Ibrahim (resigned on 27/12/2018)	4/5
Peter Wong Hoy Kim	5/5
Dato' Shaiful Annuar bin Ahmad Shaffie	4/5
Dato' Rosli bin Sharif	5/5
Dato' Jamal bin Aris	5/5

The Board is satisfied with the level of commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company. All the Directors have complied with the minimum 50% attendance requirement in respect of Board meeting as stipulated in the Main Market Listing Requirements (MMLR).

All Directors of the Company do not hold more than 5 directorships in listed companies pursuant to Paragraph 15.06 of the MMLR.

Although the Board does not have a policy requiring each Director to attend a specific number and types of training sessions each year, the Directors are encouraged to attend various external professional programmes deemed necessary to ensure that they are kept abreast with industry developments and trends and also on various issues facing the changing business environment within which the Group operates, in order to fulfil their duties as Directors. Any Director appointed to the Board is required to complete the Mandatory Accreditation Programme ("MAP") within four (4) months from the date of appointment. All Directors have attended the MAP.

CORPORATE GOVERNANCE STATEMENT (cont'd)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

I Board Responsibilities (Cont'd)

Time Commitment, Board Meetings and Directors' Training (Cont'd)

During the financial year under review, the Directors had participated in the following training programmes:-

Directors	Seminars / Workshops / Courses	Date
Dato' Syed Abu Hussin bin Hafiz Syed Abdul Fasal	Stand & Deliver with Impact	31 July 2018 to 1 August 2018
Iskandar Ibrahim	MSSG Reporting & CG Guide	15 March 2018
Peter Wong Hoy Kim	MSSG Reporting & CG Guide	15 March 2018
Dato' Rosli bin Sharif	Gearing up for Corporate Liability	10 October 2018

II. BOARD COMPOSITION

The Board has a balanced composition of Executive and Non-Executive Directors (including Independent Directors) such that no individual or group of individuals can dominate the Board's decision-making powers and processes. The presence of Independent Non-Executive Directors also safeguards the interest of the stakeholders in ensuring that the highest standard of conduct and integrity are maintained.

The Board currently consists of five (5) members; comprising one (1) Managing Director and four (4) Independent Non-Executive Directors, in compliance with the MCGG 2017 that at least half of the Board members comprise of independent directors. Brief profile of each Board member is presented in this Annual Report under Profile of Directors.

The Board is of the view that its composition and size is adequate for the effective discharge of its functions and responsibilities. With its diversity of qualifications and skills, and the governance structure of the Board and its Committees, the Board has been able to provide clear and effective collective leadership to the Group and has delivered informed and independent judgment to the Group's strategy and performance to ensure that the highest standards of conduct and integrity are always at the core of the Group's undertakings. None of the Non-Executive Directors participate in the day-to-day management of the Group.

As part of its efforts to ensure the effective discharge of its duties, the Board has delegated certain functions and responsibilities to the respective Board Committees such as the Audit and Risk Committee, Nomination Committee and Remuneration Committee. The presence of the Independent Non-Executive Directors both in the Board and Board Committees is essential in providing unbiased and impartial opinion, advice and judgment to Board deliberations to ensure that the interests, not only of the Group, but also of its shareholders, employees, customers, suppliers and other communities with which the Group conducts its business are well-represented and taken into account.

CORPORATE GOVERNANCE STATEMENT (cont'd)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

II. BOARD COMPOSITION (Cont'd)

The Board must justify and seek shareholders' approval in the event that it retains a Director as an Independent Non-Executive Director ("INED"), a person who has served in that capacity for more than nine (9) years. The assessment of the independence of each of its INED is undertaken annually according to set criteria as prescribed by the MMLR. As recommended by the MCCG 2017, the tenure of directorship of not more than 9 years form part of the assessment criteria for independence of a Director, where specific tenures of the Directors were duly reviewed and confirmed for suitability by the Nomination Committee and the Board.

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 24th AGM. Mr. Peter Wong Hoy Kim has served on the Board for more than 12 years, to comply with the MCCG 2017, shareholders' approval via two tier voting process will be adopted.

Board Committees

The Board is supported by relevant Board Committees, i.e Audit and Risk Management Committee (ARC), Nomination Committee (NC) and Remuneration Committee (RC). These Committees play a significant part in reviewing matters within each Committee's TOR, and facilitating the Board's discharge of its duties and responsibilities. Each of these Committees have specific TOR, scope and specific authorities to review matters tabled before the Committees prior to decisions by the Board as a whole. The ARC comprises of wholly INEDs whereas the NC and RC comprise a majority of INEDs.

Nomination Committee

The NC which was established by the Board consists entirely of Independent Non-Executive Directors. The composition, duties and responsibilities of the NC together with its activities during the financial year ended 31 December 2018 are presented in the Nomination Committee Report herein.

The NC operates within defined TOR that has been drawn up in accordance with the best practices prescribed by the MCCG 2017. The details of the terms of reference of NC are available for reference at the Company's website at www.gunung.com.my

Board Appointment

The Board appoints its members through a formal and transparent selection process, which is consistent with the Company's Constitution. This process has been reviewed, approved and adopted by the Board. New appointees will be considered and evaluated by the NC. The NC will then recommend the candidates to be approved and appointed by the Board. The Company Secretaries will ensure all appointments are properly made and that legal and regulatory requirements are met.

The appointment process of a new Director is summarised as follows:

- (a) The candidate identified upon the recommendations from the Directors and Management or their contacts in the related industries, finance accounting, legal professions and/or major shareholders;
- (b) In evaluating the suitability of candidates to the Board, the NC considers, inter-alia, the required mix of skills, expertise, experience, time commitment and contribution of the candidates can bring to the Board. In the case of candidates proposed for appointment as Independent Non-Executive Directors, the candidate's independency will be considered;

CORPORATE GOVERNANCE STATEMENT (cont'd)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

II. BOARD COMPOSITION (Cont'd)

Board Appointment (Cont'd)

- (c) Recommendation to be made by NC to the Board. This also includes recommendation for appointment as a member of the various Board Committees, where necessary; and
- (d) Decision to be made by the Board on the proposed new appointment including appointment to the various Board committees.

The Company's Constitution provides that all Directors of the Company are subject to retirement. At least one third (1/3) of the Directors for the time being, or if their number is not three (3) or a multiple of three (3), then the number nearest to one-third (1/3) shall retire from office at the Annual General Meeting, provided always that all Directors shall retire from office at least once in every three (3) years. A retiring Director shall be eligible for re-election. Newly appointed directors shall hold office only until the next annual general meeting and shall be eligible for re-election.

The NC is also responsible for recommending to the Board those Directors who are eligible to stand for re-election. During the year, the NC assessed and was satisfied and made recommendations to the Board for re-election of the two (2) Directors, namely Mr. Peter Wong Hoy Kim and Dato' Rosli bin Sharif who are due to retire but shall be eligible for re-election pursuant to Article 101 of the Company's Constitution at the forthcoming AGM; and

The profiles of these Directors are set out in this Annual Report under Profile of Directors.

Board Diversity

The Board acknowledges the importance of a diverse mix of skills and profiles of the Directors on the Board, in terms of age, ethnicity, gender, business experience and personal skills to provide the necessary perspective, experience and expertise required to achieve effective stewardship and management of the Company's operation. The NC and Board regularly review the composition of the Board to ensure proper discharge of its functions and obligations. All Directors are appointed based on the criteria - competency, character, time commitment, integrity and experience as set out under Paragraph 2.20A of the MMLR.

The Group does not adopt any formal gender diversity policy in the selection of new Board candidates and does not have specific policies on setting target for female candidates in the workforce. The evaluation of the suitability of candidates as the new Board member or as a member of the workforce is strictly based on the candidates' competency, skills, character, time commitment, knowledge, expertise, professionalism, suitability and character of a person in meeting the needs of the Group, regardless of gender, ethnicity and age.

The Board acknowledges the recommendation on gender diversity. In term of gender equality (admin & management category) under the employment of Gunung Group, we have achieved approximately 37% female employee target, appointment of women management staffs have been undertaken in some of the subsidiaries of the Group.

The Board will endeavor to ensure that gender, ethnicity and age diversity will be taken into account in nominating and selecting new Directors to be appointed to the Board. The Group is an equal opportunity employer and does not practice discrimination of any form, whether based on age, gender, race and religion, throughout the organisation.

CORPORATE GOVERNANCE STATEMENT (cont'd)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

II. BOARD COMPOSITION (Cont'd)

Board Evaluation and Assessment

The Board, through the NC conducted the annual assessment on the effectiveness of the Board, Board Committees and individual Directors of the Company internally by way of a set of self-assessment questionnaires.

The evaluation process is carried out by the NC and guided by the Corporate Governance Guide - Towards Boardroom Excellence. The individual Directors and Committee members are required to complete the separate evaluation questionnaires regarding the processes of the Board and its Committees, their effectiveness and where improvements could be considered. The Board Committees carried out their evaluation with the view to maximize the performance of the individual committees in the interest of the Company. The evaluation process also involved a peer and self-review assessment, where Directors will assess their own performance and that of their fellow Directors. All assessments and evaluations carried out by the NC in the discharge of all its functions are documented. The assessment and comments are summarised and discussed at Nomination Committee meeting before it is presented to the Board.

Independent Directors

The Board recognises the importance of independence and objectivity in the decision-making process. The Board is committed to ensure that the Independent Directors are capable to exercise independent judgment and act in the best interests of the Group. The Independent Directors of the Company fulfill the criteria of "Independence". They act independently of management and are not involved in any other relationship with the Group that may impair their independent judgment and decision making. Each Director has a continuing responsibility to determine whether he has a potential or actual conflict of interest in relation to any material transactions.

The Director is required to immediately disclose to the Board and to abstain from participating in discussions, deliberations and decisions of the Board on any potential or actual conflict of interest in relation to any material transactions.

The Board, via NC, has developed the criteria to assess independence and formalised the current independence assessment practice. The NC was satisfied that the Independent Directors still maintain their independence.

The NC has based on the guidelines set out in the Corporate Governance Guide of listing requirements to assess the independence of candidate for Directors and existing Directors. The Directors are also required to confirm their independence.

III. REMUNERATION

Remuneration Committee, Remuneration of Directors and Senior Management

The RC which was established by the Board comprises mainly of INEDs and its composition is as follows:-

Chairman

Dato' Shaiful Annuar bin Ahmad Shaffie, INED

Members

Peter Wong Hoy Kim, INED

Iskandar Ibrahim, Executive Director (resigned on 27 December 2018)

CORPORATE GOVERNANCE STATEMENT (cont'd)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

III. REMUNERATION (Cont'd)

The RC held two (2) meetings during the financial year to carry out its function as stated within the terms of reference. The details of the TOR of RC are available for reference at the Company's website at www.gunung.com.my

The primary function of the RC is to set up and review the policy and procedures of remuneration framework and recommend to the Board the remuneration packages of all the Directors and senior management according to the Group's financial performance, the skills, level of responsibilities, experience and performance of the Directors and senior management. The remuneration of Directors shall be the ultimate responsibility of the full Board after considering the recommendations of the RC.

The remuneration of Directors is determined at levels which enables the Company to attract and retain Directors with the relevant experience and expertise to manage the business of the Group effectively. The RC reviews the Board remuneration policy and terms of service of each Director annually taking into consideration market conditions and comparisons, responsibilities held, business strategy, long term objectives and the overall financial performance of the Group.

Non-Executive Directors are paid by way of fixed meeting allowance for each meeting attended. Individual Director is not allowed to participate in discussion of his own remuneration. The Board will then recommend the Directors' fees and other benefits payable to Directors to the shareholders for approval at the AGM in accordance with Section 230(1) of the Companies Act 2016.

The aggregate remuneration of Directors of the Group and of the Company for the financial year ended 31 December 2018 is as follows:-

	Executive Directors (RM)	Non-Executive Directors (RM)
Directors' fees	72,000	141,000
Meeting & Committee allowances	6,000	23,750
Salaries and other emoluments	844,923	-

The details of the total remuneration of the directors on a named basis for the financial year ended 31 December 2018 are as follows:-

Directors' Remuneration

Executive Directors	2018 Fees *	Salaries & Bonus	Statutory Contributions	Benefits	Total
Dato' Syed Abu Hussin bin Hafiz Syed Abdul Fasal	36,000	700,000	84,923	2,250	823,173
Iskandar Ibrahim	36,000	60,000	-	3,750	99,750
Non-Executive Director					
Dato' Shaiful Annuar bin Ahmad Shaffie	36,000	-	-	5,250	41,250
Peter Wong Hoy Kim	36,000	-	-	6,500	42,500
Dato' Rosli bin Sharif	36,000	-	-	6,500	42,500
Dato' Jamal bin Aris	33,000	-	-	5,500	38,500
TOTAL	213,000	760,000	84,923	29,750	1,087,673

* subject to the approval of the shareholders.

CORPORATE GOVERNANCE STATEMENT (cont'd)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

III. REMUNERATION (Cont'd)

Remuneration of the Top Management

The details of the aggregate remuneration of the top four (4) Management staff of the Company (comprising remuneration received and/or receivable from the Company and its subsidiaries) for the financial year ended 31 December 2018 are disclosed categorised as follows:

Category	Company	Subsidiaries	Total
Salaries and bonuses	-	336,000	336,000
Allowance	-	12,200	12,200
Statutory Contributions	-	39,860	39,860
Total	-	-	388,060

The number of top four (4) Management staff whose remuneration falls within the following bands of RM50,000 is as set out below:-

Remuneration Range	Number of Senior Management Staff
RM50,001 – RM100,000	3
RM100,001 – RM150,000	1

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

I Audit and Risk Committee

The Audit Committee of the Company which has been assisting the Board in amongst others, overseeing the Group's risk management and internal control system has been renamed as ARC with effect from 28 December 2018. The ARC of the Group comprises the following members:

Chairman

Dato' Shaiful Annuar bin Ahmad Shaffie, INED

Members

Peter Wong Hoy Kim, INED

Dato' Rosli bin Sharif, INED

Dato' Jamal bin Aris, INED

The ARC consists wholly of independent directors. The ARC Report is set out separately in this Annual Report. Under the TOR of the ARC, the members should be financially literate and able to understand matters under the purview of the Committee including the financial reporting process and its composition and performance are reviewed by the NC annually and recommended to the Board for its approval. The Company has not appointed any former audit partner to be a member of the ARC.

CORPORATE GOVERNANCE STATEMENT (cont'd)

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT (Cont'd)

I Audit and Risk Committee (Cont'd)

Full details of the ARC's duties and responsibilities are stated in its TOR which is available on the Company's website at www.gunung.com.my

The Board, through its ARC maintains a formal and transparent relationship with its external auditors. The ARC ensured that the external auditors work closely with the internal auditors to enhance the effectiveness of the overall audit process. The ARC assesses the suitability and independence of the external auditors on an annual basis. Areas of assessment including amongst others, the external auditor's suitability, objectivity, independence, audit fees, size and competency of the audit team, audit strategy, audit reporting and partner involvement.

The external auditors, in supporting their independence, will provide the ARC with a written assurance confirming their independence throughout the conduct of the audit engagement in accordance with the relevant professional and regulatory requirements. The external auditors have provided such declaration in their annual audit plan presented to the ARC of the Company during the financial year.

The external auditors have an obligation to bring to the attention of the Board of Directors, the ARC and Management any significant defects in the Group's systems of reporting, internal control and compliance with Applicable Approved Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The external auditors are invited to attend at least two (2) meetings with the ARC each financial year to discuss their audit plan and audit findings on the Company's yearly financial statements. Private meetings without the presence of the Management and Executive Director(s) will be held if necessary to discuss any issues that may require the attention of the ARC.

The ARC and the Board are satisfied with the performance, competence and independence of the external auditors and the Board had recommended their re-appointment for shareholders' approval at the forthcoming Annual General Meeting.

II Risk Management and Internal Control Framework

The Board has ultimate responsibility for reviewing the Group's risks, approving the risk management framework and policy and overseeing the Group's strategic risk management and internal control framework to achieve its objectives within an acceptable risk profile as well as safeguarding the interest of stakeholders and shareholders and the Group's assets. The internal control system is designed to identify the risks to which the Group is exposed and mitigate the impacts thereof to meet the particular needs of the Group.

The Board had established both Risk Management Committee (RMC) and Sustainability Committee (SC) headed by the Managing Director and assisted by members of key management team of the respective divisions. The RMC oversees and manages the Group's operational risks whilst the SC oversees the overall sustainability strategies and initiatives of the Group. Both committees shall report to the ARC and the Board respectively on a regular basis. The responsibilities and purposes of the RMC and SC are:

- (1) to assist the ARC in fulfilling its responsibility with respect to identifying, evaluating, controlling, reviewing and monitoring the Group's risk management framework and activities on an on-going basis. The RMC reports to the ARC regarding the Group's risk exposures, including review risk assessment model used to monitor the risk exposures and Management's view on the acceptable and appropriate level of risks faced by each division; and
- (2) to establish and implement the sustainability framework, review of the adequacy of the sustainability processes, ensuring effectiveness in identification, management and reporting of the Material Sustainability Matters in Economic, Environmental and Social aspects of the Group, monitoring and overseeing all sustainable strategies and initiatives of the Group.

CORPORATE GOVERNANCE STATEMENT (cont'd)

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT (Cont'd)

II Risk Management and Internal Control Framework (Cont'd)

During FY2018, as an effort to enhance the system of internal control, the Board together with the assistance of external professional Internal Audit firm has undertaken to review the existing risk management process in place within the various business operations, with the aim of formalising the risk management functions across the Group. This function also acts as a source to assist the ARC and the Board to strengthen and improve current management and operating style in pursuit of best practices within the Group.

Internal Audit Function

The Group's internal audit function ("IAF") is handled by In-house Internal Audit which adopts internal audit standards and best practices endorsed by the Institute of Internal Auditors Malaysia. The IAF team reports to the ARC and provides the Board with reasonable assurance on the adequacy and integrity of the Group's internal control systems.

Details of the Group's internal control system and risk management framework are set out under Statement on Risk Management and Internal Control and Audit and Risk Committee Report in this Annual Report.

The ARC undertook an annual assessment of the performance of the internal auditors through a performance checklist. The checklist includes inter alia, the scope and functions of internal auditors, regular reviews on effectiveness of the financial, operational and compliance controls and processes, test of effectiveness of the governance and risk management framework and policies, manpower, budget and competency of the internal auditors, input on developing action plans to monitor risks, detection and investigation of fraud. The ARC was satisfied with the performance of the internal auditors during the financial year under review.

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I Communicating with Stakeholders

The Company recognises the importance of timely and thorough dissemination of information on all material business and corporate developments to shareholders and investors.

The policy of the Company is to maintain an active dialogue with its shareholders with the intention of giving its shareholders as clear as possible complete information of the Group's business position, financial performance and major developments. Such information is communicated through the Annual Report, the various disclosures and announcements to Bursa Securities, including quarterly and annual results.

The Board believes that the Company's Annual Report is a vital source of essential information for shareholders, investors and other stakeholders where it communicates comprehensive information of the financial results, management and discussion analysis on the operations of the Company, governance and sustainability measures and activities.

General meetings are the key platform for shareholders' participation 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.

Shareholders may also obtain the Company's information, latest announcements and new events relating to the Group through its company's website at www.gunung.com.my

CORPORATE GOVERNANCE STATEMENT (cont'd)

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

II Conduct of General Meetings

The Board regards the Annual General Meetings (“AGM”) as an important avenue for the communication and dialogue with its shareholders. The Board supports and encourages active shareholders’ participation at its AGMs and any other general meetings.

At the AGM, shareholders are given time to ask questions and seek clarifications about the resolutions to be proposed or the Group’s operation in general for more information. The Board members, senior management and the external auditors are present at the AGM to respond to shareholders’ queries.

The Company will also ensure that the notice for AGM will be given to its shareholders at least twenty-eight (28) days prior to the meeting.

All resolutions set out in the notice of general meetings will be carried out by poll voting. The Chairman will make an announcement of the detailed results showing the number of votes cast for and against each resolution at general meetings for shareholders’ information.

This CG Overview Statement was approved by the Board of Directors on 9 April 2019.

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 9 April 2019.

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 2018, 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 2018, 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	RM97,200	RM45,000
Non-Audit Fees	RM14,000	RM14,000

3. Material Contracts Involving Directors and Major Shareholders

There were no material contracts subsisting as at 31 December 2018 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 Group (“GCB”) 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 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 & Risk Management Committee assists 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 an internal control environment that set the tone of Gunung Group. It is the foundation of all components of internal control to provide the discipline and structure. It influences the control consciousness of the employees in Gunung Group. In recognising the importance of a control environment in the overall governance process, the Board of GCB has instituted the following:

Board and Board Committee

- Appointment of 4 Independent Non-Executive Directors comprising of no less than 60% of the total Board, who are to ensure that strategies proposed are fully discussed and evaluated.
- Appointment of Board Committees, including Audit & Risk Management Committee to assist the Board in overseeing the overall management of principal areas of risk and evaluate the adequacy and effectiveness of 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, defining the roles and responsibilities of the various Committees of the Board, Management of the Corporate Office 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)

INTERNAL CONTROL ENVIRONMENT ELEMENTS (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 this Statement on Risk Management and Internal Control. The Group has a 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. The Board meets at least quarterly and details out 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, 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.
- Fulfilling 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 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, systems and organizational indicators.

Insurance on Assets

- Gunung Group purchases insurance 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)

INTERNAL CONTROL ENVIRONMENT ELEMENTS (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 that potential event becomes an eventuality.

Internal Audit

- Reviews of the internal control system are carried out on a regular basis by the Internal Audit function. The findings of their audits are tabled at the Audit & Risk Management Committee meetings for deliberation and the Audit & Risk Management Committee's expectations on the corrective measures are communicated to the respective heads of departments and business units. Then the result of such reviews are reported during the to the Board of Directors at the subsequent quarter Board Meeting.
- 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 focuses 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 (vi) Treasury investments (vii) Contract evaluation & awarding in small hydropower projects.

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 2018, 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.

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

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 & Risk Management 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 & Risk Management Committee meetings are scheduled regularly, a minimum of 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. the Audit & Risk Management Committee reviews the quarterly financial results and yearly Audited Financial Statements prior to the approval of the Board.
- vii. management ensures that safety regulations within the Group are being considered, implemented and adhered to accordingly;
- viii. 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;
- ix. 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;
- x. regular visits to the project sites by senior management and Executive Directors;
- xi. close involvement of the Executive Directors of the Group in its daily operations;
- xii. established procedures for strategic planning and operations;
- xiii. 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 (Independent Non-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)

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 2018, 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	4/5	80
Peter Wong Hoy Kim	5/5	100
Dato' Rosli bin Sharif	5/5	100
Dato' Jamal bin Mohd Aris (Appointed on 28-2-2018)	4/4	100

SUMMARY OF WORK OF THE AUDIT COMMITTEE

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

- 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.
- Reviewed the Audit Review Memorandum presented by the external auditors.
- 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.
- Reviewed the Periodical Internal Audit Report presented by the Internal Auditors on a quarterly basis.
- Reviewed Audit Committee Report, Statement on Internal Control & Risk Management and Corporate Governance Statement and recommended to the Board for consideration and approval.
- Evaluated the performance of Messrs. STYL Associates PLT 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 PLT as the external auditors of the Company subject to the shareholders' approval at the forthcoming Annual General Meeting.

AUDIT COMMITTEE REPORT (cont'd)

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 2018 amounted to approximately RM148,543.40

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 once during the financial year ended 31 December 2018.

ACTIVITIES OF THE NOMINATION COMMITTEE

During the financial year ended 31 December 2018, 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 2018, 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 Senior 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

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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 31 December 2018.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and the principal activities of its subsidiaries are as disclosed in Note 14 to the Financial Statements.

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 for the financial year	(170,657)	(3,829,803)
(Loss)/Profit attributable to:		
Owners of the Company	(213,652)	(3,829,803)
Non-controlling interests	42,995	-
	<u>(170,657)</u>	<u>(3,829,803)</u>

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 as disclosed in the financial statements.

ISSUE OF SHARES AND DEBENTURES

There were no changes in the issued and paid-up capital of the Company during the financial year.

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

DIRECTORS' REPORT (cont'd)

WARRANTS 2010/2020

Pursuant to a deed poll dated 3 September 2010, the Company issued 25,177,000 detachable warrants on 11 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 11 October 2010 to 11 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 31 December 2018, none of the aforesaid warrants have been exercised.

SHARE OPTIONS

Gunung Capital Berhad's ESOS was approved by shareholders at an Extraordinary General Meeting held on 29 May 2015 and became effective on 5 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. Balance of share options during the financial year is as follows:

Granted on	Expiry date	Exercise price per ordinary	Number of options over ordinary shares			
			Balance as at 1.1.2018	Granted	Forfeited	Balance as at 31.12.2018
1 April 2016	4 June 2020	0.41	18,665,000	-	(7,520,500)	11,144,500

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

DIRECTORS' REPORT (cont'd)

DIRECTORS

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

Dato' Syed Abu Hussin bin Hafiz Syed Abdul Fasal
Peter Wong Hoy Kim
Dato' Shaiful Annuar bin Ahmad Shaffie
Dato' Rosli bin Sharif
Dato' Jamal bin Mohd Aris (appointed on 7.2.2018)
Iskandar Ibrahim (resigned on 28.12.2018)

Directors of the Company's subsidiaries who served since the beginning of the financial year to the date of this report (not including those Directors listed above) are as follows:

Syed Amir Nidzamuddin bin Syed Abu Hussin
Syed Abu Talib bin Hafis Syed Abdul Fasal
Mazelan bin Mansor
Mohd Mazanni bin Mazelan
Siti Salihah Binti Mairin (appointed on 29.3.2018)
Amir Khusyairi Bin Mohamad Tanusi (appointed on 8.11.2018)
Sahipol Baharin Bin Abd. Kadir (resigned on 13.8.2018)
Dato' Aminudin Zaki bin Hashim (resigned on 8.11.2018)
Mohd Farouq Sahibjahn bin Mohd Yusoff Sahibjahn (resigned on 8.11.2018)
Beroz Nikmal bin Mirdin (resigned on 22.1.2019)

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 Note 8 to 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 29 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' REPORT (cont'd)

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 31.12.2018
	Balance as at 1.1.2018	Bought	Sold	
Shares in the Company				
Direct interest				
Dato' Syed Abu Hussin Bin Hafiz Syed Abdul Fasal	51,198,691	-	-	51,198,691
Indirect interest				
Dato' Syed Abu Hussin Bin Hafiz Syed Abdul Fasal	7,856,666	2,000,000	-	9,856,666

	Number of Warrant 2010/2020			Balance as at 31.12.2018
	Balance as at 1.1.2018	Bought	Sold	
Direct interest				
Dato' Syed Abu Hussin Bin Hafiz Syed Abdul Fasal	7,488,226	-	-	7,488,226

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 31.12.2018
	Balance as at 1.1.2018	Granted	Exercised/ Lapsed	
Share 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

None of the other Directors holding office at 31 December 2018 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

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 14 to the Financial Statements.

DIRECTORS' REPORT (cont'd)

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; or
- 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.

DIRECTORS' REPORT (cont'd)

OTHER STATUTORY INFORMATION (Cont'd)

- 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 PLT (*converted from a conventional partnership, STYL Associates, on 13 March 2019*), 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

Penang

Date: 9 April 2019

DATO' JAMAL BIN MOHD ARIS
Director

STATEMENT BY DIRECTORS

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

In the opinion of the Directors, the financial statements set out on pages 65 to 123 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 31 December 2018 and of their financial performance and cash flows for the financial year then ended.

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

**DATO' SYED ABU HUSSIN BIN HAFIZ SYED
ABDUL FASAL**
Director

DATO' JAMAL BIN MOHD ARIS
Director

Penang

Date: 9 April 2019

STATUTORY DECLARATION

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

I, Dato' Syed Abu Hussin Bin Hafiz Syed Abdul Fasal (IC No: 600729-08-5969), 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.

Subscribed and solemnly declared by the)
abovenamed Dato' Syed Abu Hussin Bin Hafiz)
Syed Abdul Fasal, at Georgetown in the state of)
Penang, on 9 April 2019)

DATO' SYED ABU HUSSIN BIN HAFIZ SYED ABDUL FASAL

Before me,

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT

TO THE MEMBER OF GUNUNG CAPITAL BERHAD

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 31 December 2018 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 65 to 123.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, 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 13 (a) to the financial statements, the Group has loss making subsidiaries, which held RM16,133,975 of capital work-in-progress as at 31 December 2018. 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.

INDEPENDENT AUDITORS' REPORT (cont'd)

TO THE MEMBER OF GUNUNG CAPITAL BERHAD

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 the 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 18 to the financial statements, the carrying amount of goodwill on consolidation stood at RM21,025,537 as at 31 December 2018 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.

INDEPENDENT AUDITORS' REPORT (cont'd)

TO THE MEMBER OF GUNUNG CAPITAL BERHAD

Information Other than the Financial Statements and Auditors' Report Thereon

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

Our opinion on the financial statements of the Group and of the Company does not cover the 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.

INDEPENDENT AUDITORS' REPORT (cont'd)

TO THE MEMBER OF GUNUNG CAPITAL BERHAD

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 14 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 PLT

Firm No: LLP0019500-LCA & AF1929
Chartered Accountants

NG WENG SUM

Approval No: 3344/12/2019 J
Chartered Accountant

Date: 9 April 2019

Penang

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	GROUP		COMPANY	
		2018 RM	2017 RM	2018 RM	2017 RM
Revenue	6	28,437,905	40,273,049	-	-
Other operating income	7	6,181,107	8,618,304	348,853	424,249
Other direct costs		(17,332,426)	(30,888,455)	-	-
Depreciation of property, plant and equipment		(6,767,258)	(7,443,956)	(2,919)	(2,918)
Directors' remuneration	8	(1,049,674)	(898,829)	(1,049,674)	(898,829)
Staff costs	9	(5,347,259)	(5,295,209)	-	-
Other operating expenses	7	(3,307,136)	(5,184,013)	(3,126,063)	(878,621)
Profit/(Loss) from operations		815,259	(819,109)	(3,829,803)	(1,356,119)
Finance costs	10	(127,617)	(12,103)	-	-
Profit/(Loss) before tax		687,642	(831,212)	(3,829,803)	(1,356,119)
Income tax (expense)/credit	11	(858,299)	459,866	-	-
Loss net of tax		(170,657)	(371,346)	(3,829,803)	(1,356,119)
Other comprehensive income, net of tax					
Items that will not be reclassified subsequently to profit or loss					
Fair value gain on equity investment, representing total other comprehensive income		1,138,241	-	-	-
Total comprehensive income/(loss) for the year, net of tax		967,584	(371,346)	(3,829,803)	(1,356,119)
(Loss)/Profit attributable to:					
Owners of the Company		(213,652)	(2,635,644)	(3,829,803)	(1,356,119)
Non-controlling interests		42,995	2,264,298	-	-
Loss for the year		(170,657)	(371,346)	(3,829,803)	(1,356,119)
Total comprehensive income/(loss) attributable to:					
Owners of the Company		366,574	(2,635,644)	(3,829,803)	(1,356,119)
Non-controlling interests		601,010	2,264,298	-	-
Total comprehensive income/(loss) for the year, net of tax		967,584	(371,346)	(3,829,803)	(1,356,119)
Loss per share attributable to Owners of the Company:					
Basic (sen)	12	(0.09)	(1.12)		
Diluted (sen)	12	(0.09)	(1.07)		

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	GROUP		COMPANY	
		2018 RM	2017 RM	2018 RM	2017 RM
ASSETS					
Non-current Assets					
Property, plant and equipment	13	23,330,071	25,242,899	3,648	6,567
Investment in subsidiaries	14	-	-	56,033,627	58,393,166
Investment in associates	15	-	-	-	-
Other financial assets	16	4,574,469	3,435,114	-	-
Other receivables	17	3,298,806	1,928,166	-	-
Goodwill on consolidation	18	21,025,537	22,036,009	-	-
Deferred tax assets	19	-	1,850,547	-	-
Total Non-current Assets		52,228,883	54,492,735	56,037,275	58,399,733
Current Assets					
Inventories	20	600,310	756,813	-	-
Trade and other receivables	17	18,259,757	5,104,295	25,000	25,000
Prepaid expenses		271,401	256,945	4,020	4,018
Tax recoverable		20,166	20,147	-	-
Amount owing by subsidiaries	14	-	-	26,443,372	26,308,442
Cash and cash equivalents	21	40,492,021	49,792,955	12,384,418	13,932,832
Total Current Assets		59,643,655	55,931,155	38,856,810	40,270,292
TOTAL ASSETS		111,872,538	110,423,890	94,894,085	98,670,025
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	22	94,478,393	94,478,393	94,478,393	94,478,393
Reserves	23	5,750,806	5,384,232	287,984	4,117,787
Equity Attributable to Owners of the Company		100,229,199	99,862,625	94,766,377	98,596,180
Non-controlling interests		2,375,481	1,774,471	-	-
Total Equity		102,604,680	101,637,096	94,766,377	98,596,180
Non-current Liabilities					
Finance lease and hire purchase creditors	24	180,488	214,713	-	-
Term loan	25	2,113,932	677,162	-	-
Other payable	26	1,582,669	1,714,421	-	-
Deferred tax liabilities	19	1,599,588	2,976,817	-	-
Total Non-current Liabilities		5,476,677	5,583,113	-	-
Current Liabilities					
Finance lease and hire purchase creditors	24	34,337	38,392	-	-
Term loan	25	320,480	325,838	-	-
Other payables and accrued expenses	26	1,170,144	2,839,451	127,708	73,845
Amount due to corporate shareholder	27	2,266,220	-	-	-
Total Current Liabilities		3,791,181	3,203,681	127,708	73,845
Total Liabilities		9,267,858	8,786,794	127,708	73,845
TOTAL EQUITY AND LIABILITIES		111,872,538	110,423,890	94,894,085	98,670,025

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

Group	← Attributable to Owners of the Company →				Distributable		Total RM	
	← Non-distributable →		Equity		reserve-	Non-		
	Share capital RM	ESOS reserve RM	Warrant reserve RM	transaction reserve RM	Fair value reserve RM	Retained earnings RM	controlling interests RM	
Balance as at 1 January 2017	94,440,883	1,392,215	1,007,080	(5,192,851)	-	10,819,167	(489,827)	101,976,667
Total comprehensive loss for the financial year	-	-	-	-	-	(2,635,644)	2,264,298	(371,346)
Transactions with Owners of the Company:								
Issuance of ESOS during the financial year	37,510	(5,735)	-	-	-	-	-	31,775
Balance as at 31 December 2017	94,478,393	1,386,480	1,007,080	(5,192,851)	-	8,183,523	1,774,471	101,637,096
Fair value gain on equity investment, representing total other comprehensive income for the financial year	-	-	-	-	580,226	-	558,015	1,138,241
Loss for the financial year	-	-	-	-	-	(213,652)	42,995	(170,657)
Balance as at 31 December 2018	94,478,393	1,386,480	1,007,080	(5,192,851)	580,226	7,969,871	2,375,481	102,604,680

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital RM	Warrant reserve RM	ESOS reserve RM	Retained earnings/ (Accumulated loss) RM	Total RM
Balance as at 1 January 2017	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)
Issuance of ESOS during the financial year	37,510	-	(5,735)	-	31,775
Balance as at 31 December 2017	94,478,393	1,007,080	1,386,480	1,724,227	98,596,180
Total comprehensive loss for the financial year	-	-	-	(3,829,803)	(3,829,803)
Balance as at 31 December 2018	94,478,393	1,007,080	1,386,480	(2,105,576)	94,766,377

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

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	GROUP		COMPANY	
	2018 RM	2017 RM	2018 RM	2017 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(Loss) before tax	687,642	(831,212)	(3,829,803)	(1,356,119)
Adjustments for:				
Depreciation of property, plant and equipment	6,767,258	7,443,956	2,919	2,918
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	(1,855,112)	(69,651)	-	-
Impairment loss on trade receivables	25,780	-	-	-
Impairment loss on investment in a subsidiary	-	-	2,359,539	-
Impairment loss on goodwill	1,010,472	-	-	-
Gain on disposal of investment in associate	(1,665,639)	(5,600,000)	-	-
Reversal of impairment loss on investment	-	(1,416)	-	-
Finance costs	127,617	12,103	-	-
Interest income	(894,752)	(1,010,998)	(348,853)	(424,249)
Operating profit/(loss) before working capital changes	4,203,266	(562,138)	(1,816,198)	(1,777,450)
Changes in working capital:				
Decrease/(Increase) in inventories	156,503	(122,351)	-	-
Increase in trade receivables	(13,181,240)	(516,824)	-	-
Decrease in other receivables and prepaid expenses	279,429	1,322,843	-	51,501
(Increase)/Decrease in amount owing by subsidiaries	-	-	(134,930)	528,558
Increase in amount owing to corporate shareholder	2,266,220	-	-	-
(Decrease)/Increase in other payables and accrued expenses	(1,801,059)	1,037,172	53,861	(13,624)
Cash (used in)/generated from operations	(8,076,881)	1,158,702	(1,897,267)	(1,211,015)
Tax paid	(385,000)	(1,030)	-	-
Net cash (used in)/from operating activities	(8,461,881)	1,157,672	(1,897,267)	(1,211,015)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of property, plant and equipment	2,836,000	190,000	-	-
Acquisition of property, plant and equipment	(5,835,320)	(4,638,828)	-	-
Interest received	894,752	1,010,998	348,853	424,249
Net cash (used in)/from investing activities	(2,104,568)	(3,437,830)	348,853	424,249
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from drawdown of team loan	1,431,412	1,003,000	-	-
Proceeds from issuance of shares to non-controlling interests	-	-	-	-
Proceeds from issuance of shares	-	31,775	-	31,775
Repayment of finance lease and hire purchase creditors	(38,280)	(94,011)	-	-
Finance costs paid	(127,617)	(12,103)	-	-
Net cash from financing activities	1,265,515	928,661	-	31,775

STATEMENTS OF CASH FLOWS (cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2018

	GROUP		COMPANY	
	2018 RM	2017 RM	2018 RM	2017 RM
NET DECREASE IN CASH AND CASH EQUIVALENTS	(9,300,934)	(1,351,497)	(1,548,414)	(754,991)
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	49,792,955	51,144,452	13,932,832	14,687,823
CASH AND CASH EQUIVALENTS CARRIED FORWARD (Note 21)	40,492,021	49,792,955	12,384,418	13,932,832

Note:

During the financial year, the Group disposed off 12.8% (2017: 2.5%) equity interest in an associate for a fair value consideration of RM1,665,639 (2017: RM5,600,000), of which RM1,665,639 (2017: RM5,100,000) remained unpaid as at financial year end and the balance of nil (2017: RM500,000) was netted off against the amount owing to other payable.

In 2017,

- (i) the Group's additions to property, plant and equipment amounted to RM4,755,528 of which RM116,700 was acquired under hire purchase arrangements. Cash payment for the acquisition of property, plant and equipment amounted to RM4,638,828; and
- (ii) the Group acquired other financial assets amounting to RM3,403,570 of which RM2,903,570 is still outstanding as at 31 December 2017 and the balance RM500,000 was netted off against the amount owing to other payable.

Reconciliation of movements of liabilities to cash flows arising from financing activities:

GROUP

	Term loan RM	Finance lease and hire purchase creditors RM	Total RM
Balance as at 1 January 2017	-	230,416	230,416
Net changes from financing cash flows	1,003,000	(94,011)	908,989
Other non-cash changes	-	116,700	116,700
Balance as at 31 December 2017 / 1 January 2018	1,003,000	253,105	1,256,105
Net changes from financing cash flows	1,431,412	(38,280)	1,393,132
Balance as at 31 December 2018	2,434,412	214,825	2,649,237

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 14 to the Financial Statements.

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 have been authorised by the Board of Directors for issuance on 9 April 2019.

2) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

(a) Statement of compliance

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

The following are accounting standards, interpretations and amendments of the MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 119, *Employee Benefits – Plan Amendment, Curtailment or Settlement*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2020

- Amendments to MFRS 3, *Business Combinations - Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts*

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

(a) Statement of compliance (Cont'd)

MFRSs, interpretations and amendments effective for annual periods beginning on or after date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group and the Company plan to apply the abovementioned accounting standards, interpretations and amendments, where applicable, in the respective financial years when the abovementioned accounting standards, interpretations and amendments become effective.

The Group and the Company do not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on or after 1 January 2021 as it is not applicable to the Group and the Company.

The initial application of the accounting standards, interpretations or amendments are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and the Company except as mentioned below:

MFRS 16 Leases

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The Group is currently assessing the impact of MFRS 16 and plan to adopt the new standard on the requested effective date.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in note 4.

(c) Functional and presentation currencies

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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 31 December 2018, 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 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 the individual characteristics of each customer. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries and financial guarantees given to banks for credit facilities granted to subsidiaries. There are no significant changes as compared to prior periods.

Trade receivables

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

At each reporting date, the Group or the Company assesses whether any of the trade receivables are credit impaired.

The gross carrying amounts of credit impaired trade receivables are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

There are no significant changes as compared to previous year.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables 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 stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Company. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 30 days, which are deemed to have higher credit risk, are monitored individually.

Recognition and measurement of impairment loss

In managing credit risk of trade receivables, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances. Generally, trade receivables will pay within 60 days. For debts above 30 days past due after credit term, the Group will start to initiate a structured debt recovery process.

The Group uses an allowance matrix to measure ECLs of trade receivables for all segments. Consistent with the debt recovery process, invoices which are past due 90 days will be considered as credit impaired.

The following table provides information about the exposure to credit risk for trade receivables as at 31 December 2018 which are grouped together as they are expected to have similar risk nature.

Group	Gross carrying	2018	Net
	amount	Loss allowance	
	RM	RM	RM
Current (not past due)	176,042	-	176,042
1-30 days past due	2,100	-	2,100
31-60 days past due	320	-	320
61-90 days past due	550	-	550
More than 90 days past due	11,439,117	(269,542)	11,169,575
	11,618,129	(269,542)	11,348,587

Comparative information under MFRS 139, Financial instruments: recognition and measurement

The aging of trade receivables as at 31 December 2017 was as follows:

Group	Gross	Individual	Collective	Net
		impairment	impairment	
	RM	RM	RM	RM
2017				
Current (not past due)	133,408	-	-	133,408
1-30 days past due	474,363	-	-	474,363
31-60 days past due	149,767	-	-	149,767
61-90 days past due	94,993	-	-	94,993
More than 90 days past due	443,754	-	(243,762)	199,992
	1,296,285	-	(243,762)	1,052,523

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

Comparative information under MFRS 139, Financial instruments: recognition and measurement (Cont'd)

The movement of the allowance for impairment in respect of trade receivables during the year is as shown below:

	2018 RM	2017 RM
At 1 January	243,762	243,762
Impairment loss recognised during the year	25,780	-
At 31 December	<u>269,542</u>	<u>243,762</u>

Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

These banks and financial institutions have low credit risks. In addition, some of the bank balances are insured by government agencies. Consequently, the Group and the Company are of the view that the loss allowance is not material and hence, it is not provided for.

Other receivables

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

Inter-company loans and advances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the ability of the subsidiaries to repay the loans and advances on an individual basis.

Exposure to credit risk, credit quality and collateral

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

Loans and advances provided are not secured by any collateral or supported by any other credit enhancements.

Recognition and measurement of impairment loss

Generally, the Company considers loans and advances to subsidiaries have low credit risk. The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the subsidiaries' loans and advances when they are payable, the Company considers the loans and advances to be in default when the subsidiaries are not able to pay when demanded. The Company considers a subsidiary's loan or advance to be credit impaired when:

- The subsidiary is unlikely to repay its loan or advance to the Company in full; and
- The subsidiary is continuously loss making and is having a deficit shareholders' fund.

The Company determines the probability of default for these loans and advances individually using internal information available.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

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 financial 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					
2018					
Financial liabilities					
Other payables	2,752,813	3,269,008	1,170,144	918,828	1,180,036
Term loan	2,434,412	2,934,319	454,517	1,799,088	680,714
Finance lease and hire purchase creditors	214,825	248,385	44,528	161,368	42,489
Amount due to corporate shareholder	2,266,220	2,266,220	2,266,220	-	-
	<u>7,668,270</u>	<u>8,717,932</u>	<u>3,935,409</u>	<u>2,879,284</u>	<u>1,903,239</u>
2017					
Financial liabilities					
Other payables	4,553,872	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
	<u>5,809,977</u>	<u>6,303,222</u>	<u>3,046,464</u>	<u>1,774,118</u>	<u>1,482,640</u>
COMPANY					
2018					
Financial liabilities					
Other payables	127,708	127,708	127,708	-	-
2017					
Financial liabilities					
Other payables	73,845	73,845	73,845	-	-

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

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	
	2018	2017
	RM	RM
Debts (i)	2,649,237	1,256,105
Cash and cash equivalents	(40,492,021)	(49,792,955)
Net debt/(cash) position	(37,842,784)	(48,536,850)
Total equity (ii)	102,604,680	101,637,096
Debt to equity ratio	-	-

- (i) Debt is defined as hire purchase creditors and term loan as disclosed in Notes 24 and 25 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 2018 and 2017 as the Group is in a net cash position of RM37,842,784 and RM48,536,850 respectively.

4) SIGNIFICANT ACCOUNTING POLICIES

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

Arising from the adoption of MFRS 15, *Revenue from Contracts with Customers* and MFRS 9, *Financial Instruments*, there are changes to the accounting policies of:

- i) financial instruments;
- ii) revenue recognition; and
- iii) impairment losses of financial instruments

as compared to those adopted in previous financial statements. The impacts arising from the changes are disclosed in Note 34 to the financial statements. The adoption of MFRS 15 is not expected to have any material impact on the financial statements of the Group and the Company during the year.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

4) SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

a) Revenue and other income

(i) Revenue

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group or the Company recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

The Group or the Company transfers control of a good or service at a point in time unless one of the following overtime criteria is met:

- (a) the customer simultaneously receives and consumes the benefits provided as the Group or the Company performs;
- (b) the Group's or the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- (c) the Group's or the Company's performance does not create an asset with an alternative use and the Group or the Company has an enforceable right to payment for performance completed to date.

(ii) Interest income

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

b) Employee benefits

(i) Short-term employee benefits

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

(ii) Defined contributions plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Group determines the net interest expense or income on the net defined liability or asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

4) SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

b) Employee benefits (Cont'd)

(ii) Defined contributions plans (Cont'd)

Net interest expense and other expenses relating to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

c) Borrowing costs

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

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

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

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.

d) Government grants

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant; they are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same period in which the expenses are recognised.

e) Income tax

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

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

4) SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

e) Income tax (Cont'd)

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

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

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

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

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

f) 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

4) SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

f) Subsidiaries and basis of consolidation (Cont'd)

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.

g) 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

4) SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

g) Business combinations (Cont'd)

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.

h) 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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

4) SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

i) 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	20
Furniture, fittings and equipment	10 - 20

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.

j) 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.

k) 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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

4) SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

k) Investment in associates (Cont'd)

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.

l) 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.

m) 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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

4) SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

n) Financial instruments

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, *Financial Instruments*, the Group and the Company have elected not to restate the comparatives.

(i) Recognition and initial measurement

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

Current financial year

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

Previous financial year

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

An embedded derivative was recognised separately from the host contract and accounted for as a derivative if, and only if, it was not closely related to the economic characteristics and risks of the host contract and the host contract was not recognised as fair value through profit or loss. The host contract, in the event an embedded derivative was recognised separately, was accounted for in accordance with policy applicable to the nature of the host contract.

(ii) Financial instrument categories and subsequent measurement

Financial assets

Current financial year

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

4) SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

n) Financial instruments (Cont'd)

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

Financial assets (Cont'd)

Current financial year (Cont'd)

(a) Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets where the effective interest rate is applied to the amortised cost.

(b) Fair value through other comprehensive income

(i) Debt investments

Fair value through other comprehensive income category comprises debt investment where it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the debt investment, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The debt investment is not designated as at fair value through profit or loss. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets where the effective interest rate is applied to the amortised cost.

(ii) Equity investments

This category comprises investment in equity that is not held for trading, and the Group and the Company irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are not reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

4) SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

n) Financial instruments (Cont'd)

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

Financial assets (Cont'd)

Current financial year (Cont'd)

(c) Fair value through profit or loss

All financial assets not measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

All financial assets, except for those measured at fair value through profit or loss and equity investments measured at fair value through other comprehensive income, are subject to impairment assessment.

Previous financial year

In the previous financial year, financial assets of the Group and the Company were classified and measured under MFRS 139, *Financial Instruments: Recognition and Measurement* as follows:

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

Fair value through profit or loss category comprised financial assets that were held for trading, including derivatives (except for a derivative that was a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination or financial assets that were specifically designated into this category upon initial recognition.

Derivatives that were linked to and must be settled by delivery of unquoted equity instruments whose fair values could not be reliably measured were measured at cost.

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

(b) Held-to-maturity

Held-to-maturity investments category comprised debt instruments that were quoted in an active market and the Group or the Company had the positive intention and ability to hold them to maturity.

Financial assets categorised as held-to-maturity investments were subsequently measured at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

4) SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

n) Financial instruments (Cont'd)

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

Financial assets (Cont'd)

Previous financial year (Cont'd)

(c) Loans and receivables

Loans and receivables category comprised debt instruments that were not quoted in an active market, trade and other receivables and cash and cash equivalents.

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

(d) Available-for-sale financial assets

Available-for-sale category comprised investments in equity and debt instruments that were not held for trading.

Investments in equity instruments that did not have a quoted market price in an active market and whose fair value could not be reliably measured were measured at cost. Other financial assets categorised as available-for-sale were subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which were recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income was reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method was recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss were subject to impairment assessment.

Financial liabilities

Current financial year

The categories of financial liabilities at initial recognition are as follows:

(a) Fair value through profit or loss

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination and financial liabilities that are specifically designated into this category upon initial recognition.

On initial recognition, the Group or the Company may irrevocably designate a financial liability that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss:

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

4) SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

n) Financial instruments (Cont'd)

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

Financial liabilities (Cont'd)

Current financial year (Cont'd)

(a) Fair value through profit or loss (Cont'd)

- (a) if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;
- (b) a group of financial liabilities or assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel; or
- (c) if a contract contains one or more embedded derivatives and the host is not a financial asset in the scope of MFRS 9, where the embedded derivative significantly modifies the cash flows and separation is not prohibited.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses, including any interest expense are recognised in the profit or loss.

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the Group and the Company recognise the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income and remaining amount of the change in fair value in the profit or loss, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

(b) Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

Previous financial year

In the previous financial year, financial liabilities of the Group and the Company were subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprised financial liabilities that were derivatives or financial liabilities that were specifically designated into this category upon initial recognition.

Derivatives that were linked to and must be settled by delivery of unquoted equity instruments that did not have a quoted price in an active market for identical instruments whose fair values otherwise could not be reliably measured were measured at cost.

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

4) SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

n) Financial instruments (Cont'd)

(iii) Regular way purchase or sale of financial assets

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date or settlement date accounting in the current year.

Trade date accounting refers to:

- (a) the recognition of an asset to be received and the liability to pay for it on the trade date, and
- (b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

Settlement date accounting refers to:

- (a) the recognition of an asset on the day it is received by the Group or the Company, and
- (b) derecognition of an asset and recognition of any gain or loss on disposal on the day that is delivered by the Group or the Company.

Any change in the fair value of the asset to be received during the period between the trade date and the settlement date is accounted in the same way as it accounts for the acquired asset.

Generally, the Group or the Company applies settlement date accounting unless otherwise stated for the specific class of asset.

(iv) 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.

Current financial year

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of:

- the amount of the loss allowance; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15, Revenue from Contracts with Customers.

Liabilities arising from financial guarantees are presented together with other provisions.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

4) SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

n) Financial instruments (Cont'd)

(iv) Financial guarantee contracts (Cont'd)

Previous financial year

In the previous financial year, fair value arising from financial guarantee contracts were classified as deferred income and was amortised to profit or loss using a straight-line method over the contractual period or, when there was no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract was probable, an estimate of the obligation was made. If the carrying value of the financial guarantee contract was lower than the obligation, the carrying value was adjusted to the obligation amount and accounted for as a provision.

(v) Derecognition

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

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(vi) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Group or the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

o) 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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

4) SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

p) 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.

q) 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.

r) 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.

s) 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 statement of financial position of the Group.

t) 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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

4) SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

u) 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.

v) Fair value measurements

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

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

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

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

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

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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

Key sources of estimation uncertain

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 18.

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	
	2018	2017
	RM	RM
Transportation services and related activities	28,371,708	40,244,527
Sales of spare part and services	66,197	28,522
	<u>28,437,905</u>	<u>40,273,049</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

6) REVENUE (Cont'd)

6.1) DISAGGREGATION OF REVENUE

GROUP	Reportable segments			Total RM
	Transportation services RM	Spare parts RM		
2018				
Primary geographical markets				
Malaysia	28,371,708	66,197		28,437,905
Major products and service lines				
Collection ticket sales	376,822	-		376,822
Rental of bus	597,100	-		597,100
Shuttling of bus	27,397,786	-		27,397,786
Spare parts	-	66,197		66,197
	<u>28,371,708</u>	<u>66,197</u>		<u>28,437,905</u>
Timing and recognition				
At a point in time	28,371,708	66,197		28,437,905

GROUP	Reportable segments			Total RM
	Transportation services RM	Spare parts RM		
2017				
Primary geographical markets				
Malaysia	40,244,527	28,522		40,273,049
Major products and service lines				
Collection ticket sales	450,278	-		450,278
Rental of bus	1,022,219	-		1,022,219
Shuttling of bus	38,772,030	-		38,772,030
Spare parts	-	28,522		28,522
	<u>40,244,527</u>	<u>28,522</u>		<u>40,273,049</u>
Timing and recognition				
At a point in time	40,244,527	28,522		40,273,049

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

6) REVENUE (Cont'd)

6.2) NATURE OF GOODS AND SERVICES

The following information reflects the typical transactions of the Group:

Nature of goods or services	Timing of recognition or method used to recognise revenue	Significant payment terms	Variable element in consideration	Obligation for or refunds
Collection of ticket	Revenue is recognised at a point in time when the service is delivered and accepted by the customers.	No credit term.	Not applicable	Not applicable
Rental of buses	Revenue is recognised at a point in time when the service is delivered and accepted by the customers.	No credit term.	Not applicable	Not applicable
Transportation service - Military camp (shuttling of bus)	Revenue is recognised at a point in time when the service is delivered and accepted by the customers.	No credit term.	Consideration is based on number of children. However, the rate charged per head is fixed	Not applicable
Transportation Service - PLKN (shuttling of bus)	Revenue is recognised at a point in time when the service is delivered and accepted by the customers.	No credit term.	Not applicable	Not applicable
Trainee allowance - PLKN (shuttling of bus)	Revenue is recognised at a point in time when the service is delivered and accepted by the customers.	No credit term.	Consideration is based on number of trainees. However, the rate charged per head is fix.	Not applicable
Shuttle bus - UIA Gombak & Kuantan (shuttling of bus)	Revenue is recognised at a point in time when the service is delivered and accepted by the customers.	Credit period of 30 days from invoice date.	Not applicable	Not applicable
Sales of spare parts	Revenue is recognised at a point in time when the goods are delivered and accepted by the customers.	Credit period of 30 days from invoice date.	Not applicable	The Company allows returns only for exchange with new goods (no cash refunds are offered).

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

7) OTHER OPERATING EXPENSES/(INCOME)

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

	GROUP		COMPANY	
	2018	2017	2018	2017
	RM	RM	RM	RM
Auditors' remuneration				
Statutory audit:				
- Auditors of the Company	97,200	70,700	45,000	45,000
- Other auditors	-	34,500	-	-
Fair value loss on amount owing by other receivable	-	111,834	-	-
Impairment loss on trade receivables	25,780	-	-	-
Impairment loss on investment in a subsidiary	-	-	2,359,539	-
Impairment loss on goodwill	1,010,472	-	-	-
Rental of equipment	2,565	3,710	-	-
Rental of exhibition booth	-	1,500	-	-
Rental of GPS tracker	1,599	1,638	-	-
Rental of motor vehicle	99,786	28,572	-	-
Rental of premises	377,847	383,716	196,800	203,520
Unwinding of discount of other payable	100,560	-	-	-
Fair value gain on amount owing to other payable	-	(616,754)	-	-
Gain on disposal of investment in associate	(1,665,639)	(5,600,000)	-	-
Gain on disposal of property, plant and equipment	(1,855,112)	(69,651)	-	-
Government grant received	(1,737,199)	(1,315,885)	-	-
Interest income	(894,752)	(1,010,998)	(348,853)	(424,249)
Reversal of impairment loss on investment	-	(1,416)	-	-

8) DIRECTORS' REMUNERATION

	GROUP		COMPANY	
	2018	2017	2018	2017
	RM	RM	RM	RM
Executive directors:				
Salaries, bonus, overtime and allowances	760,000	657,500	760,000	657,500
Fees	72,000	60,000	72,000	60,000
Defined contribution plan - EPF	84,000	72,069	84,000	72,069
SOCSO contribution	829	760	829	760
ESOS expense	95	-	95	-
	916,924	790,329	916,924	790,329
Non-executive directors:				
Fees	108,000	90,000	108,000	90,000
Other emoluments	24,750	18,500	24,750	18,500
	132,750	108,500	132,750	108,500
	1,049,674	898,829	1,049,674	898,829

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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	
	2018	2017
Executive directors:		
Below RM50,000	-	1
RM50,001 - RM100,000	1	-
RM700,001 - RM750,000	-	1
Above RM750,000	1	-
Non-executive directors:		
Below RM50,000	4	4

9) STAFF COSTS

	GROUP	
	2018	2017
	RM	RM
Salaries, bonus, overtime and allowances	4,848,559	4,788,924
Defined contribution plan - EPF	440,764	457,207
SOCSO contribution	53,885	49,078
EIS expense	4,051	-
	<u>5,347,259</u>	<u>5,295,209</u>

10) FINANCE COSTS

	GROUP	
	2018	2017
	RM	RM
Interest on:		
finance lease and hire purchase	12,177	11,473
term loan	115,440	630
	<u>127,617</u>	<u>12,103</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

11) INCOME TAX EXPENSE/(CREDIT)

	GROUP		COMPANY	
	2018 RM	2017 RM	2018 RM	2017 RM
Income tax payable				
- current year	25,110	2,766	-	-
- under/(over) provision in prior year	359,871	(434)	-	-
	384,981	2,332	-	-
Deferred tax in respect of:				
- current year	473,882	(358,364)	-	-
- over provision in prior year	(564)	(103,834)	-	-
	473,318	(462,198)	-	-
	858,299	(459,866)	-	-

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	
	2018 RM	2017 RM	2018 RM	2017 RM
Profit/(Loss) before tax	687,642	(831,212)	(3,829,803)	(1,356,119)
Tax at the applicable statutory income tax rate of 24% (2017: 24%)	165,034	(199,491)	(919,153)	(325,469)
Tax effects in respect of:				
Income not subject to tax	(927,549)	(2,047,199)	(83,725)	(101,280)
Expenses that are not deductible for tax purposes	568,190	832,049	683,469	35,176
Expenses that are disregarded	319,409	391,411	319,409	391,412
Deferred tax assets not recognised	373,908	667,632	-	161
Overprovision of income tax in prior years	359,871	(434)	-	-
Overprovision of deferred taxation in prior year	(564)	(103,834)	-	-
Income tax expense/(credit)	858,299	(459,866)	-	-

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	
	2018 RM	2017 RM	2018 RM	2017 RM
Unutilised tax losses	11,441,739	9,927,972	2,115,000	2,115,000
Unabsorbed capital allowances	676,702	632,520	33,837	33,837
	12,118,441	10,560,492	2,148,837	2,148,837

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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	
	2018	2017
Loss attributable to Owners of the Company (RM)	<u>(213,652)</u>	<u>(2,635,644)</u>
	2018	2017
	Units	Units
Weighted average number of ordinary shares in issue	<u>236,179,708</u>	<u>236,144,591</u>
Basic loss per share (sen)	<u>(0.09)</u>	<u>(1.12)</u>

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 which have been adjusted for the dilutive effects of the unexercised warrants and options issued by the Company.

	GROUP	
	2018	2017
	RM	RM
Loss attributable to Owners of the Company (RM)	<u>(213,652)</u>	<u>(2,635,644)</u>
	2018	2017
	Units	Units
Weighted average number of ordinary shares in issue	236,179,708	236,144,591
Adjusted for potential ordinary shares on conversion of warrants	-	7,583,399
Adjusted for potential ordinary shares on employee share options	-	1,840,399
Adjusted weighted average number of ordinary shares in issue	<u>236,179,708</u>	<u>245,568,389</u>
Diluted loss per share (sen)	<u>(0.09)</u>	<u>(1.07)</u>

The potential conversion of warrants and employee share options is anti-dilutive as its exercise price is higher than the average market price of the Company's ordinary shares during the current financial year. Accordingly, the exercise of warrants and employee share options has been ignored in the calculation of dilutive loss per ordinary share.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

13) PROPERTY, PLANT AND EQUIPMENT

GROUP	Plant and machinery RM	Motor vehicles RM	Furniture, fittings and equipment RM	Capital work-in- progress RM	Total RM
2018					
Cost					
As at 1 January 2018	6,219	112,007,523	1,336,902	10,299,535	123,650,179
Additions	-	-	880	5,834,440	5,835,320
Disposals	-	(4,014,893)	-	-	(4,014,893)
As at 31 December 2018	6,219	107,992,630	1,337,782	16,133,975	125,470,606
Accumulated depreciation					
As at 1 January 2018	4,454	97,764,779	638,047	-	98,407,280
Charge for the year	622	6,655,282	111,354	-	6,767,258
Disposals	-	(3,034,003)	-	-	(3,034,003)
As at 31 December 2018	5,076	101,386,058	749,401	-	102,140,535
Net carrying amount					
As at 31 December 2018	1,143	6,606,572	588,381	16,133,975	23,330,071
2017					
Cost					
As at 1 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 31 December 2017	6,219	112,007,523	1,336,902	10,299,535	123,650,179
Accumulated depreciation					
As at 1 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 31 December 2017	4,454	97,764,779	638,047	-	98,407,280
Net carrying amount					
As at 31 December 2017	1,765	14,242,744	698,855	10,299,535	25,242,899

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

Company	Furniture, fittings and equipment RM	Total RM
2018		
Cost		
As at 1 January 2018 / 31 December 2018	40,721	40,721
Accumulated depreciation		
As at 1 January 2018	34,154	34,154
Charge for the year	2,919	2,919
As at 31 December 2018	<u>37,073</u>	<u>37,073</u>
Net carrying amount		
As at 31 December 2018	<u>3,648</u>	<u>3,648</u>
2017		
Cost		
As at 1 January 2017 / 31 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 31 December 2017	<u>34,154</u>	<u>34,154</u>
Net carrying amount		
As at 31 December 2017	<u>6,567</u>	<u>6,567</u>

Included in property, plant and equipment of the Group are motor vehicles with carrying amount of RM291,083 (2017: RM676,079) held under hire purchase arrangements.

Included in property, plant and equipment of the Group are fully depreciated assets which are still in use with a cost of RM4,743,910 (2017: RM3,661,738).

a) Impairment assessment

The Group assessed whether there were any indicators of impairment during the financial year. In doing this, management considered the current environment and performance of the Cash Generating Units ("CGUs"). Management considered the loss making subsidiaries as impairment indicators and these subsidiaries held RM16,133,975 of capital work-in-progress as at 31 December 2018.

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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

14) INVESTMENT IN SUBSIDIARIES

	COMPANY	
	2018 RM	2017 RM
Unquoted shares - At cost	58,393,166	58,393,166
Less: Accumulated impairment loss	(2,359,539)	-
	<u>56,033,627</u>	<u>58,393,166</u>

Amount owing by subsidiaries is unsecured, interest free and repayable on demand.

The details of the subsidiaries are as follows:

Name of Company	Country of Incorporation	Proportion of Ownership Interest/Voting Rights held by the Company		Principal Activities
		2018 %	2017 %	
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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

14) INVESTMENT IN SUBSIDIARIES (cont'd)

Name of Company	Country of Incorporation	Proportion of Ownership Interest/Voting Rights held by the Company		Principal Activities
		2018 %	2017 %	
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% (2017: 70%) by virtue of the shareholding held by GHSB 44% (2017: 44%) and PHREC of 26% (2017: 26%).

*** The proportion of ownership interest held by the Company is 50.1% (2017: 50.1%) by virtue of the shareholding held by GHSB of 45% (2017: 45%) and PHREC of 5.1% (2017: 5.1%).

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

a) Summarised statements of financial position

	GHSB		PHSB	
	2018 RM	2017 RM	2018 RM	2017 RM
<u>Current</u>				
Assets	17,682,261	12,162,989	11,472,104	9,529,884
Liabilities	(14,428,793)	(8,430,792)	(8,860,765)	(8,533,065)
Net assets	<u>3,253,468</u>	<u>3,732,197</u>	<u>2,611,339</u>	<u>996,819</u>
NCI% of interest and voting right	5%	5%	15%	15%
Net assets attributable to non-controlling Interests at the end of the financial year	<u>162,673</u>	<u>186,610</u>	<u>391,701</u>	<u>149,523</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

14) INVESTMENT IN SUBSIDIARIES (cont'd)

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

	GHSB		PHSB	
	2018 RM	2017 RM	2018 RM	2017 RM
(Loss)/Profit before tax	(478,729)	(508,041)	476,279	4,811,642
Income tax expense	-	-	-	-
(Loss)/Profit net of tax	(478,729)	(508,041)	476,279	4,811,642
Other comprehensive income, net of tax				
Fair value gain on equity investment, representing total other comprehensive income	-	-	1,138,241	-
Total comprehensive (loss)/income for the year, net of tax	(478,729)	(508,041)	1,614,520	4,811,642
(Loss)/Profit for the year representing total comprehensive (loss)/income allocated to non-controlling interests	(23,936)	(25,402)	242,178	721,746

c) Summarised statement of cash flows

	GHSB		PHSB	
	2018 RM	2017 RM	2018 RM	2017 RM
Net cash from/(used in) operating activities	4,073,002	(278,176)	(1,798,248)	(1,025,508)
Net cash from/(used in) investing activities	(5,834,441)	(4,519,868)	1,800,000	(505,694)
Net cash from/(used in) financing activities	1,420,974	4,956,438	(5,915)	1,534,811
Net changes in cash and cash equivalents	(340,465)	158,394	(4,163)	3,609
Cash and cash equivalents at the beginning of year	594,247	435,853	65,231	61,622
Cash and cash equivalents at the end of the year	253,782	594,247	61,068	65,231

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

15) INVESTMENT IN ASSOCIATES

	GROUP	
	2018 RM	2017 RM
Unquoted shares, at cost	-	-

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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		Principal Activities
		2018 %	2017 %	
Selama Hidro Sdn. Bhd.*	Malaysia	N/A	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	15	Dealing in hydropower and hydroelectric activities
Maju Renewable Energy (Temenggor) Sdn. Bhd.	Malaysia	15	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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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 2 May 2018, the Group disposed of 12.8% of its equity interest in Selama Hidro Sdn. Bhd, hence resulted in the equity interest reduced from 15% to 2.2%. The investment is now shown as other financial assets in Note 16 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 31 December 2018, is as follow:

	GROUP	
	2018	2017
	RM	RM
Assets and Liabilities		
Non-current Assets	14,015,671	15,727,855
Current Assets	2,646,243	3,574,771
Total Assets	<u>16,661,914</u>	<u>19,302,626</u>
Total Liabilities	<u>18,855,836</u>	<u>39,172,751</u>
Results		
Loss for the year		<u>(329,145)</u> (15,504,878)

16) OTHER FINANCIAL ASSETS

GROUP		Shares	Total
2018	Note	RM	RM
Non-current			
Fair value through other comprehensive income	16.1	<u>4,574,469</u>	<u>4,574,469</u>
2017			
Non-current			
Available for sale		<u>3,435,114</u>	<u>3,435,114</u>
Available for sale financial assets			
Unquoted shares, at cost			3,657,248
Less: Accumulated impairment loss			(222,134)
Net carrying amount			<u>3,435,114</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

16) OTHER FINANCIAL ASSETS (cont'd)

16.1) EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

At 1 January 2018, the Group designated the investments shown below as equity securities as at fair value through other comprehensive income because these equity securities represent investments that the Group intends to hold for long-term strategic purposes. No dividend income was received from the following investments during the year.

	GROUP
	Fair value at 31 December 2018
	RM
Selama Hidro Sdn. Bhd.	360,000
Kerian Energy Sdn. Bhd.	2,836,983
Kuasa Sezaman Sdn. Bhd.	1,344,828
Red & Yellow Omnibus Company Sdn. Bhd.	32,658
	<u>4,574,469</u>

Name of Company	Country of Incorporation	Proportion of Ownership Interest/Voting Rights held by the Company		Principal Activities
		2018 %	2017 %	
Selama Hidro Sdn. Bhd.	Malaysia	2.2	15	Dealing in hydropower and hydroelectric activities
Kerian Energy Sdn. Bhd.	Malaysia	2.5	2.5	Dealing in hydropower and hydroelectric activities
Kuasa Sezaman Sdn. Bhd.	Malaysia	9.9	9.9	Dealing in hydropower and in hydroelectric activities
Red & Yellow Omnibus Company Sdn. Bhd.	Malaysia	4.94	4.94	Bus transportation

17) TRADE AND OTHER RECEIVABLES

	GROUP	
	2018	2017
	RM	RM
Trade receivables	11,618,129	1,296,285
Less: loss allowance	(269,542)	(243,762)
	<u>11,348,587</u>	<u>1,052,523</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

17) TRADE AND OTHER RECEIVABLES (Cont'd)

	GROUP		COMPANY	
	2018 RM	2017 RM	2018 RM	2017 RM
Other receivables				
Non-current asset				
Other receivables	3,298,806	1,928,166	-	-
Current assets				
Other receivables	6,987,935	4,101,101	-	-
Refundable deposits	150,635	178,071	25,000	25,000
	7,138,570	4,279,172	25,000	25,000
Less: loss allowance	(227,400)	(227,400)	-	-
Total current assets	6,911,170	4,051,772	25,000	25,000
	<u>10,209,976</u>	<u>5,979,938</u>	<u>25,000</u>	<u>25,000</u>
Total trade and other receivables	<u>21,558,563</u>	<u>7,032,461</u>	<u>25,000</u>	<u>25,000</u>

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

Trade receivables comprise amounts receivable for sales of goods and services rendered. The normal credit period granted on sales of goods and services rendered are 30 days from invoice date. 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 amounting to RM11,334,332 (2017: RM174,631).

18) GOODWILL ON CONSOLIDATION

	GROUP	
	2018 RM	2017 RM
At 1 January	22,036,009	22,036,009
Less: Impairment loss	(1,010,472)	-
At 31 December	<u>21,025,537</u>	<u>22,036,009</u>

a) **Goodwill has been allocated to the Group's cash-generating unit ("CGU") identified according to business segment as follows:**

	GROUP	
	2018 RM	2017 RM
Transportation services	10,781,804	11,792,276
Hydropower activities	10,243,733	10,243,733
	<u>21,025,537</u>	<u>22,036,009</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

18) GOODWILL ON CONSOLIDATION (Cont'd)

b) Impairment test for Goodwill

The recoverable amount of the CGU is determined based on value-in-use calculations using cash flow projections from financial forecasts with key assumptions approved by management.

Transportation service

The recoverable amount of Transportation service unit was based on its value in use, determined by discounting future cash flow generated. The carrying amount of RM11,792,276 was determined to be higher than its recoverable amount of RM10,781,804 and an impairment loss of RM1,010,472 was recognised in profit and loss. Impairment loss was allocated fully to goodwill.

Value in use was determined by discounting the future cash flows expected to be generated from continuing use of the unit and was based on the following key assumption:

- Cash flows were projected based on past experience and actual operating results for a 3 year period in line with the business plan.
- Revenue are expected to remain constant for contract service and projected to grow at 2% (2017: 2%) per annum for non-contract services. All expenses are expected to grow at 2% (2017: 2%) per annum.
- Contracts are expected to be renewed upon expiry of the terms and conditions until 2021.
- A pre-tax discount rate of 7.63% (2017: 7.63%) was applied in determining the recoverable amount of the unit. The discount rate was based on the Group's weighted average cost of capital.

Sensitivity to changes in assumptions

The above estimates are particularly sensitive in the following areas:

An increase of 1% point in the discount rate used would have increased the impairment loss by RM298,000.

A 5% decrease in revenue for those services without contract will increase the impairment loss by RM41,000.

Hydropower activities

The recoverable amount of Hydropower activities unit was based on its value in use, determined by discounting future cash flows generated.

Value in use was determined by discounting the future cash flows expected to be generated from continuing use of the unit and was based on the following key assumption:

- Cash flows were projected for 21 years based on Feed-In Approval Letter from Sustainable Energy Authority Malaysia.
- The revenue is expected to be constant based on the tariff and output as per expected Feed-In Approval letter from Sustainable Energy Development Authority Malaysia. All expenses are expected to increase at 4% (2017: 4%) per annum.
- A pre-tax discount rate of 7.9% (2017: 7.9%) was applied in determining the recoverable amount of the unit. The discount rate was based on the subsidiaries' weighted average cost of capital.

Sensitivity to changes in assumptions

With regard to the assessment of value-in-use of all CGUs, the management believes that any reasonable change in any of the above key assumptions would not cause the carrying value of the CGUs to materially exceed their recoverable amounts.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

19) DEFERRED TAXATION

	GROUP		COMPANY	
	2018	2017	2018	2017
	RM	RM	RM	RM
Deferred tax assets				
Balance as at beginning of the year	1,850,547	2,247,588	1,576	2,277
Recognised in profit or loss (Note 11)	(1,850,547)	(397,041)	-	(701)
Balance as at end of the year	-	1,850,547	1,576	1,576
Deferred tax liabilities				
Balance as at beginning of the year	2,976,817	3,836,056	1,576	2,277
Recognised in profit or loss (Note 11)	(1,377,229)	(859,239)	-	(701)
Balance as at end of the year	1,599,588	2,976,817	1,576	1,576

Presented after appropriate offsetting as follows:

	GROUP		COMPANY	
	2018	2017	2018	2017
	RM	RM	RM	RM
Deferred tax assets	-	1,850,547	-	-
Deferred tax liabilities	(1,599,588)	(2,976,817)	-	-

The recognised deferred taxation are made up of the following:

	GROUP		COMPANY	
	2018	2017	2018	2017
	RM	RM	RM	RM
Deferred tax assets				
Tax effects of:				
Unabsorbed capital allowances	-	1,850,547	1,576	1,576
Deferred tax liabilities				
Tax effects of:				
Temporary differences between tax capital allowance and book depreciation of property, plant and equipment	1,599,588	2,976,817	1,576	1,576

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

20) INVENTORIES

	GROUP	
	2018 RM	2017 RM
At cost:		
Spare parts for motor vehicles	600,310	756,813
Recognised in profit or loss:		
Inventories recognised as cost of sales	385,213	327,377

21) CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2018 RM	2017 RM	2018 RM	2017 RM
Cash and cash equivalents consist of:				
Deposits with licensed banks	43,277	41,951	-	-
Cash and bank balances	40,448,744	49,751,004	12,384,418	13,932,832
	40,492,021	49,792,955	12,384,418	13,932,832

The deposits of the Group earn effective interest rate at 3.15% (2017: 3.1% to 3.6%) per annum and have maturity of 1 (2017: 1) month.

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

22) SHARE CAPITAL

	GROUP AND COMPANY		GROUP AND COMPANY	
	No. of ordinary shares		Amount	
	2018	2017	2018 RM	2017 RM
Issued and fully paid				
Balance as at beginning of year	236,179,708	236,102,208	94,478,393	94,440,883
Issued during the year	-	77,500	-	37,510
Balance as at end of the year	236,179,708	236,179,708	94,478,393	94,478,393

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 2018, none of the aforesaid warrants have been exercised.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

22) SHARE CAPITAL (Cont'd)

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 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.

Granted on	Expiry date	Exercise price per ordinary share	Number of options over ordinary shares			
			Balance as at 1.1.2018	Granted	Forfeited	Balance as at 31.12.2018
1 April 2016	4 June 2020	0.41	18,665,000	-	(7,520,500)	11,144,500

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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

23) RESERVES

	GROUP		COMPANY	
	2018 RM	2017 RM	2018 RM	2017 RM
Distributable reserve:				
Retained earnings	7,969,871	8,183,523	-	1,724,227
Non-Distributable reserves:				
Accumulated loss	-	-	(2,105,576)	-
Warrant reserve	1,007,080	1,007,080	1,007,080	1,007,080
ESOS reserve	1,386,480	1,386,480	1,386,480	1,386,480
Equity transaction reserve	(5,192,851)	(5,192,851)	-	-
Fair value reserve	580,226	-	-	-
	(2,219,065)	(2,799,291)	287,984	2,393,560
	<u>5,750,806</u>	<u>5,384,232</u>	<u>287,984</u>	<u>4,117,787</u>

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.

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	
	2018 RM	2017 RM
Gross balance	248,385	298,889
Less:		
Finance lease and hire purchase interest in suspense	(33,560)	(45,784)
Principal outstanding	<u>214,825</u>	<u>253,105</u>
Portion payable within the next 12 months (included in current liabilities)	34,337	38,392
Portion payable after the next 12 months:		
Payable between 1 and 2 years	36,300	33,891
Payable between 2 and 5 years	103,821	113,732
Payable after 5 years	40,367	67,090
	180,488	214,713
	<u>214,825</u>	<u>253,105</u>

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

24) FINANCE LEASE AND HIRE PURCHASE CREDITORS (Cont'd)

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

	GROUP	
	2018 RM	2017 RM
As at 1 January	298,889	260,785
Additions:		
Principal	-	116,700
Interest	-	26,888
	-	143,588
Payments of:		
Principal	(38,688)	(94,011)
Interest	(11,816)	(11,473)
	(50,504)	(105,484)
Gross balance	248,385	298,889
Less:		
Finance lease and hire purchase interest in suspense	(33,560)	(45,784)
As at 31 December	214,825	253,105

25) TERM LOAN

	GROUP	
	2018 RM	2017 RM
Secured term loan	2,434,412	1,003,000
Less: Portion payable within the next 12 months	(320,480)	(325,838)
Non-current portion	2,113,932	677,162

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

Financial years ending 31st December:		
2020	334,709	416,295
2021 - 2023	1,129,718	260,867
2024 onwards	649,505	-
	2,113,932	677,162

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 6.85% (2017: 6.85%) per annum.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

26) OTHER PAYABLES AND ACCRUED EXPENSES

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	
	2018 RM	2017 RM	2018 RM	2017 RM
Non-current liabilities				
Other payable	1,582,669	1,714,421	-	-
Current liabilities				
Other payables	957,996	2,670,158	6,685	-
Accrued expenses	211,712	169,293	121,023	73,845
Amount due to director	436	-	-	-
	1,170,144	2,839,451	127,708	73,845
	2,752,813	4,553,872	127,708	73,845

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

27) AMOUNT DUE TO CORPORATE SHAREHOLDER

The amount due to corporate shareholder is unsecured, interest free and repayable on demand.

28) SEGMENTAL INFORMATION

BUSINESS SEGMENTS

	Transportation services RM	Hydropower activities RM	Investment holding and others RM	Eliminations RM	Consolidated RM
2018					
REVENUE					
Sales	28,466,477	-	-	(28,572)	28,437,905
RESULTS					
Profit/(Loss) before tax	3,170,828	(2,450)	(3,829,803)	1,349,067	687,642
Income tax credit					(858,299)
Loss for the year					(170,657)
OTHER INFORMATION					
Segment assets	51,166,153	29,154,365	94,894,083	(63,342,063)	111,872,538
Segment liabilities	11,223,400	23,289,558	127,708	(26,972,396)	7,668,270
Capital expenditure	-	5,835,320	-	-	5,835,320
Depreciation	6,726,836	37,503	2,919	-	6,767,258
Non cash expenses other than depreciation	-	-	2,359,539	(2,359,539)	-

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

28) SEGMENTAL INFORMATION (Cont'd)

BUSINESS SEGMENTS (Cont'd)

	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 expense					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	113,147	4,642,381	-	-	4,755,528
Depreciation	7,343,809	97,229	2,918	-	7,443,956
Non cash expenses other than depreciation	-	111,834	-	-	111,834

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 RM25,867,914 (2017: RM37,352,499) arising from transportation services.

29) 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 has 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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

29) SIGNIFICANT RELATED PARTY TRANSACTIONS (Cont'd)

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	
	2018 RM	2017 RM	2018 RM	2017 RM
i) Professional fees paid to a related party, AAsia-East Capital Sdn. Bhd.	360,000	390,000	360,000	390,000
ii) Rental of premises paid to a director, Dato' Syed Abu Hussin Bin Hafiz Syed Abdul Fasal	196,800	203,520	196,800	203,520

30) CATEGORIES OF FINANCIAL INSTRUMENTS

The table below provides an analysis of financial instruments as at 31 December 2018 categorised as follows:

- (i) Fair value through other comprehensive income ("FVOCI")
- Equity instrument designated upon initial recognition ("EIDUIR")
(ii) Amortised cost ("AC")

2018	Carrying amount RM	FVOCI - EIDUIR RM	AC RM
Financial assets			
GROUP			
Other financial assets	4,574,469	4,574,469	-
Trade and other receivables	21,558,563	-	21,558,563
Cash and cash equivalents	40,492,021	-	40,492,021
	<u>66,625,053</u>	<u>4,574,469</u>	<u>62,050,584</u>
COMPANY			
Trade and other receivables	25,000	-	25,000
Amount owing by subsidiaries	26,443,372	-	26,443,372
Cash and cash equivalents	12,384,418	-	12,384,418
	<u>38,852,790</u>	<u>-</u>	<u>38,852,790</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30) CATEGORIES OF FINANCIAL INSTRUMENTS (Cont'd)

2018	Carrying amount RM	FVOCI - EIDUIR RM	AC RM
Financial liabilities			
GROUP			
Term loans	2,434,412	-	2,434,412
Other payables and accrued expenses	2,752,813	-	2,752,813
Finance lease and hire purchase creditors	214,825	-	214,825
Amount due to corporate shareholder	2,266,220	-	2,266,220
	7,668,270	-	7,668,270
COMPANY			
Other payables and accrued expenses	127,708	-	127,708

The table below provides an analysis of financial instruments as at 31 December 2017 categorised as follows:

- (i) Available-for-sale financial assets ("AFS")
- (ii) Loans and receivables ("L&R")
- (iii) Financial liabilities measured at amortised cost ("FL")

2017	Carrying amount RM	AFS RM	L&R RM
Financial assets			
GROUP			
Other financial assets	3,435,114	3,435,114	-
Trade and other receivables	7,032,461	-	7,032,461
Cash and cash equivalents	49,792,955	-	49,792,955
	60,260,530	3,435,114	56,825,416
COMPANY			
Trade and other receivables	25,000	-	25,000
Amount owing by subsidiaries	26,308,442	-	26,308,442
Cash and cash equivalents	13,932,832	-	13,932,832
	40,266,274	-	40,266,274

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30) CATEGORIES OF FINANCIAL INSTRUMENTS (Cont'd)

2017	Carrying amount RM	AFS RM	FL RM
Financial liabilities			
GROUP			
Finance lease and hire purchase creditors	253,105	-	253,105
Term loans	1,003,000	-	1,003,000
Other payables and accrued expenses	4,553,872	-	4,553,872
	5,809,977	-	5,809,977
COMPANY			
Other payables and accrued expenses	73,845	-	73,845

31) NET GAINS AND LOSSES ARISING FROM FINANCIAL INSTRUMENTS

	GROUP		COMPANY	
	2018 RM	2017 RM	2018 RM	2017 RM
Net gains/(losses) on:				
Equity instruments designated at fair value through other comprehensive income:				
- recognised in other comprehensive income	1,138,241	-	-	-
Available-for-sale financial assets	-	1,416	-	-
Financial assets at amortised cost	894,752	-	348,853	-
Financial liabilities at amortised cost	(228,177)	(628,857)	-	-
Loans and receivables	-	899,164	-	424,249
	1,804,816	271,723	348,853	424,249

32) FAIR VALUE INFORMATION

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

32) FAIR VALUE INFORMATION (Cont'd)

a) Financial Instrument carried at fair value

The tables below analyses other financial instruments at fair value.

	Fair value of financial instruments			Total fair value RM	Carrying amount RM
	Level 2 RM	Level 3 RM	Total RM		
2018					
GROUP					
Financial assets					
Other financial assets	1,737,486	2,836,983	4,574,469	4,574,469	4,574,469

2017

GROUP

Financial assets

Other financial assets	3,435,114	-	3,435,114	3,435,114	3,435,114
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Level 2 Fair Value

	RM
Selama Hidro Sdn. Bhd.	360,000
Kuasa Sezaman Sdn. Bhd.	1,344,828
	<u>1,704,828</u>

The fair value of Selama Hidro Sdn. Bhd. was derived based on the price of the sales of its 12.8% stake on 2 May 2018.

The fair value of Kuasa Sezaman Sdn. Bhd. was derived based on the subsequent disposal of 7.4% stake at RM1million.

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and Level 2 fair values during the financial year (2017: no transfer in either directions).

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

32) FAIR VALUE INFORMATION (Cont'd)

a) Financial Instrument carried at fair value (Cont'd)

Level 3 Fair Value

The following is a description of the fair value measurements using significant unobservable inputs (Level 3):

	RM
Kerian Energy Sdn. Bhd.	2,836,983
Red & Yellow Omnibus Company Sdn. Bhd.	32,658
	<u>2,869,641</u>

The fair value of Kerian is determined based on value-in-use calculations using cash flow projections from financial forecasts with key assumptions approved by management.

Key assumptions and management's approach to determine the values assigned to each key assumption are as follow:

- Cash flows were projected for 21 years based on Feed-In Approval letter from Sustainable Energy Development Authority Malaysia and all balance of the annual cash flow will be distributed as dividend to shareholders.
- The revenue is expected to be constant based on the tariff and output as per expected Feed-In Approval letter from Sustainable Energy Development Authority Malaysia. All expenses are expected to increase at 4% per annum.
- A pre-tax discount rate of 7.6% (2017: 7.6%) was applied in determining the recoverable amount of the unit. The discount rate was based on the cost of fund of the Company.

The fair value of Red & Yellow Omnibus Company Sdn. Bhd. was determined based on the share of net tangible assets as at 31 December 2018.

Sensitivity analysis of for Kerian Energy Sdn. Bhd.

If the discount rate had been increased by 1% with all other variables held constant, the fair value of the Company will be reduced by approximately RM3.3 million as at the end of the reporting period.

b) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value.

	2018		2017	
	Carrying amount RM	Fair value RM	Carrying value RM	Fair value RM
Obligations under finance leases	214,825	211,851	253,105	248,764

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

33) CAPITAL COMMITMENTS

	GROUP	
	2018	2017
	RM	RM
Capital expenditure commitment		
Plant and equipment		
Contracted but not provided for	13,050,000	14,062,000

34) SIGNIFICANT CHANGES IN ACCOUNTING POLICIES

In summary, upon the adoption of MFRS 9, the Group and the Company made the following reclassifications as at 1 January 2018.

		<u>MFRS 9 measurement category</u>	
<u>MFRS 139 measurement category</u>	Carrying amount	Amortised cost	Fair value through other comprehensive income
GROUP	RM	RM	RM
Loans and receivables			
Trade and other receivables	7,032,461	7,032,461	-
Available-for-sales			
Other financial assets	3,435,114	-	3,435,114
COMPANY			
Loans and receivables			
Trade and other receivables	25,000	25,000	-

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-Fourth (“24th”) Annual General Meeting (“AGM”) of the Company will be held at the Meeting Room, D-1-6, Ayer@8, Jalan P8G, Presint 8, 62250 Putrajaya on Wednesday, 19 June 2019 at 10.30 a.m. for the following purposes:-

AGENDA

Ordinary Business

1. To lay the Audited Financial Statements for the financial year ended 31 December 2018 together with the report of the directors and Auditors.
2. To approve the payment of Directors’ Fees of RM213,000 for the financial year ended 31 December 2018. **(Ordinary Resolution 1)**
3. To approve the payment of Directors’ benefits (excluding Directors’ Fee) payable of not exceeding RM70,000 for the period from 20 June 2019 until the next Annual General Meeting of the Company. **(Ordinary Resolution 2)**
4. To re-elect Dato’ Rosli bin Sharif who retires by rotation in accordance with Article 101 of the Company’s Constitution. **(Ordinary Resolution 3)**
5. To re-elect Peter Wong Hoy Kim who retires by rotation in accordance with Article 101 of the Company’s Constitution. **(Ordinary Resolution 4)**
6. To re-appoint Messrs STYL Associates PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Ordinary Resolution 5)**

Special Business

To consider and if thought fit, to pass the following resolutions with or without modifications :-

7. **AUTHORITY TO ALLOT SHARES** **(Ordinary Resolution 6)**

“THAT subject always to the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby authorised pursuant to Section 75 and 76 of the Companies Act 2016 to allot and issue shares in the Company at any time until the conclusion of the next Annual General Meeting 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 to be allotted pursuant to this Resolution does not exceed 10% of the total number of issued shares of the Company for the time being.”
8. **APPROVAL TO CONTINUE IN OFFICE AS SENIOR INDEPENDENT DIRECTOR** **(Ordinary Resolution 7)**

“THAT Mr. Peter Wong Hoy Kim who has served the Board as the Senior Independent Non-Executive Director of the Company for a cumulative term of more than twelve (12) years, be and is hereby retained as the Senior Independent Non-Executive Director of the Company.”
9. **PROPOSED ADOPTION OF NEW CONSTITUTION OF THE COMPANY** **(Special Resolution)**

“THAT the new set of the Constitution of the Company in the form and manner as set out in Appendix A attached herewith be and is hereby approved and adopted as the new Constitution of the Company, in substitution for, and to the exclusion of, the existing Constitution of the Company AND THAT the Directors be and are hereby authorised to do all such acts and things and to take such steps that are necessary to give effect to the adoption of the new Constitution of the Company.”

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

By Order of the Board

Perak Darul Ridzuan
30 April 2019

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

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 12 June 2019 shall be entitled to attend the said AGM or appoint a proxy(ies) to attend, vote and speak on their behalf.

Explanatory Notes :

(A) Ordinary Resolution 2 – Directors' Benefits

The proposed Directors' Benefits payable comprises allowances and other benefits. The total estimated amount of Directors' benefits payable is calculated based on the number of scheduled Board's and Board Committee's meetings from the day after 24th AGM until the next AGM.

(B) Ordinary Resolution 6 – Authority to allot shares

The proposed Resolution 6 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 23rd Annual General Meeting held on 24 May 2018 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) Ordinary Resolution 7 – Approval to continue in office as Senior Independent Director

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 23rd Annual General Meeting held on 24 May 2018, the shareholders of the Company approved the resolution for him 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 9 April 2019 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 7 will be sought via two tier voting process.

(D) Special Resolution – Proposed Adoption of new Constitution of the Company.

The proposed Special Resolution, if passed, will give full effect to the proposed amendments to the Constitution of the Company by substituting the existing Constitution with the new set of Constitution as set out in Appendix A. The rationale of the proposed amendments to the existing Constitution is to ensure continued compliance and to bring the Constitution of the Company in line with the following laws and regulations:-

- Amended Bursa Malaysia Securities Berhad Main Market Listing Requirements which was issued on 29 November 2017; and
- Companies Act 2016 which came into effect on 31 January 2017

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 24th Annual General Meeting of the Company.

2. Statement relating to general mandate for authority to allot shares 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 of the Notice of 24th Annual General Meeting.

ANALYSIS OF SHAREHOLDINGS

AS AT 1 APRIL 2019

Total Number of Issued Shares	:	236,179,708 ordinary shares
Class of Shares	:	Ordinary shares
No. of Shareholders	:	2,596
Voting Rights	:	One (1) vote per Ordinary Share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
Less than 100	392	15.10	18,544	0.01
100 to 1,000	108	4.16	38,430	0.02
1,001 to 10,000	1,272	49.00	5,409,997	2.29
10,001 to 100,000	684	26.35	22,096,908	9.35
100,001 to less than 5% of issued shares	138	5.32	144,208,265	61.06
5% and above of issued shares	2	0.07	64,407,564	27.27
Total	2,596	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) SDN BHD 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. ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR OOI HOCK LAI (8120833)	6,666,666	2.82
9. OOI CHIN HEAN	6,542,266	2.77
10. CITIGROUP NOMINESS (ASING) SDN BHD PERSHING LLC FOR KENNETH RAININ FOUNDATION	5,798,905	2.46
11. TAN CHAI CHEK	5,518,166	2.34

ANALYSIS OF SHAREHOLDINGS (cont'd)

AS AT 1 APRIL 2019

LIST OF THIRTY LARGEST SHAREHOLDERS (Cont'd)

(As per Record of Depositors)

Name of Shareholders	No. of Shares	%
12. RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR OOI HOCK LAI	5,320,333	2.25
13. SJ SEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES PLEDGED ACCOUNT FOR SYED ABU HUSSIN BIN HAFIZ SYED ABDUL FASAL (SMT)	5,048,000	2.14
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. AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SDN BHD AASIA-EAST CAPITAL SDN BHD	3,483,132	1.47
17. HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR IBRAHIM BIN HAMZAH	3,294,200	1.39
18. SYED ABU HUSSIN BIN HAFIZ SYED ABDUL FASAL	2,301,000	0.97
19. CITIGROUP NOMINEES (ASING) SDN BHD PERSHING LLC FOR CARSTONE HOLDINGS LLC	2,210,878	0.94
20. CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR SIEW MUN CHUANG (PB)	2,000,000	0.85
21. CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR NASRI BINTI HASHIM (M96074)	2,000,000	0.85
22. CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR MOHAMMED AMIN BIN MAHMUD (MM1004)	1,970,600	0.83
23. HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WAN MOHAMMAD KHAI-IL ANUAR (CCTS)	1,753,333	0.74
24. OOI HOCK LAI	1,443,333	0.61
25. LAU MENG HONG	1,400,000	0.59
26. PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN CHUNG CHING (E-PTS)	1,245,366	0.53
27. ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR OOI HOCK LAI	1,208,333	0.51
28. MAYBANK NOMINEES (TEMPATAN) SDN BHD YEOH SIOK KEONG	1,179,300	0.50
29. RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN SIEW SIONG	1,000,000	0.42
30. LOH DE KIANG	968,333	0.41

ANALYSIS OF SHAREHOLDINGS (cont'd)

AS AT 1 APRIL 2019

SUBSTANTIAL SHAREHOLDERS AS AT 1 APRIL 2019

(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	56,246,691	23.81	9,856,666	4.17
Erayear Equity Sdn Bhd	27,827,096	11.78	-	-
Azhan bin Zakaria	-	-	27,827,096	11.78
Ooi Hock Lai	24,251,298	10.27	-	-

DIRECTORS' SHAREHOLDING AS AT 1 APRIL 2019

(As per Register of Directors' Shareholdings)

Name	Direct No. of Shares	%	Indirect No. of Shares	%
Dato' Syed Abu Hussin bin Hafiz Syed Abdul Fasal	56,246,691	23.81	9,856,666	4.17
Dato' Shaiful Annuar bin Ahmad Shaffie	-	-	-	-
Peter Wong Hoy Kim	-	-	-	-
Dato' Rosli bin Sharif	-	-	-	-
Dato' Jamal bin Mohd Aris	-	-	-	-

ANALYSIS WARRANTHOLDINGS 2010/2020

AS AT 1 APRIL 2019

Class of Securities	:	Warrants 2010/2020
No. of Warrants	:	62,942,500
Revised Exercise Price of Warrants	:	RM0.40
Exercise Period of Warrants	:	From 5 October 2010 to 4 October 2020
Expiry Date of Warrants	:	4 October 2020
No. of Warranholders	:	485

DISTRIBUTION OF WARRANTHOLDINGS 2010/2020

Size of Warrant Holdings	No. of Warrant holders	%	No. of Warrants	%
Less than 100	26	5.36	996	0.00
100 to 1,000	29	5.98	6,233	0.01
1,001 to 10,000	166	34.23	795,696	1.26
10,001 to 100,000	190	39.17	7,759,262	12.33
100,001 to less than 5% of issued warrants	71	14.64	25,757,475	40.92
5% and above of issued warrants	3	0.62	28,622,838	45.48
Total	481	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)	5,210,700	8.28
4. SJ SEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NASRI BINTI HASHIM (SMT)	2,382,000	3.78
5. TAN CHAI CHEK	2,149,125	3.41
6. ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KONG KOK CHOY (8092812)	2,100,000	3.34
7. TAN KHAY LONG	1,120,000	1.78
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. OOI CHIN AIK	1,043,000	1.66
10. GEORGE LEE SANG KIAN	831,000	1.32
11. ROSLAN BIN HUSSIN	775,000	1.23

ANALYSIS WARRANTHOLDINGS 2010/2020 (cont'd)

AS AT 1 APRIL 2019

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

Name of Shareholders	No. of Shares	%
12. CHIAM GUANG SOON	700,000	1.11
13. WONG HEN SANG	575,000	0.91
14. GEORGE LEE SANG KIAN	570,400	0.91
15. LOW WEE FOOK	550,000	0.87
16. TIONG HUO CHIONG	536,400	0.85
17. TAN ENG HAI	510,900	0.81
18. OOI GENE HOCK	351,250	0.56
19. LUM FOOK SENG	350,000	0.56
20. MAYBANK NOMINEES (TEMPATAN) SDN BHD CHUNG SENG KONG	320,000	0.51
21. LEE SWEE HOCK	314,900	0.50
22. DING NYOK CHOO	310,000	0.49
23. TEO LIAN HING	292,100	0.46
24. HAM WENJIE	284,500	0.45
25. ROSMAZIAH BT ALIAS	265,000	0.42
26. NG SOOK KIN	263,500	0.42
27. KHAW CHEOW KHENG	260,000	0.41
28. CHEW CHUON GHEE	250,000	0.40
29. CHONG BOON CHEONG	250,000	0.40
30. CIMSEC NOMINEES (TEMPATAN)SDN BHD CIMB BANK FOR NASRI BINTI HASHIM (M96074)	250,000	0.40

ANALYSIS WARRANTHOLDINGS 2010/2020 (cont'd)

AS AT 1 APRIL 2019

DIRECTORS' WARRANTHOLDING 2010/2020 AS AT 1 APRIL 2019

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



FORM OF PROXY

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 24th 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 Wednesday, 19 June 2019 at 10.30 a.m and at any adjournment thereof in the manner indicated below.

		For	Against
Ordinary Resolution 1	To approve the payment of Directors' Fees of RM213,000 for the financial year ended 31 December 2018		
Ordinary Resolution 2	To approve the payment of Directors' benefits (excluding Directors' Fee) payable of up to RM70,000 for the period from 20 June 2019 until the next Annual General Meeting of the Company.		
Ordinary Resolution 3	To re-elect Dato' Rosli bin Sharif		
Ordinary Resolution 4	To re-elect Peter Wong Hoy Kim		
Ordinary Resolution 5	To re-appoint Messrs STYL Associates PLT as Auditors of the Company		
Ordinary Resolution 6	Authority to allot shares		
Ordinary Resolution 7	Approval to retain Mr. Peter Wong Hoy Kim as Senior Independent Director		
Special Resolution	Proposed Adoption of new Constitution of the Company		

(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 _____ 2019

No. of Shares held	
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 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 12 June 2019 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

D-3-3, Block D, Ayer@8
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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