

G Capital

Gunung Capital Berhad

(KLSE Stock Code: 7676)

ANNUAL REPORT 2019

*"Accept the challenges so that you
can feel the exhilaration of Victory"*

...G.S.Patton



Brunei Cambodia Philippines Myanmar Malaysia China Indonesia Singapore Laos Thailand Vietnam

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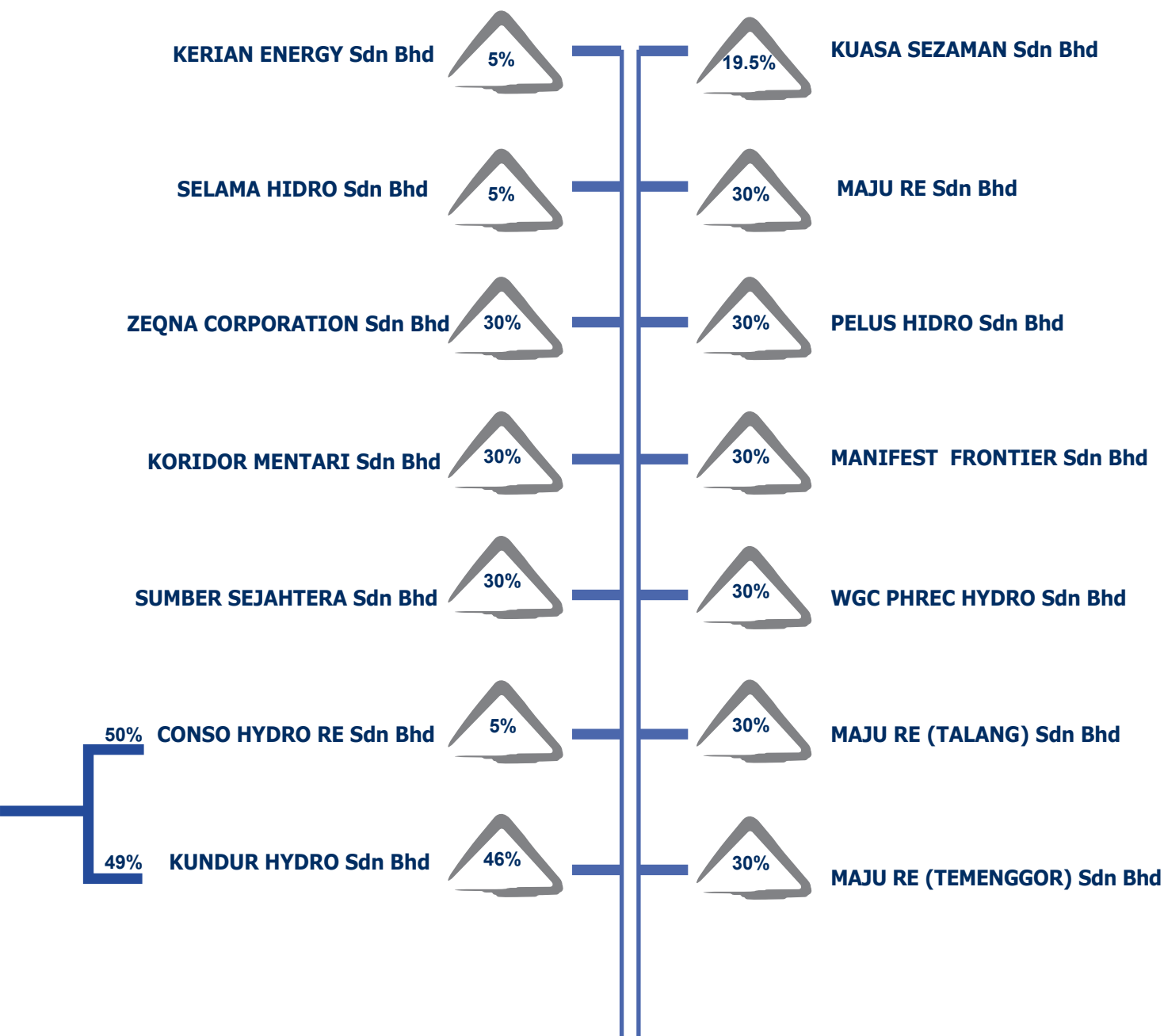
CORPORATE STRUCTURE

AS AT 31 MAY 2020



CORPORATE STRUCTURE

AS AT 31 MAY 2020



CORPORATE INFORMATION

AS AT 17 JUNE 2020

Board of Directors

Tan Sri Dr. Ali bin Hamsa
Executive Director

Datuk Yap Yee Ping
Executive Director

Loi Jin Choo
Independent Non Executive Director

Dato' Rosli bin Sharif
Independent Non Executive Director

Dato' Haji Roshidi bin Haji Hashim
Independent Non Executive Director

Audit and Risk Committee

Loi Jin Choo (Chairperson)
Dato' Rosli bin Sharif
Dato' Haji Roshidi bin Haji Hashim

Nomination Committee

Loi Jin Choo (Chairperson)
Dato' Rosli bin Sharif
Dato' Haji Roshidi bin Haji Hashim

Remuneration Committee

Loi Jin Choo (Chairperson)
Dato' Haji Roshidi bin Haji Hashim

Company Secretaries

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

Share Registrar

Boardroom Share Registrars Sdn Bhd
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No. 5, Jalan Professor Khoo Kay Kim
Seksyen 13, 46200 Petaling Jaya,
Selangor
Tel : 03 - 78904700
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Principal Banker

Malayan Banking Berhad
CIMB Bank Berhad
OCBC Al-Amin Bank Berhad

Registered Office

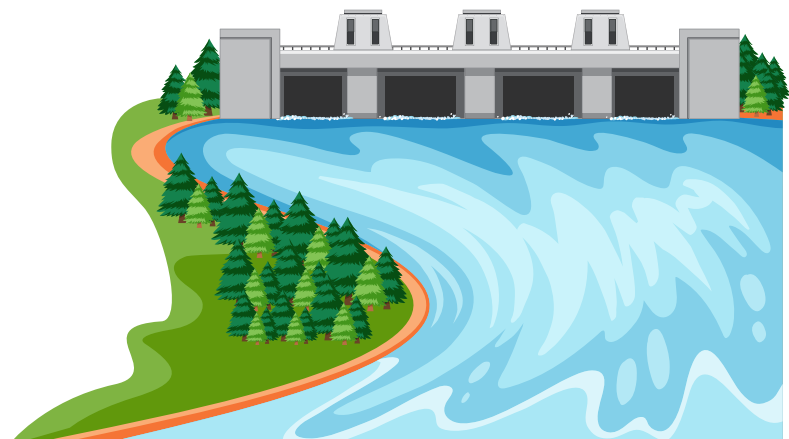
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Greentown Business Centre
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Tel : 05-253 8318
Fax : 05-243 8318
Website: www.gunung.com.my

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 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 2019 (“FY 2019”). The MD&A should be read in conjunction with the audited financial statements of the Group and of the Company for FY 2019”

Company Overview & Strategy

➡ The **chartering of transportation assets 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 (“GPB”), and its indirect wholly-owned subsidiary, Bas Rakyat Sdn Bhd, the Group is focused on chartering transportation assets to Government, companies with substantial fleet requirements, shuttle bus services within university campuses, and ad hoc charters.

Via a strategy 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 consistently secure medium-term service-contracts. Via GPB, we are currently servicing the fleet requirements of the Ministry of Defence for the transportation for the school children of the armed forces personnel nationwide.

In FY2019 the service-contract for the children of armed forces personnel was completed on 30 November 2019 after servicing 33 months of school sessions (a 3 year service-contract tenure).

In FY2019, GPB tendered for essentially the same service-contract and subsequently, on 23 December 2019 GPB received a Letter of Award from the Ministry of Defence for this service-contract with the value of up to RM44.2 mil (the ‘ceiling limit’ for a tenure of 3 years to December 2022). The scope of services to be provided includes providing transportation to and from nominated schools for the children of armed forces personnel nationwide (“pick-up and drop-off services”). The scope of services are focused only for school children residing within the armed forces quarters.



With 77 armed forces camps over 5 zones, Gunung estimates that a total of 233 units of 44-seater buses, & 85 units of 25-seater buses will be required to fulfill its service-contract obligations. Included in the scope, is the additional requirement provide a mandatory training program to 18 graduates (“PROTÉGÉ”).

➡ The **renewable energy (small-hydro) division** was created from the acquisition of an effective fifty one percent (51%) equity stake in Perak Hydro Renewable Energy Corporation Sdn Bhd (“PHREC”) in late 2013. 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 launched Gunung into the small-hydropower renewable energy sector, 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 31 pre-identified sites approved by the State Government Executive Council, with an estimated total installed capacity of 220 MW, for a period of 21 years from the feed-in-tariff (“FIT”) commencement date for each site.

The outlook of the Renewable Energy (“RE”) Sector is highly linked to the Feed-In Tariff (“FiT”) system which was legislated 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 supporting a premium tariff range for electricity generated from non-fossil fuel sources, such as small-hydro schemes, biomass, and solar. Furthermore, the introduction of the Renewable Energy 2011 provides a mandatory requirement for Tenaga Nasional Bhd (“TNB”) to buy RE power for a period of 21 years. In FY2019 SEDA moved away from a system of predetermined rates per kilowatt hour (“kWh”) for small hydro to an e-bidding system to distribute quota based on competitive bidding.



MANAGEMENT DISCUSSION & ANALYSIS (“MD&A”)

The first e-bidding exercise was held on September 2019 for a total quota of 160 MW installed capacity. Successful bidders secured quota within a price range of 23-26 sen/ kWh.

Subsequent to the acquisition of PHREC, Gunung inherited a number of PHREC’s joint venture arrangements with various partners involving various small hydropower sites under PHREC’s portfolio in Perak Darul Ridzuan. The sites considered currently ‘active’ as at FY2019 comprises of a total 10 sites with a total estimated installed capacity of 84.1 MW. All of these sites have secured FiT approval, and executed RE-Power Purchase Agreements (“RePPA”) with TNB.

- From the total ‘active’ sites, 2 small-hydropower sites with a total installed capacity of 20MW (Sungai Slim and Skim Sungai Kerian) have been completed, commissioned, and have commenced operating and delivering energy to the National Grid.
- From the total ‘active’ sites, 4 small-hydropower sites with a total estimated installed capacity of 23.3MW (Sungai Geruntum, Sungai Korbu, Sungai Kampar, & Sungai Selama) are under construction. Sungai Geruntum (2MW installed capacity) is being developed by Gunung’s 50%-owned, indirect subsidiary, Conso Hydro RE Sdn Bhd. This small hydro plant is expected to be completed and commissioned by the end first quarter of FY2021 (currently delayed from the original declared delivery date due to the current 2020 Movement Control Order).



- From the total ‘active’ sites, 4 small-hydropower sites with a total installed capacity of 40.8MW (Sungai Pelus, Sungai Geroh, Sungai Gedong & Sungai Perak), have secured their respective FiT approvals and RePPA agreements, and are at various stages of engineering, design work, seeking local Government approvals, and tendering out work packages or directly negotiating with suppliers/ contractors.

Sungai Geroh is being developed by Kundur Hydro Sdn Bhd, an indirect 49%-owned subsidiary of Gunung. Sungai Perak is being developed by Gunung Hydropower Sdn Bhd, a direct 90%-owned subsidiary of Gunung.

- 4 small-hydropower sites with a total installed capacity of 86MW have been deemed by PHREC to be non-active, due to SEDA in FY2019 withdrawing their respective FiT approval. Each site has been previously allocated to partners via joint venture arrangements with PHREC. Currently PHREC is undertaking an analysis to identify

the specific issues faced by each of the partners which has caused sites to be non-active.

- All other sites identified under the WRA are being continually reviewed by PHREC, and pre-feasibility studies have, or are being carried out, to determine the economic viability of these sites. It is expected that sites with total estimated installed capacity of 50MW pre-identified in the WRA, shall be economically viable for the Group to develop in the near future.

It is valuable to understand that upon the commissioning of each small hydro site under the Group’s portfolio, and as energy is sold to the national grid, the contribution to Group earnings will depend on the shareholding structure.

Those joint venture companies where the Group has 30% (or less) equity stake, earnings will be at the associate level, and via the distribution of single tier dividends (upon fulfilling the requirements for dividend distribution under the Companies Act 2016). 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”)

➔ The **financial assets investment division** was formally structured in FY2019 by Gunung Group management to allocate excess cash reserves to selective short-term and medium term financial assets (i.e. liquid financial assets) to secure a competitive return above the prevailing cash deposit rates. Prior to FY2019 management generated a tax exempt interest income from investing in the Islamic wholesale money market. Unfortunately, the tax exemption status granted on interest income from Islamic wholesale money market funds ceased in FY2019. Management is continually evaluating financial asset alternatives which secure the Group a competitive return, with low risk profile characteristics. In FY2019, a total of RM17.55 mil from cash reserves was allocated to the subscription of non-public listed Islamic Redeemable Preference Shares (“iRPS”) from various selected issuers, generating an annualized return on investment of between 5.5%-8.0%.



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

	For the Years ended 31 December (RM mil)				
	2015	2016	2017	2018	2019
Revenue	35.63	39.63	40.27	28.44	16.82
Profit before interest & tax	(3.31)	(1.62)	(0.82)	0.82	(12.47)
Finance cost	0.12	0.01	0.01	0.13	0.15
Net profit attrib. to owners	(2.80)	(1.70)	(2.64)	(0.21)	(11.62)
Shareholders’ equity	102.79	102.47	99.86	100.23	88.86
Total assets	106.93	106.77	110.42	111.87	99.23
Borrowings	0.14	0.23	1.26	2.65	2.34
Debt/ Equity (%)	0.14	0.22	1.26	2.64	2.63
Earnings per share (RM)^	(0.01)	(0.01)	(0.01)	(0.00)	(0.05)
Net assets per share (RM)^	0.44	0.43	0.42	0.42	0.38
Dividend per share (RM)	-	-	-	-	-

(*) denotes loss

^ weighted number of shares in issue 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 Price Performance from 1 April 2019 to 30 April 2020



MANAGEMENT DISCUSSION & ANALYSIS (“MD&A”)

Review of Financial Performance & Condition

Revenue

Group revenue for FY 2019 declined substantially against that of FY 2018, down 40.8% to RM16.8 million (RM28.4 million in FY2018). Contract revenue from the Ministry of Defence contract to ferry school children was relatively constant throughout the period under review. Revenue directly from this service-contract reached RM15.8 million in FY2019 (RM15.0 million in FY2018) which comprised of 94% of total Group revenue for the financial year (53.4% in FY2018).

In FY2018, revenue from the National Service program (“PLKN”) service-contract, which was subsequently terminated in May 2018, contributed RM10.9 million to Group revenue in FY2018 or 38.8% of total Group revenue (0.0% in FY2019). Contract revenues from the PLKN service-contract had underpinned the Group’s revenue for 7 consecutive financial years until FY2018, which has inhibited revenue growth in the transportation division. Group revenue for FY2019 was derived solely from the transportation division, as the Group’s portfolio of small hydropower plants are predominately at the development and construction phase, with no dividend income generated from two hydropower plants commissioned and selling energy to the national grid, at this stage.



RM'000	FY2019	FY2018	% chg
Segmental Analysis			
<u>Revenue</u>			
Transportation assets	16,823	28,438	(40.8)
Small hydro development	-	-	0.0
<u>Operating profit</u>			
Transportation assets	1,841	5,887	(68.7)
Small hydro development	(923)	(1,548)	40.4
Investment in financial assets [^]	258	-	>100

[^] reflected as other income in the Group’s condensed consolidated income statement

Operating profit

The Group registered a RM1.8 million operating profit from the transportation segment in FY2019, which was 68.7% lower than FY2018 (RM5.9 million) on significantly lower service-contract revenue. Operating loss for the hydropower division also improved year on year registering a RM0.9 mil loss in FY2019 compared with a RM1.5 mil loss in FY2018. This loss reflects the cost of in-house engineers, administration expenses, and the costs associated with procuring the necessary approvals from the relevant State Government authorities the Group’s portfolio of small hydropower sites.

In FY2019 Gunung Group management allocated unutilized cash reserves to selective short-term Islamic Redeemable Preference Shares (iRPS) to secure a competitive return on cash deposits. In FY2019, a total of RM17.6 mil from cash reserves was allocated to subscribing to iRPS in the 4th quarter of FY2019. This generated an accrued gain on financial assets amounting to RM167,391. A capital gain of RM92,527 from investing in the Islamic wholesale money market was realized in the 1st quarter of FY2019 subsequent to the Group’s management decision to withdraw from this class of investment (as the tax exemption granted to Islamic wholesale money market funds on interest income ceased in FY2019).

As at 1 March 2020, the issuers of iRPS had redeemed a total of RM10.0 mil iRPS, realizing an investment gain for the Group of RM363,328 (of which RM167,391 was recognized in FY2019). The balance of RM7.6 mil iRPS are scheduled to be redeemed by the relevant issuers by the first week of June 2020. This will generate an additional investment gain of RM166,547.



MANAGEMENT DISCUSSION & ANALYSIS (“MD&A”)

Assets and Liabilities

RM'000	FY2019	FY2018	% chg
Segmental Analysis			
Total Assets			
Transportation assets	26,848	42,506	(36.8)
Investment in financial assets [^]	33,093	31,909	3.7
Small hydro development	39,748	37,516	5.9
Total Liabilities			
Transportation assets	1,217	1,976	(38.4)
Small hydro development	7,530	7,317	2.9
Investment in financial assets [^]	-	-	-

[^] comprising of allocated excess cash for investment purposes & acquisitions/ subscriptions of financial assets.

As the hydro sites under Gunung Hydropower Sdn Bhd (which consolidates its balance sheet with Conso Hydro RE Sdn Bhd and Kundur Hydro Sdn Bhd) are developed, and capital expenditure is incurred, **total assets** in this division increases, which explains the 5.9% increase in assets from FY2018 to FY2019. The drop in transportation assets is indicative of the annual depreciation expense on our fleet of transportation assets, the sale of 12 units of underutilized buses for a gain of RM0.6 million (FY2018 the Group disposed of 32 units of buses for a gain of RM1.9 million). As of FY2019 this fleet has been substantially depreciated with a minimal book value.

Total liabilities continue to be well managed, and relatively low at only 8.8% of total assets in FY2019 from 8.3% of total assets in FY2018, on the back of a decrease in payables in the transportation division.

Impairment of assets in FY2019, management provided for a RM6.1 million impairment on trade receivables, a minor impairment on inventories (bus spare-parts) of RM157,000, a provision for the underestimation of FY2018 taxation of RM291,000 (including penalties), and an impairment of RM109,500 of other receivables comprising of an aging refundable deposit from a Government Agency. No other material impairment on assets was made during the financial period under review.

Trade receivable credit terms 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 as at 31 Dec 2019 were receivables arising from two Government 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.

Aged analysis of trade receivables past due but not impaired ([^]RM6.2 mil impaired in FY2019):

RM'000	<30 days	31-60 days	61-90 days	91-180 days	>180 days
FY 2019	1,490	4	16	29	1,539
FY 2018[^]	176	3	-	-	11,170

The past due trade receivables above 90 days are collectable.

Management made a material impairment on trade receivables from the Ministry of Defence (Mindef) in FY2019 amounting to RM6.2 mil (RM0.03 million in FY2018) due to significant aging. This was a direct result of the suspension and then cancellation of the National Service Program in August 2018. The collection was 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. In the 2nd quarter of FY2019, a total of RM4.95 million of these past due trade receivables from the Ministry of Finance was collected, leaving a balance of RM6.21 million outstanding. The process of collection will continue and upon receipt of payment, management will reverse out the impairment provision.

Subsequent event - sale of transportation assets

In February 2020, management disposed of 71 units of underutilized and aging buses together with the associated spare parts inventory. This generated an estimated gain from the sale of assets of RM3.1 mil for the Group.

Subsequent event - recovery of other receivables

From the balance of other receivables in FY2019 amounting to RM6.3 mil (RM7.2mil in FY2018) a total of RM5.3 mil was recovered from relevant debtors in January 2020.

Other payables at financial year-end, were not significant, approximately RM1.2 million (RM1.2 million in FY2018) for current payables, which represented accrued costs for profession fees, spare parts, and repairs on vehicles.

RM0.8 million included in current payables, and RM1.8 million in non-current payables represents an amount due to the majority shareholder of a completed hydropower plant under PHREC (with a minority equity stake), resulting from the capitalization of shareholder advances into equity. However, the source of re-payment (by deduction), is solely from future dividends declared by the relevant hydropower company.

Group **borrowings** as at FYE2019 are as follows :

RM'000	Current	Non-current
FY2019		
Lease liabilities	36	144
Project financing term loan	340	1,821
	376	1,965
FY2018		
Lease liabilities	34	181
Project financing term loan	320	2,114
	354	2,295

No material change in borrowings year-on-year.

Lease facilities for vehicles under the Group (2.47%-2.89%). Term loan financing the development of a small hydro site (7.85% less 2% interest subsidy from Green Technology Financing Scheme Fund (net 5.85%).

MANAGEMENT DISCUSSION & ANALYSIS (“MD&A”)

➔ Profit before taxation

RM'000	FY2019	FY2018	% chg
Revenue	16,823	28,438	(40.8)
Operating profit (loss)	918	4,339	>(100)
(Loss) bf interest & tax	(12,466)	815	>(100)
Profit/(Loss) bf tax	(12,612)	688	>(100)
(Loss) after tax	(12,161)	(171)	>(100)
Profit (loss) attrib to equity holders	(11,624)	(214)	>(100)

Group loss before tax for FY2019 at RM12.6 million (from a profit before tax of RM0.7 million in FY2018) was significant for the Group. Besides substantially lower service-contract revenues (down 40.8%), one-off impairments of receivables & assets, substantially and negatively affected the Group financial results in FY2019. A RM6.1 mil impairment on trade receivables comprising entirely of the National Service program service-contract, on FY2018 invoices (the National Service Program was officially terminated in August 2018, and suspended from May 2018). A minor impairment to bus spare parts amounting to RM157,000 was made, an underestimation of tax for FY2018 amounting to RM291,000 (including penalties), and an impairment of RM109,500 of other receivables comprising of an aging refundable deposit from a Government Agency.

PBT was arrived at after charging (crediting) the following items:

RM'000	FY19	FY18
Interest Income	(33)	(895)
Depreciation and amortization	6,409	6,767
Impairment of other receivables	110	-
Impairment of trade receivables	6,208	26
Impairment of inventories	157	-
PPE written off	13	-
(Gain)/Loss on disposal of assoc.	-	(1,666)
(Gain)/Loss on disposal of PPE	(638)	(1,855)
Impairment/(Gain) of FA	(258)	-
Unwinding of discount on OR	(188)	-
Government subsidy/ grant	(255)	(1,737)
Impairment loss on goodwill	-	1,010
Unwinding of discount on OP	205	101

OP- Other payables

OR- Other receivables

FA- Financial assets

PPE- Property, plant & equipment

➔ Capital Requirements, Structure & Resources

Under 50%-owned Conso Hydro RE Sdn Bhd, we have budgeted additional capital expenditure of around RM11.0mil from internally generated reserves in FY2020, to complete the Sungai Geruntum small-hydro plant. A RM9.5 mil financing facility secured by the Group, requires the plant to be fully commissioned as a drawdown condition precedent. With the additional borrowings, the gearing ratio of the Group will increase from 2.6% in FY2019 to a manageable 12.9%.

The Group weighted average cost of funds is approximately 5.87%.

Under 51%-owned PHREC, various small-hydropower projects have been assigned to joint venture companies (“JVC”), of which PHREC holds associate and investment equity stakes only. These active JVC’s have secured project financing facilities and any capital shortfall is provided by the majority shareholder. As such, it is unlikely that the Group will be required to provide additional capital for capital expenditure via PHREC.

For FY2020 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 FY2020 to reduce under-utilisation assets.

➔ 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 EURO100,000.

➔ Known Trends and Events

We expect service-contract revenues from the transport division to contract further in the near future, and do not expect the Government will revive the National Service Program. To address the shortfall in service-contract revenues, management is focusing on securing more short term, ad hoc charters.

Due to shrinking Government service-contract revenues, management is of the opinion that a partial impairment of ‘goodwill on consolidation’ for the transportation division is likely in FY2020. Currently RM10.7 million goodwill on consolidation is booked into the Group consolidated balance sheet, subsequent to a RM1.0 million impairment in FY2018.

Anticipated or Known Risks

➔ **Transportation division** risk factors include execution risks such as availability of manpower, fleet capacity, breakdown of coaches/ transportation assets, 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, and breach of the terms and conditions of the contract. Notwithstanding, the Group has established a successful track record undertaking Government service-contracts. In addition, the Group has an existing fleet of buses, available resources, and drivers to be allocated for its existing service-contracts. The Group currently relies on the Ministry of Defence for its service-contracts, with close to 95% of its revenue in FY2019 derived from this single customer, and this represents the largest risk for the Group.

MANAGEMENT DISCUSSION & ANALYSIS (“MD&A”)

Currently, the service-contract tenure is until December 2022, and there is no assurance that this single customer will extend the Service-Contract beyond 2022. 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 expiry. 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)

risk factors such as 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 offers a premium tariff for electricity generated from non-fossil fuel sources, such as small-hydropower schemes, under the Renewable Energy Act 2011. The Group has taken into consideration that SEDA has moved away from a system of predetermined rates per kilowatt hour (“kWh”) for small hydro to an e-bidding system to distribute quota based on competitive bidding, for new proposed small-hydro projects.

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 mainly 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. Management does not consider the single customer risk as significant (with TNB), due to the strong credit rating of TNB, and that each RePPA specifically provides for a 21-year tenure.

Forward Looking Statement



“I’m looking forward to the future, and feeling grateful for the past”.....Mike Rowe

The service-contract National Service Program had underpinned the Group’s contract-revenues for the previous seven consecutive financial years (FY2011- FY 2018). We do not expect the National Service Program to be revived, which could cause growth from service-contract revenues from the transport division to be stifled in the near-future.

Nonetheless, we are confident that the transport division (GPB) will remain as our key revenue provider in the near-term with the existing “pick-up and drop-off” service-contract from the Ministry of Defence (contract value of up to RM44.2 mil) providing Group revenue until Dec 2022.

The Group however will continue to pare down its fleet size as seen in FY2018 and FY2019, in order to reduce fixed costs associated with the under-utilization of our fleet. We believe that our lean operations and strong track record of servicing the fleet requirements of the Ministry of Defence for the transportation for school children of armed forces personnel nationwide could be a boost for any potential contract extension.

As we enter into a new decade in 2020, the Group has also restructured its management team under Datuk Yap Yee Ping, who was appointed to the board and as Group CEO on 9 January 2020.

The new and revamped line-up of management will provide a fresh perspective in the company’s direction going forward.

MANAGEMENT DISCUSSION & ANALYSIS (“MD&A”)

As part of this revamp, the Group will see a shift in strategy to accelerate its diversification plans into the renewable (small-hydro) energy division, in order to ensure the resilience of the Group’s earnings. Back in 2013, the Group has already embarked on a long-term strategy to tap into the renewable energy potential. This shift in strategy is also in line with the government’s push for the development of renewable energy as the ‘fifth national fuel’.

Along with organic growth, the management will also consider consolidate the Group’s position in the small-hydropower segment, via further acquisitions of additional installed capacity.

In FY2020 and FY2021, we are looking forward to the commissioning of a number of small-hydro projects in Perak. We are excited with our portfolio of small-hydropower scheme in the Perak State, which will contribute to the Group’s earnings growth in the long-term.

Furthermore, the new management team is also looking to expand its business opportunities beyond Malaysia and into the Southeast Asia region, providing a platform for exponential growth potential going forward. On 23 January 2020, the Group has signed a memorandum of understanding (MoU) with a Cambodian company on a waste management project. This would represent the Group’s debut on the international stage as well as an opportunity to tap into other industry with long-term income stream prospects. The management is optimistic that the expansion is synergistic with its existing project management experience and resources from its management of land transportation and small-hydropower development.

The shift to expand regionally is part of the new management’s geographical diversification strategy in order to maximize and preserve the value of the company, for the benefit of our shareholders.

The Board has not proposed a dividend/distribution policy as at FY2019, based on upcoming capital expenditure requirement for the small-hydropower division of the Group. Upon the commissioning and operation of each small-hydropower scheme under the Group, the Board proposes to implement and continually revise a dividend/distribution policy.

At the end of another year, management would like to express appreciation to all our staff and our Board for their continued commitment to drive our growth and maintain our services standards. We would also like to thank our valued customers, suppliers, business associates, bankers, regulatory authorities, and other stakeholders for their continued support and trust. To our shareholders, a special thanks for their continue support and confidence in Gunung. With support, we will strive even further to enhance sustainable shareholder value.

The management would also like to give a warm welcome to Datuk Yap and the newly restructured management team as they take on new challenges to bring the company forward.



SUSTAINABILITY STATEMENT

Sustainability Message

“An integral component of sustainable economic development is a reliable and cost-effective energy solution. Gunung is focused on being part of the solution, and as such will continually put forward solutions which will replace fossil fuels as the main feedstock for power generation in Malaysia. As each of our small-hydropower sites in our portfolio is developed successfully, we recognize that this will encourage all stakeholders in the renewable energy sector in Malaysia to accelerate the adoption of renewable energy solutions. This promotes our aim to conserve our environment and provide an environmentally friendly, sustainable and a 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 life and 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. It is our belief that human, nature and economic elements are interdependent with 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 Gunung and its stakeholders and allows Gunung more capacity to manifest dreams and opportunities.”

Environmental

As a responsible green technology and renewable energy company, Gunung is understandably aware of reducing greenhouse gases via developing and owning small-hydro plants which leads to the reduction of greenhouse gas (GHG) emissions and other pollutants by providing the alternative to conventional power generation plants.

A focus on small-hydro plants without the requirement of a dam to store water (feedstock) to generate a constant energy output, limits any significant deforestation, and actually promotes responsible land use.

Without the requirement to store water, run-of-the-river hydro plants generate energy based on existing and future natural flow rates and capacities of the rivers.

This means that upstream catchment areas (the ecosystem, forest, tributaries) that collect and feed the river with a continual flow of water must be preserved, not altered, not stressed via a moratorium on future development, imposed by committed local Government authorities. A mandated 21-year Renewable Energy Power Purchase Agreement with the national utility goes a long way to protect the existing forest ecosystem which feeds the rivers and which in turn, provides the opportunity to generate a clean energy product.

**Replacing Carbon Dioxide
Emissions**

**Clean Small-Hydropower
Renewable Energy**



SUSTAINABILITY STATEMENT

(cont'd)

Our aim is to be part of the reduction of carbon dioxide emissions from conventional fossil fuel power plants, by gradually replacing capacity of these plants with small-hydropower capacity. We have calculated that with every 1 MW (Mega Watt) of installed capacity run-of-the-river hydro we successfully develop, we have annually replaced 3,300 metric tonnes of greenhouse gases (based on a carbon dioxide equivalent method). Amazingly this is equivalent to :



Or equivalent to Carbon Dioxide emissions from :



This sustainability indicator will provide a benchmark for our positive environmental achievements moving forward.

Workplace

Gunung 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 for sustainable development, and as such we recognise the need to continuously improve the quality, knowledge, and competencies of our workforce. Continual advancement in our industry demand 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 :
1.32 hours/ employee
Total 124 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 recognise 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 any 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 2019, we had numerous compulsory internal and external training sessions for employees. Our training focus in FY2019 was on Finance (26 hours), Leadership (34 hours), Communication skills (20 hours), Compliance Skills (8 hours), and Personal /Character Development (36 hours).

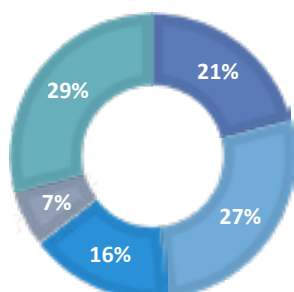
SUSTAINABILITY STATEMENT

(cont'd)

Training Budget :
RM108,000
RM1,149/ employee

Total budgeted cost for 124 total hours of training was RM108,000. This translated into an average 1.32 hours of training per employee (including fleet drivers) a RM1,149 budgeted cost per employee for training.

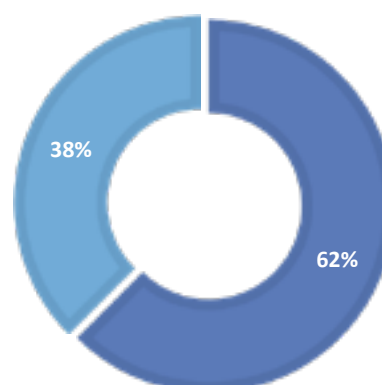
BREAKDOWN OF TRAINING



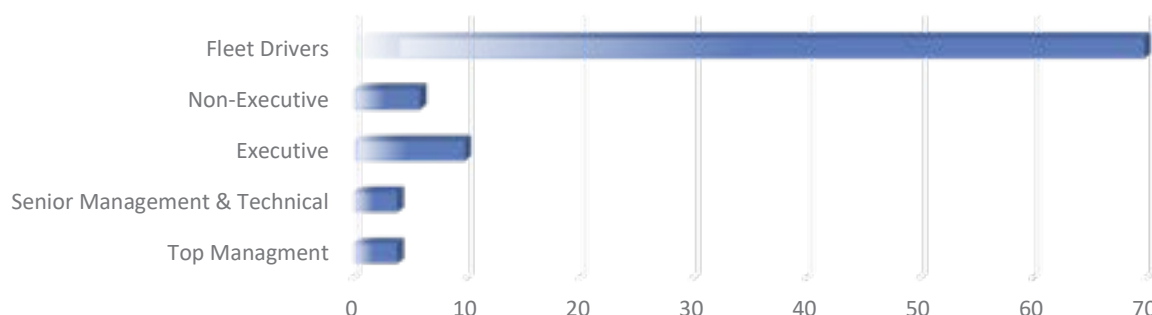
- Finance Training
- Leadership
- Communications
- Compliance Skills
- Personal Development

EMPLOYEES BY GENDER (ADMIN & MANAGEMENT)

■ Male ■ Female

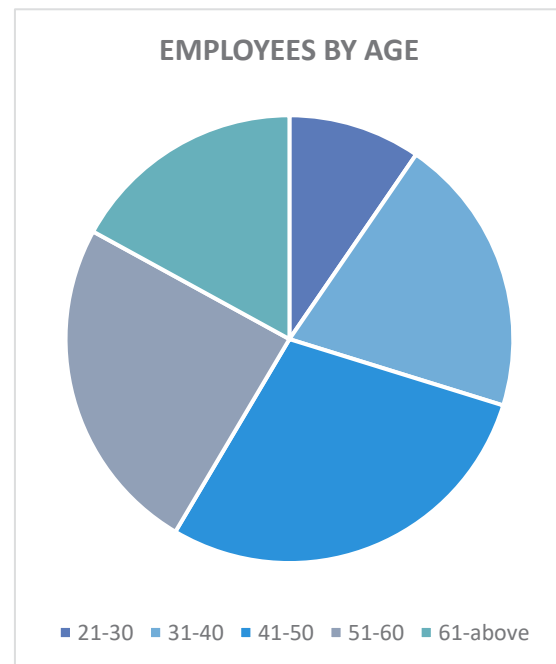
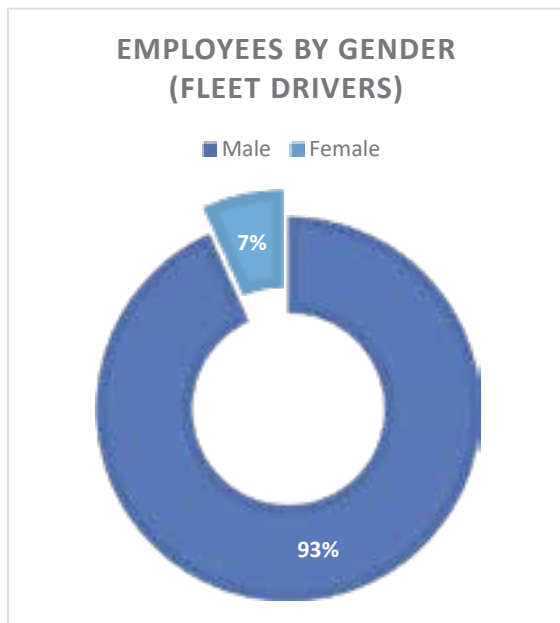


JOB CATEGORIES TOTAL EMPLOYEES : 94



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.

CSR Allocated in 2019
RM : 314,000
Improving Orang Asli Communities

2019, 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.

SUSTAINABILITY STATEMENT

(cont'd)



A total of RM314,000 was allocated by our hydropower division for CSR to improve various Orang Asli communities. With this initiative, the spirit of togetherness can be nurtured directly with communities.

Upgrading works for local road #

Community Hall #

Sport facility #

School Uniform & Bag #

School Uniform & Bag ^

*Road Maintenance **

Sg. Geruntum ^ Sg. Geroh * Sg. Kerian



Stakeholders



SUSTAINABILITY STATEMENT

(cont'd)

Stakeholders Engagement Framework

<u>Shareholders/Investors :</u> <i>How we communicate</i> <ul style="list-style-type: none"> • Annual and extraordinary general meetings • Annual and quarterly reporting • Press releases and interviews • Shareholder circulars • One-to-one engagement, site visits, and briefings 	<u>Customers/Industry :</u> <i>How we communicate</i> <ul style="list-style-type: none"> • Regular project reporting • Exhibitions and conferences • Press releases • Company websites • Involvement in meeting, dialogue sessions and briefings • Participation in industry sponsored events 	<u>Employees :</u> <i>How we communicate</i> <ul style="list-style-type: none"> • Management visits to hydro sites and all local operations • Staff meetings • Social activities • Internal memorandums • Staff training • Corporate events • Performance reviews
<u>Business Partners:</u> <i>How we communicate</i> <p>Principals</p> <ul style="list-style-type: none"> • Business meetings • Training & updates • Progress reports <p>Joint Venture Partners</p> <ul style="list-style-type: none"> • Director meetings • Management and operations reports <p>Project Partners</p> <ul style="list-style-type: none"> • Project meetings • Progress reports • Performance reviews 	<u>Issues That Matter :</u> <p><u>Shareholders</u></p> <ul style="list-style-type: none"> • Profitability • Business growth • Corporate governance <p><u>Customers</u></p> <ul style="list-style-type: none"> • Health & safety • Cost & productivity • Service quality • Environmental care and adoption of new technology and innovation <p><u>Employees</u></p> <ul style="list-style-type: none"> • Health & safety • Equal opportunity • Training and skills development • Career development and advancement 	<p><u>Business Partners</u></p> <ul style="list-style-type: none"> • Profitability • Ethical business practices <p><u>Suppliers/Contractors</u></p> <ul style="list-style-type: none"> • Prompt payment • Health & safety <p><u>Government/Authority</u></p> <ul style="list-style-type: none"> • Regulatory compliance • Develop the renewable industry to be competitive thereby replacing fossil fuel power plants • Environmental care <p><u>Local Communities</u></p> <ul style="list-style-type: none"> • Environmental care • Social responsibility • Job creation
<u>Suppliers/ Contractors:</u> <i>How we communicate</i> <ul style="list-style-type: none"> • Registration of interest and call for tenders • Progress reports • Regular meetings on and off site • Performance reviews 	<u>Government/Authorities:</u> <i>How we communicate</i> <ul style="list-style-type: none"> • Licence, permit, registration and certification applications and renewals • Project proposals • Compliance monitoring • Consultative meetings • Site visit briefings 	<u>Local Communities:</u> <i>How we communicate</i> <ul style="list-style-type: none"> • Site visit briefings • Formal group briefings and question & answer sessions • Consultative meetings • Organising CSR events • Involvement in community focused programmes

We are dedicated and committed towards expanding 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

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

BOARD OF DIRECTORS' PROFILE

TAN SRI DR. ALI BIN HAMSA

65, Malaysian

Independent Director

DATE APPOINTED TO THE BOARD :	<ul style="list-style-type: none"> 01 June 2020
MEMBERSHIP OF BOARD COMMITTEES :	<ul style="list-style-type: none"> None
QUALIFICATIONS :	<ul style="list-style-type: none"> Doctorate- Ph.D in Environmental Sciences and Economics, Oklahoma State University, United States of America Masters- Masters in Economics, Oklahoma State University, United States of America Degree- Bachelor of Arts (Hons), University of Malaya, Malaysia Diploma- Diploma in Public Management (National Institute of Public Administration), Malaysia
MEMBERSHIP OF ASSOCIATIONS:	<ul style="list-style-type: none"> None
WORK EXPERIENCE AND OCCUPATION :	<ul style="list-style-type: none"> Tan Sri Dr. Ali Bin Hamsa was a tutor in University of Malaya Prior to starting his career in the Administrative and Diplomatic Service (PTD) as an Assistant Director at the Ministry of Trade and Industry on 5 January 1981. In 1986, he was appointed as the Senior Project Manager, Economy and Public Policy Management Centre (PUTERA) as the National Institute of Public Administration (INTAN), where he co- authored two books namely Dasar- Dasar Utama Kerajaan (1997) and Malaysia Kita (1998), he had a short stint at the Ministry of Transport in 1992. Upon obtaining his ph. D in 1997, he began serving at the Economic Planning Unit (EPU), Prime Ministers Department. He held the positions of Director of Department. He held the positions of Director of Distribution and Deputy Director-General of the National Transformation and Advancement Programme. On 22 April 2009, Tan Sri Dr. Ali bin Hamsa was appointed as the first Director-General of the Public Private Partnership Unit (UKAS), Prime Ministers Department. He served as the 13th Chief Secretary to the Government of Malaysia from 24 June 2012 until 28 August 2018. He was appointed as Independent Non-Executive Director of Gunung Capital Berhad on 01 June 2020 but redesignated as an Executive Director on 10 June 2020..
DIRECTORSHIP OF PUBLIC COMPANIES (IF ANY) :	<ul style="list-style-type: none"> None
FAMILY RELATIONSHIPS (IF ANY) :	<ul style="list-style-type: none"> None

BOARD OF DIRECTORS' PROFILE

(cont'd)

DATUK YAP YEE PING

45, Malaysian

Executive Director

DATE APPOINTED TO THE BOARD :	<ul style="list-style-type: none"> 9 January 2020
MEMBERSHIP OF BOARD COMMITTEES :	<ul style="list-style-type: none"> None
QUALIFICATIONS :	<ul style="list-style-type: none"> Bsc (Hons) in Accounting, Queen's University of Belfast, Northern Ireland
MEMBERSHIP OF ASSOCIATIONS:	<ul style="list-style-type: none"> Member of Institute of Chartered Accountants in England and Wales (ICAEW)
WORK EXPERIENCE AND OCCUPATION :	<ul style="list-style-type: none"> She started her career in auditing and has more than 20 years of finance and accounting exposures with local and multi-national corporations. She is a director of CBG Capital Sdn Bhd and CGB Builders Sdn Bhd, subsidiaries of Kumpulan Powernet Berhad. She was appointed as Non Independent and Non-Executive Director of Gunung Capital Berhad on 9 January 2020 but re-designated as an Executive Director on 27 February 2020 and sits on the Board of several subsidiaries of Gunung Capital 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

BOARD OF DIRECTORS' PROFILE

(cont'd)

DATO' ROSLI BIN SHARIF

66, Malaysian

Independent Non-Executive Director

DATE APPOINTED TO THE BOARD :	<ul style="list-style-type: none"> • 21 February 2017
MEMBERSHIP OF BOARD COMMITTEES :	<ul style="list-style-type: none"> • Member of the Audit & Risk Committee and Nomination Committee
QUALIFICATIONS :	<ul style="list-style-type: none"> • Fellowship of Certified Accountants
MEMBERSHIP OF ASSOCIATIONS:	<ul style="list-style-type: none"> • Member of Malaysian Institute of Accountants (MIA)
WORK EXPERIENCE AND OCCUPATION :	<p>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.</p>
DIRECTORSHIP OF PUBLIC COMPANIES (IF ANY) :	<ul style="list-style-type: none"> • Gets Global Berhad
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 ENDED 31 DECEMBER 2019:	<ul style="list-style-type: none"> • 4/5

BOARD OF DIRECTORS' PROFILE

(cont'd)

DATO' HAJI ROSHIDI BIN HAJI HASHIM

65, Malaysian

Independent Director

DATE APPOINTED TO THE BOARD :	• 21 May 2020
MEMBERSHIP OF BOARD COMMITTEES :	• Member of the Audit & Risk Committee, Remuneration Committee & Nomination Committee
QUALIFICATIONS :	<ul style="list-style-type: none"> • Degree- Social Sciences, (Political Sciences) University Sciences Malaysia • Diploma- Pentadbiran Awam (Diploma in Public Administration) INTAN Malaysia
MEMBERSHIP OF ASSOCIATIONS:	• None
WORK EXPERIENCE AND OCCUPATION :	<ul style="list-style-type: none"> • 1975-1979- Clerical Staff Hospital Daerah Butterworth • 1979-1995- Investigation Officer Anti Corruption Agency Malaysia • 1995-1996-Assistant Director Procurement division, Ministry of Finance • 1996-2000- Assistant Director to State Economic Planning Unit (UPEN) State of Perak • 2000-2007-Special Officer and Private Secretary to Menteri Besar of Perak • 2007-2008- Secretary of Majlis Bandaraya Ipoh • 2008-2014-Mayor of Ipoh City, Malaysia • 2015-2019-Independent Non-Executive Chairman of Leweko Resources Berhad • March 2019 – November 2019 – Independent Non-Executive Chairman of Kumpulan Powernet Berhad
DIRECTORSHIP OF PUBLIC COMPANIES (IF ANY) :	• None
FAMILY RELATIONSHIPS (IF ANY) :	• None

BOARD OF DIRECTORS' PROFILE

(cont'd)

LOI JIN CHOO

50, Malaysian
Independent Director

DATE APPOINTED TO THE BOARD :	<ul style="list-style-type: none"> 16 June 2020
MEMBERSHIP OF BOARD COMMITTEES :	<ul style="list-style-type: none"> Chairperson of the Audit & Risk Committee, Remuneration Committee & Nomination Committee
QUALIFICATIONS :	<ul style="list-style-type: none"> Bachelor of Commerce University of Auckland, New Zealand Master of Taxation Studies University of Auckland, New Zealand
MEMBERSHIP OF ASSOCIATIONS:	<ul style="list-style-type: none"> Member of the Chartered Accountants Australia and New Zealand and the Kampuchea Institute of Certified Public Accountants and Auditors
WORK EXPERIENCE AND OCCUPATION :	<ul style="list-style-type: none"> She was accredited for Income Tax and GST Advisory by the Singapore Institute of Accredited Tax Professionals (SIATP) in August 2011. She has vast experience in Indochina, having worked in this region since 2002 in the tax and legal sections of professional service firms. During this period, she has earned a reputation for delivering outstanding client service and establishing influential relationships in the private and government sectors. She has worked in Cambodia, Vietnam and Singapore. Before launching her own firm, VDB Loi, she was a partner in the tax and legal departments of PricewaterhouseCoopers, DFDL Mekong, and RSM Chio Lim Singapore, where she was Head of Tax.
DIRECTORSHIP OF PUBLIC COMPANIES (IF ANY) :	<ul style="list-style-type: none"> None
FAMILY RELATIONSHIPS (IF ANY) :	<ul style="list-style-type: none"> None

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 Kendaraan 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.

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.

KEY MANAGEMENT PROFILE

(cont'd)

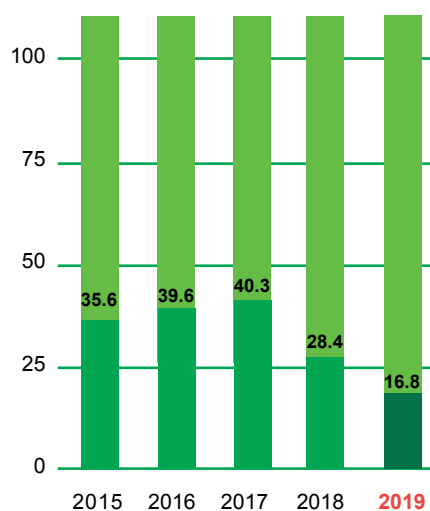
Dzulkifly bin Abdul Khalid

General Manager, Perak Hydro Renewable Energy Corporation Sdn Bhd.

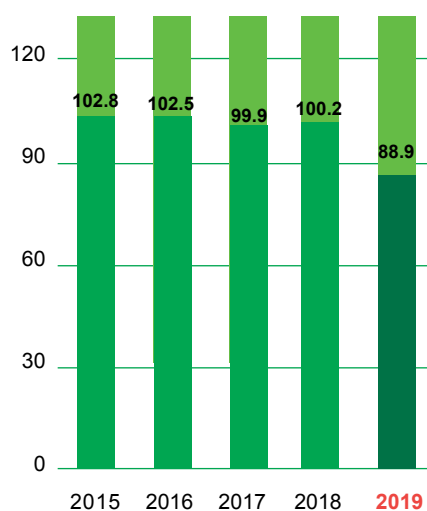
Mr Dzulkifly obtained a Certificate in Mechanical Engineering from Politeknik Ungku Omar, Ipoh in 1995. He then served for 15 years from 1995 to 2010 in Minolta Malaysia Sdn Bhd, Konica Minolta Precision Engineering Sdn Bhd and Sony Precision Engineering Sdn Bhd. His last position was the Head of Section 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

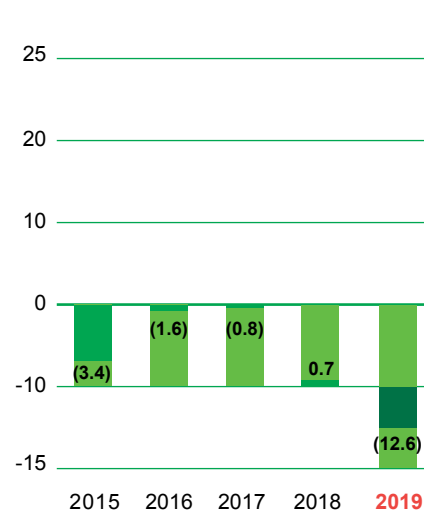
REVENUE
(RM Million)



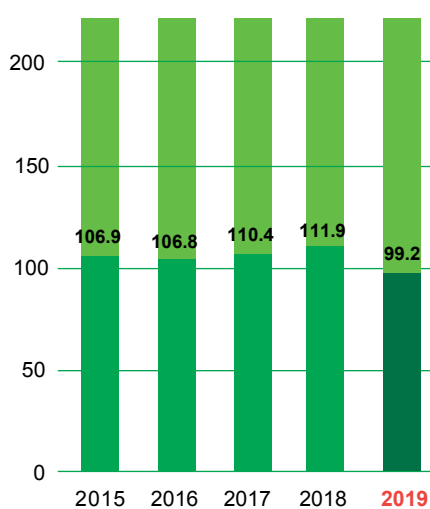
SHAREHOLDERS' FUNDS
(RM Million)



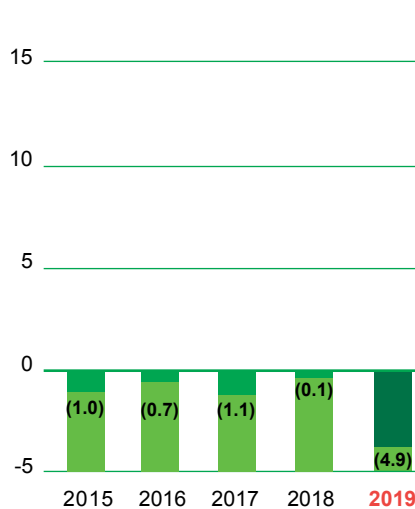
PROFIT BEFORE TAX
(RM Million)



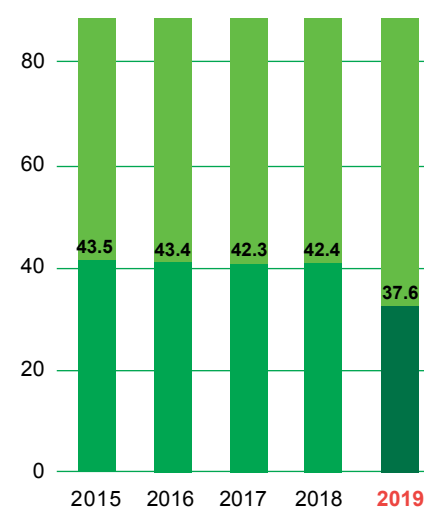
TOTAL ASSETS
(RM Million)



EARNINGS PER SHARE
(SEN)



NET ASSET VALUE PER SHARE
(SEN)



CORPORATE GOVERNANCE OVERVIEW 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 (“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 2019.

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 OVERVIEW STATEMENT

(cont'd)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (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 2019.

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.

The Board has delegated certain functions to the Audit and Risk 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.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

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

Roles and Responsibilities between the Chairman and Managing Director

During the financial year under review, The Managing Director has the general responsibility for day-to-day running of the Group's business, implementation of Board policies and making of operational decisions duly assisted by the Management team. The Managing Director is also responsible for the development of corporate goals and objectives and the setting of strategies to achieve them. The Company currently has no Chairman of the Board. As such, the Directors present will choose one (1) among themselves to be Chairman of the particular Board meeting and ensures that Boards discussions are conducted in a manner that all views are taken into account before a decision is made.

The 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. As such that no one individual has unfettered powers of decision-making.

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.

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 Managing Director and Management to enhance understanding of matters in relation to the Group's business and operations.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

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

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.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

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

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
Peter Wong Hoy Kim	5/5
Dato' Shaiful Annuar bin Ahmad Shaffie	5/5
Dato' Rosli bin Sharif	4/5
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. All Directors have attended the Mandatory Accreditation Programme ("MAP") as required under MMLR.

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	Compliance with Companies Act, 2016 & Director's Responsibilities	29 July 2019
Peter Wong Hoy Kim	Advisory Skills in Financial Planning	6 July 2019
Dato' Rosli bin Sharif	New Business Directions 2025	19 Sept 2019
	Risk Oversight and Compliance	15 Oct 2019
	Invitation to the Securities Commission Malaysia's Audit Oversight Board Conversation with Audit Committees	8 Nov 2019

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

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

The Board currently consists of five (5) members, comprising two (2) Executive Directors and three (3) Independent Non-Executive Directors, in compliance with the MCCG 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 Independent Non-Executive Directors ("INED") 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.

Board Committees

The Board is supported by relevant Board Committees, i.e Audit and Risk 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 2019 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:

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

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

- (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;
- (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 ("AGM"), provided always that all Directors shall retire from office at least once in every three (3) years.

Clause 95 of the Company's Constitution provides that 1/3 of the directors for the time being shall retire from office by rotation every year. Clause 102 of the Company's Constitution further provides that any newly appointed director shall hold office only until the next following AGM of the Company and shall be eligible for re-election but shall not be taken into account in determining the retirement of directors by rotation at such meeting.

The following Directors are up for retirement at the forthcoming AGM of the Company and have offered themselves for re-election at the said AGM:

- | | |
|---|---------------------------------|
| (i) Datuk Yap Yee Ping | Retiring pursuant to Clause 102 |
| (ii) Dato' Haji Roshidi bin Haji Hashim | Retiring pursuant to Clause 102 |
| (iii) Tan Sri Dr. Ali bin Hamsa | Retiring pursuant to Clause 102 |
| (iv) Loi Jin Choo | Retiring pursuant to Clause 102 |

Gender Diversity Policy

The Board acknowledges the recommendations of the MCCG 2017 on the establishment of a gender diversity policy. The Board does not plan to implement a gender diversity policy or target, as the Board adheres to the practice of non-discrimination of any form, whether based on age, race, religion or gender, throughout the Group. This includes the selection of Board members. The Company believes in, and provides equal opportunity to candidates with merit. In term of gender equality of Board members, There is currently two (2) female directors and three (3) male directors on the Board, thus in line with the gender diversity recommended by MCCG 2017.

The Board is of the view that the suitability of a candidate for the Board is dependent on the candidate's qualifications, competencies, professionalism, skills, experience, expertise, character, time commitment, integrity and other qualities in meeting the needs of the Company, regardless of gender, ethnicity and age.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

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

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.

Tenure of Independent Directors

The Board, via NC, has developed the criteria to assess independence and formalised the current independence assessment practice. 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 NC and the Board.

As for the term limit for INED, the Board has adopted Practice 4.2 of the MCCG 2017 to seek shareholders' approval in the event the Board desires to retain as an INED, a person who has served in that capacity for more than 9 years. If the Board continues to retain the INED after the 12th year, the Board must seek shareholders' approval annually through a 2-tier voting process. Currently none of the INED has served for a cumulative term of more than 9 years.

III. Remuneration

Remuneration Committee, Remuneration of Directors and Senior Management

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

Chairperson

Loi Jin Choo, INED

Member

Dato' Haji Roshidi bin Haji Hashim, INED

The RC held met once 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

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

The aggregate remuneration of Directors of the Group and of the Company for the financial year ended 31 December 2019 is as follows:-

	Executive Directors (RM)	Non-Executive Directors (RM)
Directors' fees	36,000	144,000
Meeting & Committee allowances	4,750	37,000
Salaries and other emoluments	728,203	-

The details of the total remuneration of the directors on a named basis for the financial year ended 31 December 2019 are as follows:-

Directors' Remuneration

Executive Directors	Fees * (RM)	Salaries & Bonus (RM)	Statutory Contributions (RM)	Benefits (RM)	Total (RM)
Dato' Syed Abu Hussin bin Hafiz Syed Abdul Fasal	36,000	650,000	78,203	4,750	768,953
Non-Executive Director					
Dato' Shaiful Annuar bin Ahmad Shaffie	36,000	-	-	6,750	42,750
Peter Wong Hoy Kim	36,000	-	-	10,750	46,750
Dato' Rosli bin Sharif	36,000	-	-	8,750	44,750
Dato' Jamal bin Aris	36,000	-	-	10,750	46,750
TOTAL	180,000	650,000	78,203	41,750	949,953

* subject to the approval of the shareholders.

Remuneration of the Top Management

The details of the aggregate remuneration of the top five (5) Management staff of the Company (comprising remuneration received and/or receivable from the Company and its subsidiaries) for the financial year ended 31 December 2019 are disclosed categorised as follows:

Category	Company	Subsidiaries	Total
Salaries and bonuses	-	543,213	543,213
Allowance	-	66,300	66,300
Statutory Contributions	-	67,138	67,138
TOTAL	-	676,651	676,651

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

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

The number of top five (5) 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	1
RM100,001 – RM150,000	2
RM150,001 – RM200,000	1
RM200,001 – RM250,000	1

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

I Audit and Risk Committee

The ARC of the Company currently comprises wholly of Independent Non-Executive Directors. The ARC is chaired by an Independent Non-Executive Director, Ms. Loi Jin Choo with appropriate professional qualifications including accounting and related financial management expertise, and other members of the ARC include Dato' Rosli bin Sharif and Dato' Haji Roshidi bin Haji Hashim. The ARC oversees the integrity of the financial statements, compliance with relevant accounting standards and the Group's risk management and internal controls.

The ARC Report is set out separately in this Annual Report. Its composition and performance are reviewed by the NC annually and recommended to the Board for its approval. 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 Company complied with Practice 8.1 of the MCCG 2017 which stipulates that the Chairman of the ARC is not the Chairman of the Board. The Company has not appointed any former audit partner to be a member of the ARC.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

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

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.

During FY2019, as an effort to enhance the system of internal control, the Board together with the assistance of Internal Audit personnel 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.

The Board is pleased to provide the Statement on Risk Management and Internal Control furnished separately in this Annual Report, providing an overview on the state of internal controls within the Group during the year, in an effort to manage risk.

The Audit and Risk Committee Report set out separately in this Annual Report provides a summary of the internal audit function and the internal audit activities carried out during the financial year.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

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

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

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 Corporate Governance Overview Statement was approved by the Board of Directors on 18 June 2020.

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

Directors are legally responsible to prepare financial statements for each financial year which gives a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year and of the results and cash flows of the Group and of the Company for the financial year.

In preparing those financial statements, the Directors ensured that:

- they complied with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and Companies Act 2016 ("the Act");
- appropriate accounting policies are used and applied consistently;
- the going concern basis used in preparation of the financial statements are appropriate; and
- where judgements and estimates are made, they are reasonable and prudent.

The Directors are responsible to ensure that proper accounting records are kept and disclosed with reasonable accuracy at any time the financial position of the Group and of the Company and to ensure that the financial statements comply with MFRSs, IFRSs, the Act and the Main Market Listing Requirements of Bursa Securities. The Directors have a general responsibility for taking such steps as are reasonably available to them to manage risks associated to the business of the Group, safeguard the Group's assets, to prevent and detect fraud and other irregularities.

This Statement was approved by the Board of Directors on 21 May 2020

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 2019, 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 2019, the amount of audit fees and non audit fees paid or payable to the Company and the Group are as follows:

	<u>Group</u>	<u>Company</u>
Audit Fees	RM107,000	RM50,000
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 2019 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 GCB. 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 GCB. 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 80% 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 to the Board with their recommendations for the Board's decision.

Organisational Structure

- The organisational structure of GCB is clear and detailed, defining the roles and responsibilities of the various Committees of the Board, Management of the Corporate Office and subsidiaries.
- Appointment of Chief Executive Officer ("CEO") on the Board of the operating subsidiaries within GCB. The CEO's appointment, roles and responsibilities, and authority limits are set by the respective Board Committees.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(cont'd)

Risk Management

- Risk Management is regarded as an integral part of the management process and the process of continual improvement. There is an on-going process for identifying, assessing and responding to risks to achieve the objectives of the Group. The process was in place for the period under review and up to the date of issuance of 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 and the 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 the team. 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 GCB's risk management are as follows:

- Optimise return to shareholders and protect the interests of other stakeholders.
- Safeguard Group assets.
- Improve Group operating performance.
- Fulfilling Group strategic objectives.
- Ensure appropriate and timely responses to changes in the environment that affect GCB'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 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.

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

Insurance on Assets

- GCB 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.

Business Continuity Management

- GCB identifies 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 quarterly by the Internal Audit function. The findings of internal auditor 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 to the Board of Directors at the subsequent quarter Board Meeting.
- Internal control weaknesses identified (if any) during the financial period under review have been or are being addressed by management. None of the weakness have resulted in any material loss that would require disclosure in the statements.
- The internal audit focuses its resources on high risk areas which will be audited more frequent 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 business unit, among others : (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) short-term investments (vii) contract evaluation & awarding in small hydropower projects; and (viii) fleet management and vendor management procedures (transportation).

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 the Audit and Assurance Practice Guide ("AAPG 3"), 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 financial year ended 31 December 2019, 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.

AAPG 3 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, and the senior management of the Group, 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 CEO 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 put in place appropriate action plans, when necessary, to enhance the Group's system of internal control.

AUDIT & RISK COMMITTEE REPORT

COMPOSITION OF THE AUDIT & RISK COMMITTEE

The present Audit & Risk Committee ("ARC") of the Company comprises the following members:

- (1) Chairperson - Loi Jin Choo (Appointed on 16 June 2020)
- (2) Member - Dato' Rosli bin Sharif
- (3) Member - Dato' Haji Roshidi bin Haji Hashim (Appointed on 21 May 2020)

(All are Independent Non-Executive Director)

MEETINGS AND ATTENDANCE

The ARC meets periodically to carry out its functions and duties in accordance with its Terms of Reference. During the financial year ended 31 December 2019, the ARC held five (5) meetings. The record of attendance of these meetings during the year is as follows:-

Name of Members	Total Meetings attended
Dato' Shaiful Annuar bin Ahmad Shaffie (Resigned on 16 June 2020)	5/5
Peter Wong Hoy Kim (Resigned on 22 January 2020)	5/5
Dato' Jamal bin Mohd Aris (Resigned on 21 May 2020)	5/5
Dato' Rosli bin Sharif	4/5
Dato' Haji Roshidi bin Haji Hashim (Appointed on 21 May 2020)	-
Loi Jin Choo (Appointed on 16 June 2020)	-

SUMMARY OF WORK OF THE AUDIT & RISK COMMITTEE

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

- (i) Reviewed the quarterly financial statements and results of the Group with the Management before recommending the same for the Board's approval and release to Bursa Securities and Securities Commission. The meetings were also attended by the Executive Director and the internal auditors, upon invitation to brief the ARC.
- (ii) Reviewed the Audit Review Memorandum presented by the external auditors.
- (iii) Reviewed the annual audited financial statements of the Company and the Group and other significant accounting issues together with the external auditors. The external auditors were invited to present their findings to the ARC.
- (iv) Reviewed the Periodical Internal Audit Report presented by the Internal Auditors on a quarterly basis.
- (v) Reviewed ARC Report, Statement on Internal Control & Risk Management and Corporate Governance Statement and recommended to the Board for consideration and approval.
- (vi) Evaluated the performance of Messrs. STYL Associates PLT including assessment of their independence, technical competency, adequacy of resources and reasonableness of their audit fees and non-audit fees. The Audit & Risk 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 & RISK 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 ARC. The Internal Audit assists the ARC 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 ARC 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 2019 amounted to approximately RM112,783.00

NOMINATION COMMITTEE REPORT

COMPOSITION

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

- 1) Chairperson – Loi Jin Choo (appointed on 16 June 2020)
- 2) Member - Dato' Rosli bin Sharif
- 3) Member - Dato' Haji Roshidi bin Haji Hashim (appointed on 21 May 2020)

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 2019.

ACTIVITIES OF THE NOMINATION COMMITTEE

During the financial year ended 31 December 2019, the Nomination Committee, in discharging its functions and duties, carried out the following activities:-

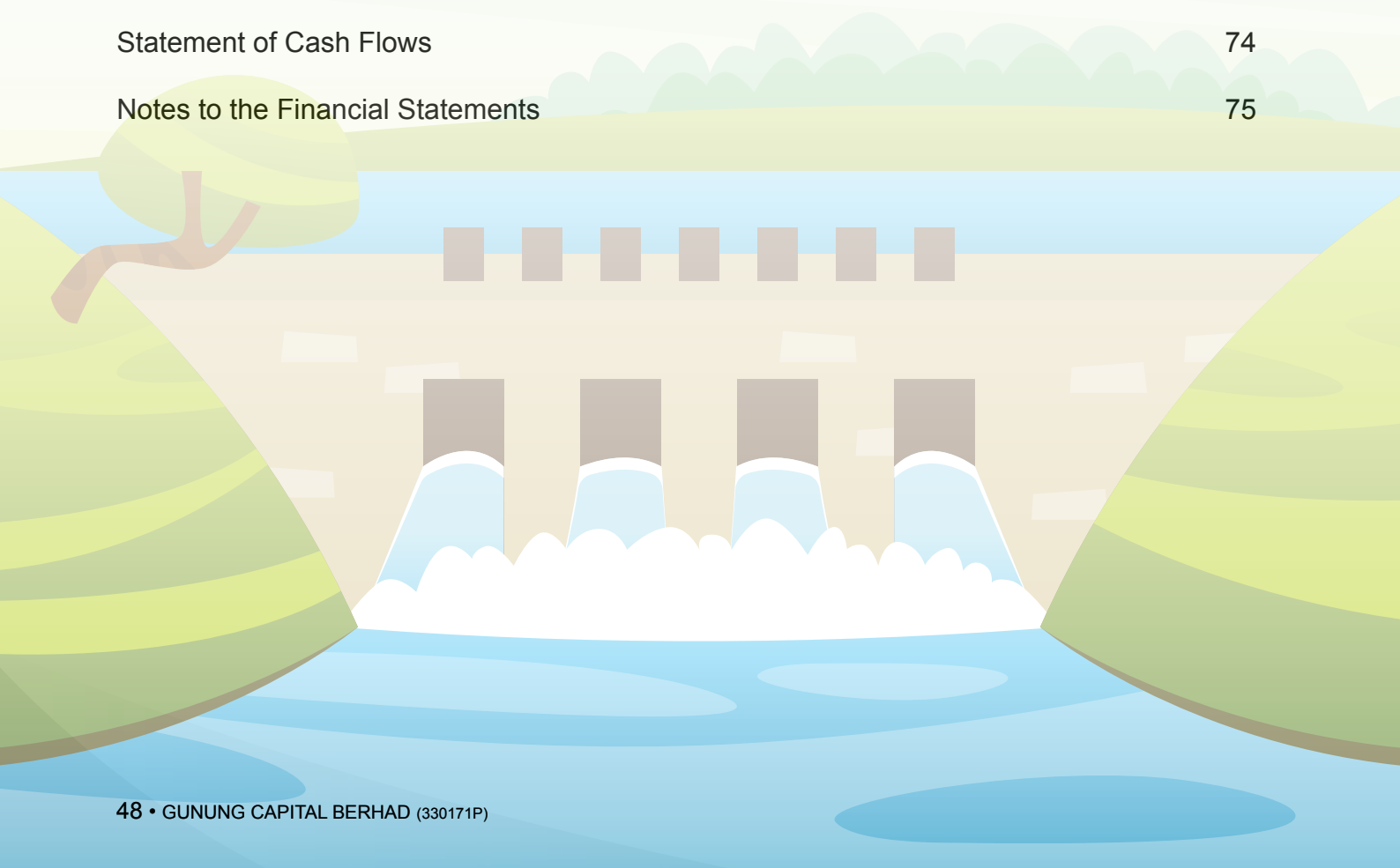
- (i) Reviewed the size and composition of the Board and Board Committees;
- (ii) Reviewed the mix of skill and experience and other qualities of the Board;
- (iii) Assessed the effectiveness of the Board as a whole, the Board Committees and the Directors;
- (iv) Discussed and recommended the re-election 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 2019, 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 Directors are able to devote sufficient time commitment to their roles and responsibilities as evidenced by their attendance records; and
- (vi) 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 and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

Principal activities

The Company is principally engaged in the business of investment holding. The principal activities of the subsidiaries are set out in Note 5 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

Subsidiaries

The details of the Company's subsidiaries are disclosed in Note 5 to the financial statements.

Financial results

	Group RM	Company RM
Loss for the year attributable to:		
Owners of the Company	(11,623,575)	(10,458,807)
Non-controlling interests	(537,311)	-
	<u>(12,160,886)</u>	<u>(10,458,807)</u>

Reserves and provisions

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

Dividends

No dividend was paid since the end of the previous financial year and the Directors do not recommend any dividend to be paid for the financial year under review.

DIRECTORS' REPORT (cont'd)

Directors of the Company and its subsidiaries

Directors who served since the beginning of the financial year to the date of this report are as follows:

Dato' Shaiful Annuar bin Ahmad Shafie	
Dato' Rosli bin Sharif	
Datuk Yap Yee Ping **	(appointed on 9.1.2020)
Dato' Haji Roshidi bin Haji Hashim	(appointed on 21.5.2020)
Peter Wong Hoy Kim	(resigned on 22.1.2020)
Dato' Syed Abu Hussin bin Hafiz Syed Abdul Fasal	(resigned on 27.2.2020)
Dato' Jamal bin Mohd Aris	(resigned on 21.5.2020)

** Datuk Yap Yee Ping is also a Director of the subsidiaries.

Directors of the 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 Nadzamuddin bin Syed Abu Hussin	
Syed Abu Talib bin Hafis Syed Abdul Fasal	
Mazelan bin Mansor	
Mohd Mazanni bin Mazelan	
Siti Salihah Binti Mairin	
Anuar Bin Zainal Abidin	(appointed on 26.8.2019)
Enoch Phan Tsung Yang	(appointed on 28.1.2020)
Dzulkifly Bin Abdul Khalid	(appointed on 7.2.2020)
Beroz Nikmal Bin Mirdin	(resigned on 22.1.2019)
Amir Khusyairi Bin Mohamad Tanusi	(resigned on 26.8.2019)

Directors' interests in shares

The interests and deemed interests in the shares of the Company and of its related corporations of those who were Directors at financial year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

	Numbers of ordinary shares		
	As at 1.1.2019	Acquired	As at 31.12.2019
The Company			
Direct interest			
Dato' Syed Abu Hussin bin Hafiz Syed Abdul Fasal	51,198,691	5,048,000	-
			56,246,691
Deemed interest			
Dato' Syed Abu Hussin bin Hafiz Syed Abdul Fasal	9,856,666	-	-
			9,856,666

DIRECTORS' REPORT (cont'd)

Directors' interests in shares (continued)

	Number of Warrant 2010/2020			As at 31.12.2019
	As at 1.1.2019	Acquired	Disposed	
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			As at 31.12.2019
	As at 1.1.2019	Acquired	Disposed	
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 Shafie	500,000	-	-	500,000

None of the other Directors holding office at 31 December 2019 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

By virtue of his interest in the shares of the Company, Dato' Syed Abu Hussin bin Hafiz Syed Abdul Fasal is deemed interested in the shares of the subsidiaries during the financial year to the extent that the Company has an interest.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those fees and other benefits included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements) 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 other than those transactions entered in the ordinary course of business between certain related corporations with companies in which certain Directors have a substantial financial interest as disclosed in Note 28 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' REPORT (cont'd)

Auditors' remuneration

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

Issue of shares and debentures

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

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 2019, none of the aforesaid warrants have been exercised.

Options granted over unissued shares

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;

DIRECTORS' REPORT (cont'd)

Options granted over unissued shares (continued)

- 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 share	Number of options over ordinary shares			
			Balance as at 1.1.2019	Granted	Forfeited	Balance as at 31.12.2019
5 June 2015	4 June 2021	0.41	11,144,500	-	-	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.

On 21 May 2020, the Board has approved to extend its existing ESOS, expiring on 4 June 2020 for a further of one (1) year from 5 June 2020 to 4 June 2021, in accordance with the terms of the ESOS By-Laws.

Indemnity and insurance costs

There were no indemnity given to or insurance effected for any Directors, officers or auditors of the Company during the financial year.

Other statutory information

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

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

DIRECTORS' REPORT (cont'd)

Other statutory information (continued)

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

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

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

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

In the opinion of the Directors:

- i) no contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.
- ii) the financial performance of the Group and of the Company for the financial year then ended have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Significant events

Details of significant events during the financial year are disclosed in Note 29 to the financial statements.

Subsequent events

Details of subsequent events after the financial year are disclosed in Note 30 to the financial statements.

DIRECTORS' REPORT (cont'd)

Auditors

The auditors, Messrs. STYL ASSOCIATES PLT, have indicated their willingness to accept re-appointment.

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

Dato' Rosli bin Sharif
Director

Datuk Yap Yee Ping
Director

Pulau Pinang

Date: 21 May 2020

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 63 to 154 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 of 31 December 2019 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' Rosli bin Sharif
Director

Datuk Yap Yee Ping
Director

Pulau Pinang

Date: 21 May 2020

STATUTORY DECLARATION

pursuant to Section 251(1)(b) of the Companies Act 2016

I, Dato' Rosli bin Sharif (NRIC No.: 540901-09-5017) (MIA CA 5430), being the Director primarily responsible for the financial management of GUNUNG CAPITAL BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 63 to 154 are, to the best of my knowledge and belief, 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' Rosli bin Sharif)
at Georgetown, Pulau Pinang on this date of)
21 May 2020.)

Dato' Rosli bin Sharif

Before me,

ONG LIN TEONG
(No. P192)
COMMISSIONER FOR OATHS

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 2019, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended 31 December 2019, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 63 to 154.

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 2019, 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 auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

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

AUDITORS' REPORT (cont'd)

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 4 (b) to the financial statements, the Group has loss making subsidiaries, which held RM19,673,694 of capital work-in-progress as at 31 December 2019. As these subsidiaries are loss making, an impairment indicator arises and the Group has performed impairment assessments on these Cash Generating Units ("CGUs").

We 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 costs, as well as determining an appropriate pre-tax discount rate and growth rates.

How the matter was addressed in our audit

Our audit procedures to address this area included, among others:

- assessed and challenged the assumptions used in the projections by comparing to relevant supporting documents such as agreements and feasibility study reports and corroborate the findings from the other areas of our audit;
- verified pre-tax discount rate for each CGU by comparing to the cost of borrowing of the Group and relevant risk factors; and
- performed sensitivity analysis to stress test the key assumptions in the impairment model.

Key Audit Matters (continued)

2. Impairment assessment on the goodwill

As stated in Note 9 to the financial statements, the carrying amount of goodwill on consolidation stood at RM21,023,022 as at 31 December 2019 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.

How the matter was addressed in our audit

Our audit procedures to address this area included, among others:

- challenged 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.
- evaluated the reasonableness of management's estimate of expected future cash flows by taking into consideration the past performances of the subsidiaries;
- performed sensitivity analysis to assess the impact on the recoverable amount of these CGUs; and
- verified pre-tax discount rate for each CGU by comparing to the weighted average cost of capital of the Group and relevant risk factors.

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to communication in our auditors' report.

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.

AUDITORS' REPORT (cont'd)

Information Other than the Financial Statements and Auditors' Report Thereon (continued)

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

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with 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.

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

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

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

AUDITORS' REPORT (cont'd)

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

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 auditors' 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 5 to the financial statements.

Other Matter

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

STYL ASSOCIATES PLT

Firm Number: LLP0019500-LCA & AF001929
Chartered Accountants

Date: 21 May 2020

Pulau Pinang

GOH CHEN YI

Approval Number: 03464/11/2021 J
Chartered Accountant

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	2019 RM	2018 RM
ASSETS			
Non-current assets			
Property, plant and equipment	4	20,331,151	23,330,071
Investment in associates	6	-	-
Other investments	7	5,039,856	4,574,469
Other receivables	8	3,487,061	3,298,806
Goodwill on consolidation	9	21,023,022	21,025,537
Total non-current assets		49,881,090	52,228,883
Current assets			
Inventories	10	412,829	600,310
Other investments	7	17,717,391	-
Trade and other receivables	8	7,871,592	18,531,158
Current tax assets		-	20,166
Cash and cash equivalents	11	23,351,753	40,492,021
Total current assets		49,353,565	59,643,655
Total assets		99,234,655	111,872,538
EQUITY AND LIABILITIES			
Equity			
Share capital	12	94,478,393	94,478,393
Reserves	13	(5,618,766)	5,750,806
Total equity attributable to owners of the Company		88,859,627	100,229,199
Non-controlling interests		2,082,212	2,375,481
Total equity		90,941,839	102,604,680

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (cont'd)

As at 31 December 2019

	Note	2019 RM	2018 RM
Non-current liabilities			
Finance lease liabilities	14	-	180,488
Term loan	15	1,821,373	2,113,932
Lease liabilities		144,213	-
Other payable	16	1,760,816	1,582,669
Deferred tax liabilities	17	67,928	1,599,588
Total non-current liabilities		<u>3,794,330</u>	<u>5,476,677</u>
Current liabilities			
Finance lease liabilities	14	-	34,337
Term loan	15	339,739	320,480
Lease liabilities		36,264	-
Trade and other payables	16	3,746,699	3,436,364
Current tax liabilities		375,784	-
Total current liabilities		<u>4,498,486</u>	<u>3,791,181</u>
Total liabilities		<u>8,292,816</u>	<u>9,267,858</u>
Total equity and liabilities		<u>99,234,655</u>	<u>111,872,538</u>

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Note	2019 RM	2018 RM
Revenue	18	16,823,200	28,437,905
Other operating income		1,384,477	6,181,107
Other direct costs		(9,495,399)	(17,332,426)
Depreciation of property, plant and equipment		(6,193,695)	(6,767,258)
Directors' remuneration		(2,365,953)	(1,049,674)
Staff costs		(3,458,384)	(5,347,259)
Other operating expenses		(9,160,507)	(3,307,136)
(Loss)/Profit from operations		<u>(12,466,261)</u>	<u>815,259</u>
Finance costs		(146,365)	(127,617)
(Loss)/Profit before taxation	19	<u>(12,612,626)</u>	<u>687,642</u>
Taxation	22	451,740	(858,299)
Loss for the year		<u><u>(12,160,886)</u></u>	<u><u>(170,657)</u></u>
Other comprehensive income, net of tax			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Fair value gain on equity investments designated at fair value through other comprehensive income, representing total other comprehensive income for the year	20	498,045	1,138,241
Total comprehensive (expense)/income for the year		<u><u>(11,662,841)</u></u>	<u><u>967,584</u></u>

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (cont'd)

For the year ended 31 December 2019

	Note	2019 RM	2018 RM
(Loss)/Profit attributable to:			
Owners of the Company		(11,623,575)	(213,652)
Non-controlling interests		(537,311)	42,995
Loss for the year		<u>(12,160,886)</u>	<u>(170,657)</u>
Total comprehensive (expense)/income attributable to:			
Owners of the Company		(11,369,572)	366,574
Non-controlling interests		(293,269)	601,010
Total comprehensive (expense)/income for the year		<u>(11,662,841)</u>	<u>967,584</u>
Basic loss per ordinary share (sen)	23	<u>(4.92)</u>	<u>(0.09)</u>

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to Owners of the Company					Non-distributable		
	Share capital	ESOS reserve	Warrant reserve	Equity transaction reserve	Fair value reserve	Retained earnings / (Accumulated losses)	Non-controlling interests	Total
	RM	RM	RM	RM	RM	RM	RM	RM
At 1 January 2018	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)/Profit for the year	-	-	-	-	-	(213,652)	42,995	(170,657)
At 31 December 2018/ 1 January 2019	94,478,393	1,386,480	1,007,080	(5,192,851)	580,226	7,969,871	2,375,481	102,604,680
Fair value gain on equity investment, representing total other comprehensive income for the financial year	-	-	-	-	254,003	-	244,042	498,045
Loss for the year	-	-	-	-	-	(11,623,575)	(537,311)	(12,160,886)
At 31 December 2019	94,478,393	1,386,480	1,007,080	(5,192,851)	834,229	(3,653,704)	2,082,212	90,941,839
	Note 12	Note 13	Note 13	Note 13	Note 13	Note 13		

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Note	2019 RM	2018 RM
Cash flow from operating activities			
(Loss)/Profit before taxation		(12,612,626)	687,642
Adjustments for:			
Capital gain on short term investments	19	(167,391)	-
Depreciation of property, plant and equipment	4	6,193,695	6,767,258
Finance costs		146,365	127,617
Gain on disposal of investment in associate	19	-	(1,665,639)
Gain on disposal of property, plant and equipment	19	(410,056)	(1,855,112)
Government grant	19	(254,845)	(1,737,199)
Unwinding of discount on other receivable	19	(188,256)	-
Impairment loss on goodwill	19	2,515	1,010,472
Impairment loss on trade receivables	19	6,207,571	25,780
Impairment loss on other receivables	19	109,500	-
Interest income	19	(124,510)	(894,752)
Inventories written off	19	157,264	-
Loss on disposal of non-current other investments	19	2,044	-
Unwinding of discount on other payables	19	204,997	-
Operating (loss)/profit before working capital changes		(733,733)	2,466,067
Changes in working capital:			
Inventories		30,217	156,503
Trade and other receivables		4,342,496	(12,901,811)
Corporate shareholder		295,930	2,266,220
Trade and other payables		(12,445)	(1,801,059)
Cash generated from/(used in) operations		3,922,465	(9,814,080)
Tax paid		(683,970)	(385,000)
Net cash generated from/(used in) operating activities		3,238,495	(10,199,080)

CONSOLIDATED STATEMENT OF CASH FLOWS (cont'd)

For the year ended 31 December 2019

	Note	2019 RM	2018 RM
Cash flow from investing activities			
Acquisitions of property, plant and equipment		(3,539,719)	(5,835,320)
Proceeds from disposal of property, plant and equipment		755,000	2,836,000
Proceeds from disposal of non-current other investments		30,614	-
Acquisitions of short-term other investments		(17,550,000)	-
Interest received		124,510	894,752
Net cash used in investing activities		(20,179,595)	(2,104,568)
Cash flow from financing activities			
Government grant received		254,845	1,737,199
Proceeds from drawdown of term loan		-	1,431,412
Repayment of finance lease liabilities	A	-	(38,280)
Repayment of lease liabilities	A	(34,348)	-
Repayment of term loan	A	(273,300)	-
Interest paid		(146,365)	(127,617)
Net cash (used in)/generated from financing activities		(199,168)	3,002,714
Net decrease in cash and cash equivalents		(17,140,268)	(9,300,934)
Cash and cash equivalents at the beginning of the year		40,492,021	49,792,955
Cash and cash equivalents at the end of the year	11	<u>23,351,753</u>	<u>40,492,021</u>

CONSOLIDATED STATEMENT OF CASH FLOWS (cont'd)

For the year ended 31 December 2019

Cash outflows for leases as a lessee

	Note	2019 RM	2018 RM
Included in net cash from operating activities:			
Payment relating to short-term leases		544,184	-
Interest paid in relation to lease liabilities	19	10,184	-
Included in net cash from financing activities:			
Payment of lease liabilities		34,348	-
Total cash outflows for leases		<u>588,716</u>	<u>-</u>

Note

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

	Lease liabilities RM	Finance lease liabilities RM	Term loan RM	Total RM
At 1 January 2018	-	253,105	1,003,000	1,256,105
Net changes from financing cash flows	-	(38,280)	1,431,412	1,393,132
At 31 December 2018/1 January 2019	-	214,825	2,434,412	2,649,237
Adjustment on initial application of MFRS 16	214,825	(214,825)	-	-
Net changes from financing cash flows	(34,348)	-	(273,300)	(273,300)
At 31 December 2019	<u>180,477</u>	<u>-</u>	<u>2,161,112</u>	<u>2,161,112</u>

The accompanying notes form an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	2019 RM	2018 RM
Assets			
Non-current assets			
Property, plant and equipment	4	730	3,648
Investment in subsidiaries	5	47,413,247	56,033,627
Total non-current assets		<u>47,413,977</u>	<u>56,037,275</u>
Current assets			
Trade and other receivables	8	23,435,241	26,472,392
Cash and cash equivalents	11	13,542,325	12,384,418
Total current assets		<u>36,977,566</u>	<u>38,856,810</u>
Total assets		<u><u>84,391,543</u></u>	<u><u>94,894,085</u></u>
Equity			
Share capital	12	94,478,393	94,478,393
Reserves	13	(10,170,823)	287,984
Total equity		<u>84,307,570</u>	<u>94,766,377</u>
Current liabilities			
Other payables and accrued expenses	16	83,973	127,708
Total current liabilities		<u>83,973</u>	<u>127,708</u>
Total equity and liabilities		<u><u>84,391,543</u></u>	<u><u>94,894,085</u></u>

The accompanying notes form an integral part of the financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Note	2019 RM	2018 RM
Revenue		-	-
Cost of sales		-	-
Gross profit		<u>-</u>	<u>-</u>
Other operating income		41,807	348,853
Depreciation of plant and equipment		(2,918)	(2,919)
Directors' remuneration		(985,953)	(1,049,674)
Other operating expenses		(9,511,743)	(3,126,063)
Loss before taxation	19	<u>(10,458,807)</u>	<u>(3,829,803)</u>
Taxation	22	-	-
Loss for the year representing total comprehensive expense for the year		<u><u>(10,458,807)</u></u>	<u><u>(3,829,803)</u></u>

The accompanying notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Share capital RM	Warrant reserve RM	ESOS reserve RM	Retained earnings / (Accumulated losses) RM	Total equity RM
At 1 January 2018	94,478,393	1,007,080	1,386,480	1,724,227	98,596,180
Total comprehensive expense for the year	-	-	-	(3,829,803)	(3,829,803)
At 31 December 2018/1 January 2019	94,478,393	1,007,080	1,386,480	(2,105,576)	94,766,377
Total comprehensive expense for the year	-	-	-	(10,458,807)	(10,458,807)
At 31 December 2019	94,478,393	1,007,080	1,386,480	(12,564,383)	84,307,570
	Note 12	Note 13	Note 13	Note 13	

The accompanying notes form an integral part of the financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Note	2019 RM	2018 RM
Cash flow from operating activities			
Loss before taxation		(10,458,807)	(3,829,803)
Adjustments for:			
Depreciation of property, plant and equipment	4	2,918	2,919
Impairment loss on investment in a subsidiary	19	8,620,380	2,359,539
Interest income	19	(41,807)	(348,853)
Operating loss before working capital changes		(1,877,316)	(1,816,198)
Changes in working capital:			
Trade and other receivables		(308)	-
Other payables and accruals		(43,735)	53,861
Amount due from subsidiaries		3,037,459	(134,930)
Net cash generated from/(used in) operating activities		1,116,100	(1,897,267)
Cash flow from investing activity			
Interest received		41,807	348,853
Net cash generated from investing activity		41,807	348,853
Net increase/(decrease) in cash and cash equivalents		1,157,907	(1,548,414)
Cash and cash equivalents at the beginning of the year		12,384,418	13,932,832
Cash and cash equivalents at the end of the year	11	13,542,325	12,384,418

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 Corporate information

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

Principal place of business

D-3-3, Ayer@8,
Jalan P8G, Presint 8,
62250 Putrajaya.

Registered office

11B, Level 2,
Persiaran Greentown 9,
Pusat Perdagangan Greentown,
30450 Ipoh, Perak Darul Ridzuan.

The Company is principally engaged in the business of investment holding. The principal activities of the subsidiaries are set out in Note 5 to the financial statements.

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities").

2 Basis of preparation

(a) Statement of compliance

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2 Basis of preparation (continued)

(a) Statement of compliance (continued)

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 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*
- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement* and MFRS 7, *Financial Instruments: Disclosures - Interest Rate Benchmark Reform*

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

- MFRS 17, *Insurance Contracts*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- MFRS 101, *Classification of Liabilities as Current or Non-current*

MFRSs, interpretations and amendments effective for annual periods beginning on or after a 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 impact to the current period and prior period financial statements of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2 Basis of preparation (continued)

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Notes 3 to the financial statements.

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

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

- Note 4 - Property, plant and equipment
- Note 5 - Investments in subsidiaries
- Note 8.1 - Net present value of non-current other receivables
- Note 9 - Impairment of goodwill
- Note 16.1 - Net present value at non-current other payables
- Note 25 - Measurement of expected credit loss ("ECL") and of fair value of unquoted shares

3 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 16, *Leases*, there are changes to the accounting policies applied to lease contracts entered into by the Group entities as compared to those applied in previous financial statements. The impacts arising from the changes are disclosed in Note 31 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3 Significant accounting policies (continued)

(a) Basis of consolidation

(i) Subsidiaries

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

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

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(ii) Business combination

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3 Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) Business combination (continued)

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

(iii) Loss of control

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

(iv) Associates

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(v) 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 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)

3 Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(vi) Transactions eliminated on consolidation

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

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

(b) 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.

(c) Financial instruments

(i) Recognition and initial measurement

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3 Significant accounting policies (continued)

(c) Financial instruments (continued)

(i) Recognition and initial measurement (continued)

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.

(ii) Financial instrument categories and subsequent measurement

Financial assets

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.

(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 (see note 3(h)(i)) where the effective interest rate is applied to the amortised cost.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3 Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial assets (continued)

(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 (see note 3(h)(i)) 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)

3 Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial assets (continued)

(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 (see note 3(h)(i)).

Financial liabilities

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)

3 Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial liabilities (continued)

(a) Fair value through profit or loss (continued)

- (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 within 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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3 Significant accounting policies (continued)

(c) Financial instruments (continued)

(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.

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)

3 Significant accounting policies (continued)

(c) Financial instruments (continued)

(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 statement 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.

(d) Property, plant and equipment

(i) Recognition and measurement

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3 Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(i) Recognition and measurement (continued)

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3 Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(iii) Depreciation (continued)

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

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

Plant and machinery	10 years
Motor vehicles	5 years
Furniture, fittings and office equipment	5 - 10 years

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

(e) Leases

The Group has applied MFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised as an adjustment to retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated - i.e. it is presented, as previously reported under MFRS 117, *Leases* and related interpretations.

Current financial year

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- (i) the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3 Significant accounting policies (continued)

(e) Leases (continued)

Current financial year (continued)

(i) Definition of a lease (continued)

- (ii) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- (iii) the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(ii) Recognition and initial measurement

(a) As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses their incremental borrowing rate as the discount rate.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3 Significant accounting policies (continued)

(e) Leases (continued)

Current financial year (continued)

(ii) Recognition and initial measurement (continued)

(a) As a lessee (continued)

Lease payments included in the measurement of the lease liability comprise the following:

- (i) fixed payments, including in-substance fixed payments less any incentives receivable;
- (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (iii) amounts expected to be payable under a residual value guarantee;
- (iv) the exercise price under a purchase option that the Group is reasonably certain to exercise; and
- (v) penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The Group excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(b) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Group applies MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3 Significant accounting policies (continued)

(e) Leases (continued)

Current financial year (continued)

(ii) Recognition and initial measurement (continued)

(b) As a lessor (continued)

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sublease as an operating lease.

(iii) Subsequent measurement

(a) As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(b) As a lessor

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "revenue".

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3 Significant accounting policies (continued)

(e) Leases (continued)

Previous financial year

As a lessee

(i) Finance lease

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

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

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

(ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property and measured using fair value model.

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

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3 Significant accounting policies (continued)

(f) Inventories

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

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

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

(g) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts.

(h) Impairment

(i) Financial assets

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost, debt investments measured at fair value through other comprehensive income, contract assets and lease receivables. Expected credit losses are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balance and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables, contract assets and lease receivables are always measured at an amount equal to lifetime expected credit loss.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3 Significant accounting policies (continued)

(h) Impairment (continued)

(i) Financial assets (continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-months expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

The Group and the Company estimate the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of debt investments measured at fair value through other comprehensive income is recognised in profit or loss and the allowance account is recognised in other comprehensive income.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost and debt securities at fair value through other comprehensive income are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that 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. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery amounts due.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3 Significant accounting policies (continued)

(h) Impairment (continued)

(ii) Other assets

The carrying amounts of other assets (except for inventories, contract assets, and deferred tax asset) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3 Significant accounting policies (continued)

(h) Impairment (continued)

(ii) Other assets (continued)

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

(i) Equity instruments

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

(i) Issue expenses

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

(ii) Ordinary shares

Ordinary shares are classified as equity.

(j) Employee benefits

(i) Short-term employee benefits

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

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

(ii) State plans

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3 Significant accounting policies (continued)

(j) Employee benefits (continued)

(iii) Defined benefit 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.

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.

(k) Provisions

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3 Significant accounting policies (continued)

(l) 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 accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

(m) Borrowing costs

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3 Significant accounting policies (continued)

(m) Borrowing costs (continued)

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.

(n) 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.

(o) 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.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statements 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.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3 Significant accounting policies (continued)

(o) Income tax (continued)

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.

(p) Earnings per ordinary share

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

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

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(q) Operating segments

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

(r) 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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3 Significant accounting policies (continued)

(s) Contingencies

(i) Contingent liabilities

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

(ii) Contingent assets

When an inflow of economic benefit of an asset is probable where it arises from past events and where existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, the asset is not recognised in the statements of financial position but is being disclosed as a contingent asset. When the inflow of economic benefit is virtually certain, then the related asset is recognised.

(t) 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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

4 Property, plant and equipment

Group

Cost	Plant and machinery RM	Motor vehicles RM	Furniture, fittings and office equipment RM	Capital work-in- progress RM	Total RM
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)
At 31 December 2018, as previously reported	6,219	107,992,630	1,337,782	16,133,975	125,470,606
Adjustments #	-	(11,349,890)	-	-	(11,349,890)
At 1 January 2019, as restated	6,219	96,642,740	1,337,782	16,133,975	114,120,716
Additions	-	-	-	3,539,719	3,539,719
Disposals	-	(60,660,682)	(23,100)	-	(60,683,782)
At 31 December 2019	6,219	35,982,058	1,314,682	19,673,694	56,976,653

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

4 Property, plant and equipment (continued)

Group

	Plant and machinery RM	Motor vehicles RM	Furniture, fittings and office equipment RM	Capital work-in- progress RM	Total RM
Accumulated depreciation					
At 1 January 2018	4,454	97,764,779	638,047	-	98,407,280
Depreciation charge for the year	622	6,655,282	111,354	-	6,767,258
Disposals	-	(3,034,003)	-	-	(3,034,003)
At 31 December 2018, as <i>previously reported</i>	5,076	101,386,058	749,401	-	102,140,535
Adjustments #	-	(11,349,890)	-	-	(11,349,890)
At 1 January 2019, as <i>restated</i>	5,076	90,036,168	749,401	-	90,790,645
Depreciation charge for the year	624	6,084,621	108,450	-	6,193,695
Disposals	-	(60,328,252)	(10,586)	-	(60,338,838)
At 31 December 2019	5,700	35,792,537	847,265	-	36,645,502

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

4 Property, plant and equipment (continued)

Group	Plant and machinery RM	Motor vehicles RM	Furniture, fittings and office equipment RM	Capital work-in- progress RM	Total RM
Carrying amounts					
At 1 January 2018	1,765	14,242,744	698,855	10,299,535	25,242,899
At 31 December 2018, as <i>previously reported</i>	1,143	6,606,572	588,381	16,133,975	23,330,071
At 1 January 2019, as <i>restated</i>	1,143	6,606,572	588,381	16,133,975	23,330,071
At 31 December 2019	519	189,521	467,417	19,673,694	20,331,151

Adjustments comprise reclassifications and changes to previously recorded amounts as disclosed in Note 32 to the financial statements. The adjustments do not have any impact to the carrying amounts of property, plant and equipments.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

4 Property, plant and equipment (continued)

Company

Furniture, fittings and office equipment RM

Cost

At 1 January 2018/ 31 December 2018/
1 January 2019/ 31 December 2019

40,721

Accumulated depreciation

At 1 January 2018
Charge for the year

34,154
2,919

At 31 December 2018 / 1 January 2019
Charge for the year

37,073
2,918

At 31 December 2019

39,991

Carrying amount

At 1 January 2018
At 31 December 2018 / 1 January 2019
At 31 December 2019

6,567
3,648
730

(a) Leased plant and equipment

As at 31 December 2019, the carrying amount of leased property, plant and equipment of the Group is RM170,948 (2018: RM291,083).

(b) Impairment assessment

The Group assessed whether there were any indicators of impairment during the financial year. In doing this, Directors and 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 RM19,673,694 of capital work-in-progress as at 31 December 2019.

Directors and management made estimates on the future results and key assumptions applied to cash flow projection of the CGUs to determining their recoverable amounts using the Value-In-Use model ("VIU"). These key assumptions include forecast revenues and operating costs, as well as determining an appropriate pre-tax discount rate and growth rate.

The recoverable amounts are in excess of the carrying amounts of the capital work-in-progress and Directors and management are in the opinion that no impairment is required for the current financial year.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

5 Investment in subsidiaries - Company

	2019 RM	2018 RM
Unquoted shares, at cost	58,393,166	58,393,166
Less: Accumulated impairment losses	(10,979,919)	(2,359,539)
	<u>47,413,247</u>	<u>56,033,627</u>

The details of the subsidiaries are as follow:-

Name of subsidiaries	Country of incorporation	Principal activities	Effective ownership interest and voting interest	
			2019 %	2018 %
Subsidiaries of the Company				
Gunung Resources Sdn. Bhd.	Malaysia	Chartering of motor vehicles	100.0	100.0
Gunung Hydropower Sdn. Bhd. ("GHSB") *	Malaysia	Dealing in hydropower and hydroelectric activities	95.1	95.1
GPB Corporation Sdn. Bhd. ("GPB") #	Malaysia	Chartering of land-based passenger transportation assets and specialty vehicles	100.0	100.0
Pusaka Hijau Sdn. Bhd. ("PHSB")	Malaysia	Investment holding company	85.0	85.0
Subsidiary of GPB				
Bas Rakyat Sdn. Bhd. #	Malaysia	Provision of public transportation services	100.0	100.0
Subsidiary of PHSB				
Perak Hydro Renewable Energy Corporation Sdn. Bhd. ("PHREC")	Malaysia	Developing, maintaining and operating of hydropower and hydroelectric activities	51.0	51.0

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

5 Investment in subsidiaries - Company (continued)

Name of subsidiaries	Country of incorporation	Principal activities	Effective ownership interest and voting interest	
			2019 %	2018 %
Subsidiary of GHSB				
Kundur Hydro R E Sdn. Bhd. ("KHRE") **	Malaysia	Dealing in hydropower and hydroelectric activities	70.1	70.1
Conso Hydro R E Sdn. Bhd. ("CHRE") ***	Malaysia	Dealing in hydropower and hydroelectric activities	50.1	50.1

Not audited by STYL Associates PLT.

* The proportion of effective ownership and voting interest held by the Company is 95.1% (2018: 95.1%) by virtue of the shareholding held by Company 90.0% (2018: 90.0%) and PHREC of 5.1% (2018: 5.1%).

** The proportion of effective ownership and voting interest held by the Company is 70.1% (2018: 70.1%) by virtue of the shareholding held by GHSB 44.1% (2018: 44.1%) and PHREC of 26.0% (2018: 26.0%).

*** The proportion of effective ownership and voting interest held by the Company is 50.1% (2018: 50.1%) by virtue of the shareholding held by GHSB of 45% (2018: 45%) and PHREC of 5.1% (2018: 5.1%).

5.1 Non-controlling interests in subsidiaries

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:

	2019			
	CHRE RM	PHREC RM	Other individually immaterial subsidiaries RM	Total RM
NCI percentage of ownership interest and voting interest	49.9%	49.0%		
Carrying amount of NCI	889,181	1,072,284	120,747	2,082,212
Loss allocated to NCI	(192,664)	(320,250)	(24,397)	(537,311)
Other comprehensive income allocated to NCI	-	244,042	-	244,042

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

5 Investment in subsidiaries - Company (continued)

5.1 Non-controlling interests in subsidiaries (continued)

	2019			
	CHRE RM	PHREC RM		
Summarised financial information before intra-group elimination As at 31 December				
Non-current assets	12,867,534	8,741,163		
Current assets	606,186	1,049,033		
Non-current liabilities	(1,901,044)	(1,760,816)		
Current liabilities	(9,790,750)	(5,841,046)		
Net assets	<u>1,781,926</u>	<u>2,188,334</u>		
Year ended 31 December				
Revenue	-	-		
Loss for the year	(386,100)	(653,572)		
Total comprehensive income	<u>-</u>	<u>498,045</u>		
Cash flows (used in)/generated from operating activities	(276,962)	1,683,207		
Cash flows (used in)/generated from investing activities	(3,451,288)	25,024		
Cash flows generated from/(used in) financing activities	4,035,664	(1,726,018)		
Net increase/(decrease) in cash and cash equivalents	<u>307,414</u>	<u>(17,787)</u>		
Dividend paid to NCI	<u>-</u>	<u>-</u>		
			2018	
			Other individually immaterial subsidiaries	Total
	CHRE RM	PHREC RM	RM	RM
NCI percentage of ownership interest and voting interest	49.9%	49.0%		
Carrying amount of NCI	1,081,845	1,148,492	145,144	2,375,481
(Loss)/Profit allocated to NCI	(165,114)	235,651	(27,542)	42,995
Other comprehensive income allocated to NCI	<u>-</u>	<u>558,015</u>	<u>-</u>	<u>558,015</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

5 Investment in subsidiaries - Company (continued)

5.1 Non-controlling interests in subsidiaries (continued)

	2018	
	CHRE	PHREC
	RM	RM
Summarised financial information before intra-group elimination As at 31 December		
Non-current assets	9,438,938	8,062,374
Current assets	242,985	3,406,821
Non-current liabilities	(2,205,479)	(1,582,669)
Current liabilities	(5,308,418)	(7,542,664)
Net assets	<u>2,168,026</u>	<u>2,343,862</u>
Year ended 31 December		
Revenue	-	-
(Loss)/Profit for the year	(330,889)	480,921
Total comprehensive income	<u>-</u>	<u>1,138,241</u>
Cash flows used in operating activities	(235,074)	(146,786)
Cash flows (used in)/generated from investing activities	(4,403,056)	64
Cash flows generated from financing activities	4,325,422	142,559
Net decrease in cash and cash equivalents	<u>(312,708)</u>	<u>(4,163)</u>
Dividend paid to NCI	<u>-</u>	<u>-</u>

6 Investment in associates - Group

	2019	2018
	RM	RM
Unquoted shares, at cost	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

6 Investment in associates - Group (continued)

The details of the associates are as follows:

Name of Companies	Country of Incorporation	Effective ownership interest and voting interest		Principal Activities
		2019 %	2018 %	
Zeqna Corporation Sdn. Bhd.	Malaysia	15.3	15.3	Dealing in hydropower and hydroelectric activities
Koridor Mentari Sdn. Bhd.	Malaysia	15.3	15.3	Dealing in hydropower and hydroelectric activities
Sumber Sejahtera Sdn. Bhd.	Malaysia	15.3	15.3	Dealing in hydropower and hydroelectric activities
WGC PHREC Hydro Sdn. Bhd.	Malaysia	15.3	15.3	Dealing in hydropower and hydroelectric activities
Maju Renewable Energy Sdn. Bhd.	Malaysia	15.3	15.3	Dealing in hydropower and hydroelectric activities
Maju Renewable Energy (Talang) Sdn. Bhd.	Malaysia	15.3	15.3	Dealing in hydropower and hydroelectric activities
Maju Renewable Energy (Temenggor) Sdn. Bhd.	Malaysia	15.3	15.3	Dealing in hydropower and hydroelectric activities
Gelinting Hydro Sdn. Bhd. *	Malaysia	-	15.3	Dealing in hydropower and hydroelectric activities

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

6 Investment in associates - Group (continued)

Name of Company	Country of Incorporation	Effective ownership interest and voting interest		Principal Activities
		2019 %	2018 %	
Pelus Hidro Sdn. Bhd.	Malaysia	15.3	15.3	Dealing in hydropower and hydroelectric activities
Manifest Frontier Sdn. Bhd.	Malaysia	15.3	15.3	Dealing in hydropower and hydroelectric activities

- * On 10th December 2019, the Group disposed of its equity interests in Gelinting Hydro Sdn. Bhd. at a nominal consideration of RM1. As the shares were initially allotted by virtue of the WRA with no carrying amount (as explained in the following paragraphs), the Directors are in the opinion that no gain nor loss arising from these transactions would need to be recognised.

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.

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

The summarised financial information of the certain associates, not adjusted for the proportion of ownership interest held by the Group as at 31 December 2019, is as follow:

	2019 RM	2018 RM
Assets and Liabilities		
Non-current Assets	9,171,822	7,551,957
Current Assets	5,861,971	2,440,338
Total Assets	<u>15,033,793</u>	<u>9,992,295</u>
Total Liabilities	<u>15,164,980</u>	<u>12,387,428</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

6 Investment in associates - Group (continued)

	2019 RM	2018 RM
Results		
Loss for the year	<u>(134,032)</u>	<u>(329,145)</u>

7 Other investments - Group

	Note	2019 RM	2018 RM
Non-current			
Fair value through other comprehensive income	7.1	5,039,856	4,574,469
Current			
Fair value through profit or loss		17,717,391	-
		<u>22,757,247</u>	<u>4,574,469</u>

7.1 Equity investments designated at fair value through other comprehensive income

At 1 January 2018, the Group designated the investments shown below as equity securities 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 current and prior financial year.

	Fair value at 31 December 2019 RM	Fair value at 31 December 2018 RM
Selama Hidro Sdn. Bhd.	360,000	360,000
Kerian Energy Sdn. Bhd.	3,335,028	2,836,983
Kuasa Sezaman Sdn. Bhd.	1,344,828	1,344,828
Red & Yellow Omnibus Company Sdn. Bhd.	-	32,658
	<u>5,039,856</u>	<u>4,574,469</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

8 Trade and other receivables

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
Non-current					
Non-trade					
Other receivables	8.1	3,487,061	3,298,806	-	-
Current					
Trade					
Trade receivables	8.2	8,125,983	11,618,129	-	-
Less: loss allowance		(6,586,613)	(269,542)	-	-
		1,539,370	11,348,587	-	-
Non-trade					
Other receivables	8.1	2,700,583	4,340,927	-	-
Refundable deposits	8.3	3,619,829	2,797,643	25,000	25,000
Prepaid expenses		239,210	271,401	4,328	4,020
Amount due from subsidiaries	8.4	-	-	23,405,913	26,443,372
Less: loss allowance		(227,400)	(227,400)	-	-
		6,332,222	7,182,571	23,435,241	26,472,392
		7,871,592	18,531,158	23,435,241	26,472,392

8.1 Included in the non-current and current other receivables is an amount of RM4,179,461 (2018: RM6,331,206) which deferred payment terms had granted to other receivables. As such, this other receivables recognised based on net present value discounted at a rate of 4.82% (2018: 5.80%) per annum. The discount rate was estimated based on cost of borrowings of the financial year.

	Group	
	2019 RM	2018 RM
Non-current	3,487,061	3,298,806
Current	692,400	3,032,400
	4,179,461	6,331,206

The remainder of major other receivables of RM1,800,000 (2018: Nil) representing investment cost paid to Ganda Cembra Ria Sdn. Bhd. which the transaction had cancelled subsequently and refunded after year ended 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

8 Trade and other receivables (continued)

8.2 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 14 to 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 RM6,586,613 (2018: RM11,334,332) which had been fully provided for impairment during the financial year.

8.3 The refundable deposits consist of RM3,472,808 (2018: RM2,647,008) deposits paid to service provider to secure a service contract.

8.4 Amount due from subsidiaries is unsecured, interest-free and repayable on demand.

9 Goodwill on consolidation - Group

Cost	RM
At 1 January 2018/31 December 2018/ 1 January 2019/31 December 2019	<u>22,036,009</u>
Accumulated impairment loss	
At 1 January 2018	-
Impairment for the year	1,010,472
At 31 December 2018/1 January 2019	<u>1,010,472</u>
Impairment for the year	2,515
At 31 December 2019	<u>1,012,987</u>
Carrying amounts	
At 31 December 2018	<u>21,025,537</u>
At 31 December 2019	<u>21,023,022</u>

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

	2019 RM	2018 RM
Transportation services	10,779,289	10,781,804
Hydropower activities	<u>10,243,733</u>	<u>10,243,733</u>
	<u>21,023,022</u>	<u>21,025,537</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

9 Goodwill on consolidation - Group (continued)

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 services

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 RM10,781,804 was determined to be higher than its recoverable amount of RM10,779,289 and an impairment loss of RM2,515 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% (2018: 2%) per annum for non-contract services. All expenses are expected to grow at 2% (2018: 2%) per annum.
- A pre-tax discount rate of 7.38% (2018: 7.63%) was applied in determining the recoverable amount of the unit. The discount rate was based on the cost of 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% in the discount rate used would have increased the impairment loss by RM264,000.

A 5% decrease in revenue for those services without contract will increase the impairment loss by RM112,000.

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 Development 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% (2018: 4%) per annum.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

9 Goodwill on consolidation - Group (continued)

b) Impairment test for Goodwill (continued)

Hydropower activities (continued)

- A pre-tax discount rate of 7.9% (2018: 7.9%) was applied in determining the recoverable amount of the unit. The discount rate was based on the subsidiary's 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.

10 Inventories - Group

	2019 RM	2018 RM
At cost:		
Spare parts for motor vehicles		
At 1 January	570,093	600,310
Less: written off	(157,264)	-
At 31 December	<u>412,829</u>	<u>600,310</u>
Recognised in profit or loss:		
Inventories recognised as cost of sales	224,931	385,213
Inventories written off	<u>157,264</u>	<u>-</u>

11 Cash and cash equivalents

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Fixed deposits with licensed banks	44,616	43,277	-	-
Cash and bank balances	<u>23,307,137</u>	<u>40,448,744</u>	<u>13,542,325</u>	<u>12,384,418</u>
	<u>23,351,753</u>	<u>40,492,021</u>	<u>13,542,325</u>	<u>12,384,418</u>

The fixed deposits of the Group earn effective interest rate at 4.68% (2018: 3.15%) per annum and have maturity of 1 (2018: 1) month.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

12 Share capital - Group/Company

	2019		2018	
	Number of shares unit	Amount RM	Number of shares unit	Amount RM
Issued and fully paid-up:				
Ordinary shares	<u>236,179,708</u>	<u>94,478,393</u>	<u>236,179,708</u>	<u>94,478,393</u>

ORDINARY SHARES

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

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 2019, none of the aforesaid warrants have been exercised.

SHARE OPTIONS

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:

- 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;

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

12 Share capital - Group/Company (continued)

- 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 1.1.2019	Granted	Forfeited	Balance as at 31.12.2019
5 June 2015	4 June 2021	0.41	11,144,500	-	-	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 MSOS is RM0.41 per ordinary share.

On 21 May 2020, the Board has approved to extend its existing ESOS, expiring on 4 June 2020 for a further of one (1) year from 5 June 2020 to 4 June 2021, in accordance with the terms of the ESOS By-Laws.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

13 Reserves

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Distributable				
Retained earnings	-	7,969,871	-	-
Non-distributable				
Accumulated losses	(3,653,704)	-	(12,564,383)	(2,105,576)
Equity transaction reserve	(5,192,851)	(5,192,851)	-	-
ESOS reserve	1,386,480	1,386,480	1,386,480	1,386,480
Fair value reserve	834,229	580,226	-	-
Warrant reserve	1,007,080	1,007,080	1,007,080	1,007,080
	(5,618,766)	(2,219,065)	(10,170,823)	287,984
	<u>(5,618,766)</u>	<u>5,750,806</u>	<u>(10,170,823)</u>	<u>287,984</u>

The movements in reserves are disclosed in statements of changes in equity.

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.

The equity transaction reserve was as a result of the State Government of Perak transferring at no cost its 25% equity stake in Bas Rakyat to GPB in 2014.

ESOS reserve

The ESOS reserve comprises the cumulative value of employee services received for the issue of share options.

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of equity and debt securities designated at fair value through other comprehensive income until the assets are derecognised or impaired.

Warrant reserve

Warrant 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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

14 Finance lease liabilities - Group

	Note	2019 RM	2018 RM
Non-current			
Finance lease liabilities	14.1	-	180,488
Current			
Finance lease liabilities	14.1	-	34,337
		<u>-</u>	<u>214,825</u>

14.1 Finance lease liabilities are payable as follows :

	Future minimum lease payments 2018 RM	Interest 2018 RM	Present value of minimum lease payments 2018 RM
Less than one year	44,528	10,191	34,337
Between one and five years	156,951	16,830	140,121
More than five years	46,906	6,539	40,367
	<u>248,385</u>	<u>33,560</u>	<u>214,825</u>

During the previous financial year, the effective interest rates of finance leases are charged at rates 4.74% to 5.38% per annum.

Finance lease liabilities are effectively secured as the right to the assets under the finance leases that revert to the lessor in the event of default.

15 Term loan - Group

	2019 RM	2018 RM
Non-current		
Term loan	1,821,373	2,113,932
Current		
Term loan	339,739	320,480
	<u>2,161,112</u>	<u>2,434,412</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

15 Term loan - Group (continued)

	Total RM	Under 1 year RM	1 - 5 years RM	Over 5 years RM
As at 31 December 2019	<u>2,161,112</u>	<u>339,739</u>	<u>1,540,602</u>	<u>280,771</u>
As at 31 December 2018	<u>2,434,412</u>	<u>320,480</u>	<u>1,464,427</u>	<u>649,505</u>

The above term loan is secured by the following:

- i) Fresh Credit Guarantee Corporation (M) Berhad (CGC) guarantee under Green Technology Financing Scheme (GTFS);
- ii) 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;
- iii) Fresh Debenture over fixed and floating present and future assets of a subsidiary; and
- iv) Fresh Corporate Guarantee to be executed by the company.

The above term loan bears interest at 7.85% (2018: 7.85%) per annum.

16 Trade and other payables

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
Non-current					
Non-trade					
Other payable	16.1	<u>1,760,816</u>	<u>1,582,669</u>	<u>-</u>	<u>-</u>
Current					
Trade					
Trade payables		<u>65,391</u>	<u>51,356</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

16 Trade and other payables (continued)

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
Non-trade					
Other payables	16.1	938,743	906,640	6,810	6,685
Accruals		180,415	211,712	77,163	121,023
Amount due to directors	16.2	-	436	-	-
Amount due to corporate shareholder	16.3	2,562,150	2,266,220	-	-
		3,681,308	3,385,008	83,973	127,708
		3,746,699	3,436,364	83,973	127,708

- 16.1** Included in the non-current and current other payables is an amount of RM2,592,373 (2018: RM2,387,376) which deferred payment terms had granted to the Group. As such, this other payable recognised based on net present value discounted at a rate of 4.82% (2018: 5.80%) per annum. The discount rate was estimated based on cost of borrowings of the financial year.

Other payable	Group	
	2019 RM	2018 RM
Non-current	1,760,816	1,582,669
Current	831,557	804,707
	<u>2,592,373</u>	<u>2,387,376</u>

- 16.2** The non-trade amount due to directors is unsecured, interest-free and repayable on demand.
- 16.3** The amount due to corporate shareholder is unsecured, interest-free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

17 Deferred tax (liabilities) / assets

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Deferred tax assets				
Balance as at beginning of the year	-	1,850,547	1,576	1,576
Recognised in profit or loss (Note 22)	-	(1,850,547)	(1,576)	-
Balance as at end of the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,576</u>
Deferred tax liabilities				
Balance as at beginning of the year	1,599,588	2,976,817	1,576	1,576
Recognised in profit or loss (Note 22)	(1,419,152)	(1,377,229)	(1,576)	-
Over provision in prior year (Note 22)	(112,508)	-	-	-
Balance as at end of the year	<u>67,928</u>	<u>1,599,588</u>	<u>-</u>	<u>1,576</u>

Presented after appropriate offsetting as follows:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Deferred tax liabilities	<u>(67,928)</u>	<u>(1,599,588)</u>	<u>-</u>	<u>-</u>

The recognised deferred taxation are made up of the following:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Deferred tax assets				
Tax effects of:				
Unabsorbed capital allowances	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,576</u>
Deferred tax liabilities				
Tax effects of:				
Temporary differences between tax capital allowance and book depreciation of property, plant and equipments	<u>67,928</u>	<u>1,599,588</u>	<u>-</u>	<u>1,576</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

18 Revenue - Group

	2019 RM	2018 RM
Revenue from contracts with customers	16,823,200	28,437,905
18.1 Disaggregation of revenue		
		Total
	2019 RM	2018 RM
Transportation services		
	2019 RM	2018 RM
Spare parts		
	2019 RM	2018 RM
Primary geographical markets		
Malaysia	16,811,764	28,371,708
Major products and service lines		
Collection ticket sales	-	376,822
Rental of bus	482,186	597,100
Shuttling of bus	16,329,578	27,397,786
Spare parts	-	-
	16,811,764	28,371,708
Timing and recognition		
At a point in time	16,811,764	28,371,708
	11,436	66,197
	16,823,200	28,437,905

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

18 Revenue - Group (continued)

18.2 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	Warranty
Collection of ticket	Revenue is recognised at a point in time when the service is rendered.	No credit term.	Not applicable.	Not applicable.	Not applicable.
Rental of buses	Revenue is recognised at a point in time when the service is rendered.	No credit term.	Not applicable.	Not applicable.	Not applicable.
Transportation service - Military camp (shuttling of bus)	Revenue is recognised at a point in time when the service is rendered.	Credit period of 14 days from invoice date.	Consideration is based on number of children. However, the rate charged per head is fixed.	Not applicable.	Not applicable.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

18 Revenue - Group (continued)

18.2 Nature of goods and services (continued)

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	Warranty
Transportation Service - PLKN (shuttling of bus)	Revenue is recognised at a point in time when the service is rendered and accepted by the customers.	No credit term.	Not applicable.	Not applicable.	Not applicable.
Trainee allowance - PLKN (shuttling of bus)	Revenue is recognised at a point in time when the service is rendered 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.	Not applicable.
Shuttle bus - Universiti Antarabangsa Gombak & Kuantan (shuttling of bus)	Revenue is recognised at a point in time when the service is rendered and accepted by the customers.	Credit period of 30 days from invoice date.	Not applicable.	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).	Not applicable.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

18 Revenue - Group (continued)

18.3 Transaction price allocated to the remaining obligations

The Group applies the practical expedient exemption in paragraph 121(a) of MFRS 15 and does not disclose the transaction price allocated to unsatisfied (or partially satisfied) performance obligations where the contract has original expected duration of one year or less.

19 (Loss)/Profit before taxation

(Loss)/Profit before taxation is arrived at:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
<i>After charging:</i>				
Auditors' remuneration				
- Audit fee				
- STYL	83,000	73,200	50,000	45,000
- Other auditors	24,000	24,000	-	-
- Non-audit fees				
- STYL	14,000	-	14,000	-
Depreciation of property, plant and equipment	6,193,695	6,767,258	2,918	2,919
Impairment loss on:				
- Investment in a subsidiary	-	-	8,620,380	2,359,539
- Goodwill	2,515	1,010,472	-	-
Inventories written off	157,264	-	-	-
Rental of:				
- Equipment	-	2,565	-	-
- GPS tracker	-	1,599	-	-
- Motor vehicles	-	99,786	-	-
- Premises	-	377,847	-	196,800
Staff costs:				
- Salaries and other benefits	3,150,550	4,848,559	-	-
- Employee' Provident Fund Contributions	270,786	440,764	-	-
- Social Security Costs	33,773	53,885	-	-
- Other benefits	3,275	4,051	-	-

Expenses arising from leases

Expenses relating to
short-term leases **

	<u>544,184</u>	<u>-</u>	<u>192,000</u>	<u>-</u>
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And after crediting:

Gain on disposal of
investment in associate

Gain on disposal of
property, plant and
equipment

	-	1,665,639	-	-
	<u>410,056</u>	<u>1,855,112</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

19 (Loss)/Profit before taxation (continued)

(Loss)/Profit before taxation is arrived at: (continued)

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
<i>And after crediting: (continued)</i>				
Government grant	<u>255,449</u>	<u>1,737,199</u>	<u>-</u>	<u>-</u>

Net gain/(loss) on impairment of financial instruments

Fair value through profit or loss	167,391	-	-	-
Financial assets at amortised costs	124,510	894,752	41,807	348,853
Impairment loss on trade receivables	(6,207,571)	(25,780)	-	-
Impairment loss on other receivables	(109,500)	-	-	-
Interest expenses:				
- Lease liabilities	(10,184)	-	-	-
- Finance lease liabilities	-	(12,177)	-	-
- Term loans	(136,181)	(115,440)	-	-
Loss on disposal of non-current other investment	(2,044)	-	-	-
Unwinding of discount on other payables	(204,997)	(100,560)	-	-
Unwinding of discount on other receivables	<u>188,256</u>	<u>-</u>	<u>-</u>	<u>-</u>

** The Group leases equipment, motor vehicle and premises with contract terms of 1 year. These leases consist of short-term leases and leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

20 Other comprehensive income - Group

	2019 RM	2018 RM
Items that will not be reclassified subsequently to profit or loss		
Net change in fair value of equity investments at fair value through other comprehensive income	<u>498,045</u>	<u>1,138,241</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

21 Directors' remuneration

21.1 The aggregate amounts of emoluments received and receivable by Directors of the Group and of the Company during the financial year are as follows:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Executive Director:				
- salary and others	674,750	760,000	674,750	760,000
- fee	1,452,000	72,000	72,000	72,000
- Employees' Provident Fund Contributions	77,280	84,000	77,280	84,000
- Social Security Costs	829	829	829	829
- other benefits	94	95	94	95
	2,204,953	916,924	824,953	916,924
Non-executive Directors:				
- fee	141,000	108,000	141,000	108,000
- other emoluments	20,000	24,750	20,000	24,750
	161,000	132,750	161,000	132,750
	<u>2,365,953</u>	<u>1,049,674</u>	<u>985,953</u>	<u>1,049,674</u>

22 Taxation

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Current tax expense				
- Current year	829,950	25,110	-	-
- Prior year	249,970	359,871	-	-
	<u>1,079,920</u>	<u>384,981</u>	<u>-</u>	<u>-</u>
Deferred tax expense				
- Current year	(1,419,152)	473,882	-	-
- Prior year	(112,508)	(564)	-	-
	<u>(1,531,660)</u>	<u>473,318</u>	<u>-</u>	<u>-</u>
Total tax expense	<u>(451,740)</u>	<u>858,299</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

22 Taxation (continued)

Reconciliation of tax expense

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
(Loss)/Profit before tax	<u>(12,612,626)</u>	<u>687,642</u>	<u>(10,458,807)</u>	<u>(3,829,803)</u>
Income tax using Malaysian tax rates at 24%	(3,027,030)	165,034	(2,510,114)	(919,153)
Non-taxable income	(214,101)	(927,549)	(10,034)	(83,725)
Non-deductible expenses	2,651,929	1,261,507	2,520,148	1,002,878
	<u>(589,202)</u>	<u>498,992</u>	<u>-</u>	<u>-</u>
Under provision in prior year	137,462	359,307	-	-
	<u>(451,740)</u>	<u>858,299</u>	<u>-</u>	<u>-</u>

No deferred tax assets have been recognised for the following items:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Unutilised capital allowances	637,710	676,702	33,837	33,837
Unutilised tax losses	12,718,689	11,441,739	2,115,000	2,115,000
	<u>13,356,399</u>	<u>12,118,441</u>	<u>2,148,837</u>	<u>2,148,837</u>

Based on Finance Act 2018, the unutilised tax loss up to year of assessment 2018 shall be deductible against aggregate of statutory income until year of assessment 2025. Any amount not deducted at the end of year of assessment 2025 shall be disregarded. Subsequent to year of assessment 2018, any additional unutilised tax losses shall be deductible against statutory income for a maximum period of seven consecutive years of assessment immediately following that year of assessment.

The unutilised capital allowances of the Group and of the Company are available indefinitely for offsetting against future taxable profits of the Group and of the Company, subjects to no substantial changes in shareholdings of the Group entities under the Income Tax Act 1967 and guidelines issued by the tax authority.

Deferred tax assets have not been recognised in respect of these items as it is not probable that future taxable profits will be available against which the Group and of the Company can utilise the benefits therefrom.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

23 Basic loss per ordinary share

The calculation of basic loss per ordinary share at 31 December was based on the loss attributable to ordinary shareholders and number of ordinary shares in issue during the year, calculated as follows :

	Group	
	2019 RM	2018 RM
Loss attributable to owners of the Company	<u>(11,623,575)</u>	<u>(213,652)</u>
Weighted average number of ordinary shares at 31 December	<u>236,179,708</u>	<u>236,179,708</u>
Basic loss per ordinary share (sen)	<u>(4.92)</u>	<u>(0.09)</u>

Diluted loss per ordinary share

The diluted loss per ordinary share at 31 December 2019 and 31 December 2018 are the same as the basic loss per ordinary share as there are no potential dilutive ordinary shares.

24 Operating segments

The group operates predominantly in transportation services, hydropower activities and investment holding and others in Malaysia. Accordingly, the information by business and geographical segment is no presented.

Major customer information

The following are the major customers with revenue equal or more than 10% of the Group's revenue:

	2019 RM	2018 RM
Customer A	<u>16,329,578</u>	<u>26,146,173</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

24 Operating segments (continued)

	Transportation services RM	Hydropower activities RM	Investments holding and others RM	Elimination RM	Consolidated RM
2019					
Revenue					
Revenue from external customers	16,823,200	-	-	-	16,823,200
Results					
(Loss)/Profit before taxation	(9,341,989)	(1,432,212)	(10,458,807)	8,620,382	(12,612,626)
Income tax credit					451,740
Loss for the year					<u>(12,160,886)</u>
OTHER INFORMATION					
Segment assets	15,538,450	52,828,862	84,391,543	(53,524,200)	99,234,655
Segment liabilities	5,567,173	28,416,583	83,973	(25,774,913)	8,292,816
Capital expenditure	-	3,539,719	-	-	3,539,719
Depreciation	6,124,786	65,991	2,918	-	6,193,695
Gain on disposal of property, plant and equipment	385,056	25,000	-	-	410,056
Non-cash expenses other than depreciation	-	-	8,620,380	(8,620,380)	-

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

24 Operating segments (continued)

2018	Transportation services RM	Hydropower activities RM	Investments holding and others RM	Elimination RM	Consolidated RM
Revenue					
Revenue from external customers	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 expense					(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	12,822,988	23,289,558	127,708	(26,972,396)	9,267,858
Capital expenditure	-	5,835,320	-	-	5,835,320
Depreciation	6,726,836	37,503	2,919	-	6,767,258
Gain on disposal of property, plant and equipment	-	-	1,855,112	-	1,855,112
Gain on disposal of investment in associates	-	1,665,639	-	-	1,665,639
Non-cash expenses other than depreciation	-	-	2,359,539	(2,359,539)	-

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

24 Operating segments (continued)

Geographical segments

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

25 Financial instruments

25.1 Categories of financial instruments

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

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

	Carrying amount 2019 RM	FVOCI - EIDUIR 2019 RM	AC 2019 RM	FVTPL 2019 RM
Financial assets				
Group				
Other investments	22,757,247	5,039,856	-	17,717,391
Trade and other receivables (excluding prepaid expenses)	11,119,443	-	11,119,443	-
Cash and cash equivalents	23,351,753	-	23,351,753	-
	<u>57,228,443</u>	<u>5,039,856</u>	<u>34,471,196</u>	<u>17,717,391</u>
Company				
Trade and other receivables (excluding prepaid expenses)	23,430,913	-	23,430,913	-
Cash and cash equivalents	13,542,325	-	13,542,325	-
	<u>36,973,238</u>	<u>-</u>	<u>36,973,238</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

25 Financial instruments (continued)

25.1 Categories of financial instruments (continued)

	Carrying amount 2019 RM	AC 2019 RM
Financial liabilities		
Group		
Term loan	2,161,112	2,161,112
Other payables and accrued expenses	5,507,515	5,507,515
Lease liabilities	180,477	180,477
	<u>7,849,104</u>	<u>7,849,104</u>

Company

Other payables and accrued expenses	<u>83,973</u>	<u>83,973</u>
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	Carrying amount 2018 RM	FVOCI - EIDUIR 2018 RM	AC 2018 RM
Financial assets			
Group			
Other investments	4,574,469	4,574,469	-
Trade and other receivables (excluding prepaid expenses)	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 (excluding prepaid expenses)	26,468,372	-	26,468,372
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)

25 Financial instruments (continued)

25.1 Categories of financial instruments (continued)

	Carrying amount 2018 RM	AC 2018 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 liabilities	214,825	214,825
Amount due to corporate shareholder	2,266,220	2,266,220
	<u>7,668,270</u>	<u>7,668,270</u>
Company		
Other payables and accrued expenses	<u>127,708</u>	<u>127,708</u>

25.2 Net gains and losses arising from financial instruments

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Net gains/(losses) on:				
Equity instruments designated at fair value through other comprehensive income	498,045	1,138,241	-	-
Fair value gain through profit or loss	165,347	-	-	-
Financial assets at amortised cost	(6,004,305)	894,752	41,807	348,853
Financial liabilities at amortised cost	(351,362)	(228,177)	-	-
	<u>(5,692,275)</u>	<u>1,804,816</u>	<u>41,807</u>	<u>348,853</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

25 Financial instruments (continued)

25.3 Financial risk management

The Group and the Company have exposure to the following risks from its financial instruments:

- Credit risk
- Liquidity risk
- Market risk

25.4 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 advances to subsidiaries. For other investments, the Group minimise credit risk by dealing exclusively with counterparties of high credit rating and good business track record. There are no significant changes as compared to prior periods.

Trade receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Normally credit evaluations are performed on customers requiring credit over a certain amount.

At each reporting date, the Group 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)

25 Financial instruments (continued)

25.4 Credit risk (continued)

Trade receivables (continued)

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 statement 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 90 days past due after credit term, the Group will start to initiate a structured debt recovery process which is monitored by the sales management team.

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 which are grouped together as they are expected to have similar risk nature.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

25 Financial instruments (continued)

25.4 Credit risk (continued)

Trade receivables (continued)

Recognition and measurement of impairment loss (continued)

Group	Gross carrying amount RM	Loss allowance RM	Net balance RM
2019			
Current (not past due)	23,500	-	23,500
1-30 days past due	1,470,240	-	1,470,240
31-60 days past due	-	-	-
61-90 days past due	-	-	-
More than 90 days past due	6,632,243	(6,586,613)	45,630
	<u>8,125,983</u>	<u>(6,586,613)</u>	<u>1,539,370</u>
Credit impaired			
Individually impaired	-	-	-
Trade receivables	<u>8,125,983</u>	<u>(6,586,613)</u>	<u>1,539,370</u>
2018			
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
Trade receivables	<u>11,618,129</u>	<u>(269,542)</u>	<u>11,348,587</u>
Credit impaired			
Individually impaired	-	-	-
Trade receivables	<u>11,618,129</u>	<u>(269,542)</u>	<u>11,348,587</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

25 Financial instruments (continued)

25.4 Credit risk (continued)

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 statement of financial position.

These banks and financial institutions have low credit risks. In addition, 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

Credit risks on other receivables are mainly arising from deferred payment terms granted to its other receivables which are recognised based on their net present values and deposits paid for utilities.

The Group monitors the exposure to credit risk on an individual basis and does not foresee any recoverability issue given that all payments are made based on signed contracts or agreements.

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.

As at the end of the reporting period, the Group or the Company did not recognised any allowance for impairment losses.

Concentration of credit risk

The exposure of credit risk for other receivables as at the end of the reporting period by counter party was:

	Group	
	2019 RM	2018 RM
Party A	2,040,000	3,968,166
Party B	1,442,061	1,665,639
Party C	470,000	470,000
Party D	1,800,000	-

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

25 Financial instruments (continued)

25.4 Credit risk (continued)

Inter-company loans and advances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured advances to subsidiaries. The Company monitors the ability of the subsidiaries to repay the 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 statement of financial position.

Advances provided are not secured by any collateral or supported by any other credit enhancements.

Recognition and measurement of impairment loss

The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. The Company considers a financial guarantee to be credit impaired when:

- The subsidiary are unlikely to repay its credit obligation to the bank in full; or
- The subsidiary are continuously loss making and is having a deficit shareholders' fund.

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

Investments and other financial assets

Investments and other financial assets are allowed only in liquid securities and only with counterparties that have a credit rating equal to or better than the Group.

The maximum exposure to credit risk is represented by the carrying amounts in the statement of financial position. Management does not expect any counterparty to fail to meet its obligations. The Group does not have overdue investments that have not been impaired.

The investments and other financial assets are unsecured.

25.5 Liquidity risk

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

25 Financial instruments (continued)

25.5 Liquidity risk (continued)

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

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

Maturity analysis

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

2019	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM
Group							
Trade and other payables	5,507,515	-	5,818,712	3,746,699	402,582	981,018	688,413
Term loan	2,161,112	7.85	2,543,485	449,772	449,772	1,349,316	294,625
Lease liabilities	180,477	4.74 - 5.38	204,360	44,528	44,528	88,272	27,032
	<u>7,849,104</u>		<u>8,566,557</u>	<u>4,240,999</u>	<u>896,882</u>	<u>2,418,606</u>	<u>1,010,070</u>
Company							
Other payables and accrued expenses	<u>83,973</u>	-	<u>83,973</u>	<u>83,973</u>	<u>-</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

25 Financial instruments (continued)

25.5 Liquidity risk (continued)

Maturity analysis (continued)

2018	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM
Group							
Trade and other payables	5,019,033	-	5,535,228	3,436,364	229,707	689,121	1,180,036
Term loan	2,434,412	7.85	2,934,319	454,517	454,517	1,344,571	680,714
Finance lease and hire purchase creditors	214,825	4.74 - 5.80	248,385	44,528	44,528	116,840	42,489
	<u>7,668,270</u>		<u>8,717,932</u>	<u>3,935,409</u>	<u>728,752</u>	<u>2,150,532</u>	<u>1,903,239</u>
Company							
Other payables and accrued expenses	<u>127,708</u>	-	<u>127,708</u>	<u>127,708</u>	<u>-</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

25 Financial instruments (continued)

25.6 Market risk

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

25.6.1 Interest rate risk

The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Investments in equity securities and short term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

The Group's policy is to obtain the most favourable interest rates available. Any surplus funds of the Group will be placed with licensed financial institutions to generate interest income. The Group manages the net exposure to interest rate risks by maintaining sufficient lines of credit to obtain acceptable lending costs and by monitoring the exposure to such risks on an ongoing basis.

Exposure to interest rate risk

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

	2019 RM	2018 RM
Group		
Fixed rate instruments		
Financial assets	17,717,391	-
Financial liabilities	(180,477)	(214,825)
	<u>17,536,914</u>	<u>(214,825)</u>
Floating rate instruments		
Financial assets	3,487,065	3,298,806
Financial liabilities	(2,161,112)	(2,434,412)
	<u>1,325,953</u>	<u>864,394</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

25 Financial instruments (continued)

25.6 Market risk (continued)

25.6.1 Interest rate risk (continued)

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

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

	Effect on profit/(loss) after taxation	
	2019 RM	2018 RM
Group		
Movement of interest rate		
Increase by 100 bp	10,077	6,569
Decrease by 100 bp	<u>(10,077)</u>	<u>(6,569)</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

25 Financial instruments (continued)

25.7 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.

a) Financial Instrument carried at fair value

The tables below analyses other financial instruments at fair value.

2019	Group	Financial assets	Fair value of financial instruments			Fair value of financial instruments not carried at fair value			Total fair value	Carrying amount
			Level 2	Level 3	Total	Level 3	Total			
			RM	RM	RM	RM	RM		RM	RM
		Other investments	1,704,828	21,052,419	22,757,247	-	-		22,757,247	22,757,247
		Other receivables (non-current)	-	-	-	3,487,061	3,487,061		3,487,061	3,487,061
			<u>1,704,828</u>	<u>21,052,419</u>	<u>22,757,247</u>	<u>3,487,061</u>	<u>3,487,061</u>		<u>26,244,308</u>	<u>26,244,308</u>
		Financial liabilities								
		Term loan	-	-	-	2,161,112	2,161,112		2,161,112	2,161,112
		Other payables (non-current)	-	-	-	1,760,816	1,760,816		1,760,816	1,760,816
			<u>-</u>	<u>-</u>	<u>-</u>	<u>3,921,928</u>	<u>3,921,928</u>		<u>3,921,928</u>	<u>3,921,928</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

25 Financial instruments (continued)

25.7 Fair value information (continued)

a) Financial Instrument carried at fair value (continued)

2018	Group	Fair value of financial instruments		Fair value of financial instruments not carried at fair value		Total fair value	Carrying amount
		Level 2	Level 3	Level 3	Total		
		RM	RM	RM	RM	RM	RM
	Financial assets						
	Other investments	1,737,486	2,836,983	-	-	4,574,469	4,574,469
	Other receivables (non-current)	-	-	3,298,806	3,298,806	3,298,806	3,298,806
		<u>1,737,486</u>	<u>2,836,983</u>	<u>3,298,806</u>	<u>3,298,806</u>	<u>7,873,275</u>	<u>7,873,275</u>
	Financial liabilities						
	Term loan	-	-	2,434,412	2,434,412	2,434,412	2,434,412
	Finance lease liabilities	-	-	214,825	214,825	214,825	214,825
	Other payables (non-current)	-	-	1,582,669	1,582,669	1,582,669	1,582,669
		<u>-</u>	<u>-</u>	<u>4,231,906</u>	<u>4,231,906</u>	<u>4,231,906</u>	<u>4,231,906</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

25 Financial instruments (continued)

25.7 Fair value information (continued)

a) Financial Instrument carried at fair value (continued)

Level 2 Fair Value

	2019 RM	2018 RM
Selama Hidro Sdn. Bhd.	360,000	360,000
Kuasa Sezaman Sdn. Bhd.	1,344,828	1,344,828
	<u>1,704,828</u>	<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 RM1 million.

Level 3 Fair Value

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

	2019 RM	2018 RM
Jendela Padu Sdn. Bhd.	16,745,391	-
Dataran Setar Sdn. Bhd.	972,000	-
Kerian Energy Sdn. Bhd.	3,335,028	2,836,983
	<u>21,052,419</u>	<u>2,836,983</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 follows:

- 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% (2018: 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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

25 Financial instruments (continued)

25.7 Fair value information (continued)

a) Financial Instrument carried at fair value (continued)

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 RM550,000 (2018: RM600,000) as at the end of the reporting period.

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Transfer between fair value levels

There has been no transfer between the fair value levels during the financial year (2018: no transfer in either direction).

Non-derivative financial liabilities

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

26 Capital Commitments - Group

	2019 RM	2018 RM
Capital expenditure commitment		
Plant and equipment		
Contracted but not provided for	<u>11,008,000</u>	<u>13,050,000</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

27 Capital management

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements, if any.

The debt-to-equity ratio is calculated as total borrowings from financial institution divided by total equity.

There was no change in the Group's approach to capital management during the financial year.

28 Significant related party disclosures

28.1 Identity of related parties

The Company has related party relationship with:

- (i) Its subsidiaries as disclosed in Note 5 to the financial statements;
- (ii) Its associates as disclosed in Note 6 to the financial statements;
- (iii) Its substantial shareholders namely, Dato' Syed Abu Hussin Bin Hafiz Syed Abdul Fasal; and
- (iv) The directors who are the key management personnel.

28.2 Significant related party transactions

The significant related party transactions of the Company are shown below.

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
<u>Directors' remuneration</u>				
- Fees	1,593,000	180,000	213,000	180,000
- Salaries and other benefits	711,750	784,750	711,750	784,750
- Employee' Provident Fund Contributions	77,280	84,000	77,280	84,000
- Social Security Costs	829	829	829	829
- Other benefits	94	95	94	95
Professional fees paid to a related party, Aasia-East Capital Sdn. Bhd.	-	360,000	-	360,000

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

28 Significant related party disclosures (continued)

28.2 Significant related party transactions (continued)

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Rental of premises paid to a director, Dato' Syed Abu Hussin Bin Hafiz Syed Abdul Fasal	192,000	196,800	192,000	196,800

The balances with related parties are disclosed in Note 8 and Note 16 to the financial statements. All the amounts outstanding are unsecured and are expected to be settled in cash.

29 Significant events

29.1 On 20 December 2019, GPB Corporation Sdn. Bhd. ("GPB") received a Letter of Award from Ministry of Defence Malaysia ("MINDEF") to provide transportation services for sending military's children to school around Malaysia for 3 years starting from 1 January 2020 to 31 December 2022.

29.2 On 29 February 2020, GPB Corporation Sdn. Bhd. ("GPB") has appointed Silver Cab Sdn. Bhd. ("SCSB") as one of their main sub-contractor to provide transportation services related to contract with Ministry of Defence Malaysia ("MINDEF") to sending military's childrens to school around Malaysia starting from 1 March 2020 to 31 November 2022.

To ensure SCSB is able to perform its duties and obligation under this Agreement and the Letter of Award, GPB shall assist SCSB in setting up the site office and the necessary overheads to enable SCSB to start the Project on the Effective Date. This shall include the novation and/or assignment of existing GPB office building, storage depots, and other overheads attached to the effective running of an office building which indicated costs to be borne by SCSB.

30 Subsequent events

30.1 Subsequent to financial year ended 31 December 2019, the Company acquired 18,113,500 ordinary shares of LYC Healthcare Berhad at RM0.24 each for a total consideration of RM4,347,240.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 Subsequent events (continued)

- 30.2** On 11 March 2020, the World Health Organisation declared the Coronavirus (COVID-19) outbreak to be a pandemic, which has caused severe global social and economic disruptions and uncertainties, including markets where the Group entities operate.

The Group and the Company consider this outbreak as a non-adjusting post balance sheet event. The consequences brought about by Covid-19 continue to evolve and whilst the Group is actively monitoring and managing its operations to respond to these changes, the Group does not consider it practicable to provide any quantitative estimate on the potential impact it may have on the Group.

31 Significant changes in accounting policies

During the year, the Group and the Company adopted MFRS 16, *Leases*.

Definition of a lease

On transition to MFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied MFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under MFRS 117 and IC Interpretation 4, *Determining whether an Arrangement contains a Lease* were not reassessed. Therefore, the definition of a lease under MFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee

Where the Group and the Company are a lessee, the Group and the Company applied the requirements of MFRS 16 retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of retained earnings at 1 January 2019.

At 1 January 2019, for leases that were classified as operating lease under MFRS 117, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. The weighted-average rate applied is 5.34% - 5.38%. Right-of-use assets are measured at their carrying amount as if MFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at 1 January 2019.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 Significant changes in accounting policies (continued)

The Group used the following practical expedients when applying MFRS 16 to leases previously classified as operating lease under MFRS 117:

- applied a single discount rate to a portfolio of leases with similar characteristics;
- applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term as at 1 January 2019;
- excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

For leases that were classified as finance lease under MFRS 117, the carrying amounts of the right-of-use asset and the lease liability at 1 January 2019 are determined to be the same as the carrying amount of the leased asset and lease liability under MFRS 117 immediately before that date.

31.1 Impacts on financial statements

Since the Group and the Company applied the requirements of MFRS 16 retrospectively with the cumulative effect of initial application at 1 January 2019, there are no adjustments made to the prior period presented.

The following summarise the effects of adoption of MFRS 16 on statement of financial position at 1 January 2019:

	At 31 December 2018 RM	Effect from adoption of MFRS 16 RM	At 1 January 2019 RM
Statement of financial position			
Non-current liabilities			
Finance lease liabilities	180,488	(180,488)	-
Lease liabilities	-	180,488	180,488
Current liabilities			
Finance lease liabilities	34,337	(34,337)	-
Lease liabilities	-	34,337	34,337

The above effects from adoption of MFRS 16 do not have any impact to the statement of profit or loss and other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

32 Comparative figures - Group

Adjustments of comparative figures was due to the overstatement of brought forward cost and accumulated depreciation of motor vehicles as follows:

	As previously stated RM	Adjustment RM	As restated RM
Cost			
Motor vehicles	<u>107,992,630</u>	<u>(11,349,890)</u>	<u>96,642,740</u>
Accumulated depreciation			
Motor vehicles	<u>101,386,058</u>	<u>(11,349,890)</u>	<u>90,036,168</u>
Carrying amounts			
Motor vehicles	<u>6,606,572</u>	<u>-</u>	<u>6,606,572</u>

The above adjustments do not have any impact to the consolidated statement of comprehensive income.

33 Approval of financial statements

These financial statements were authorised for issue by the Board of Directors on 21 May 2020.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-Fifth (25th) Annual General Meeting of Gunung Capital Berhad will be held at Adenium & Begonia Meeting Room, Palm Garden Hotel, IOI Resort City, 62502 Putrajaya on Monday, 10 August 2020 at 10.00 a.m. for the following purposes:-

AGENDA

As Ordinary Business

1	To receive the Audited Financial Statements for the financial year ended 31 December 2019 together with the Directors' Reports and Auditors' Report thereon.	(For discussion only)
2	To approve the payment of Directors' fees of RM180,000 for the financial year ended 31 December 2019.	(Ordinary Resolution 1)
3	To approve the payment of Directors' benefits (excluding Directors' fees) of not exceeding RM75,000 for the period from 11 August 2020 until the next Annual General Meeting of the Company.	(Ordinary Resolution 2)
4	To re-elect the following Directors who retire in accordance with Clause 102 of the Company's Constitution:- i. Datuk Yap Yee Ping ii. Dato' Haji Roshidi bin Haji Hashim iii. Tan Sri Dr. Ali bin Hamsa iv. Loi Jin Choo	(Ordinary Resolution 3) (Ordinary Resolution 4) (Ordinary Resolution 5) (Ordinary Resolution 6)
5	To re-appoint Messrs STYL Associates PLT as Auditors of the Company and to authorise the Directors to fix their remuneration.	(Ordinary Resolution 7)

Special Business

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

6	AUTHORITY TO ALLOT SHARES "THAT pursuant to Sections 75 and 76 of the Companies Act 2016, and subject to the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered to issue shares in the Company at any time and upon such terms and conditions, for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued in any one financial year of the Company does not exceed twenty per centum (20%) of the issued share capital of the Company for the time being and that the Directors be and are hereby also empowered to obtain approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company".	(Ordinary Resolution 8)
7	PROPOSED CHANGE OF COMPANY'S NAME FROM "GUNUNG CAPITAL BERHAD" to "G CAPITAL BERHAD" ("PROPOSED CHANGE OF NAME") "THAT the name of the Company be changed from "Gunung Capital Berhad" to "G Capital Berhad" with effect from the date of the Notice of Registration of New Name issued by the Companies Commission of Malaysia and that the Constitution of the Company be hereby amended accordingly, wherever the name of the Company appears AND THAT the Directors and/or Secretary of the Company be and are hereby authorised to give effect to the Proposed Change of Name with full power to assent to any conditions, modifications, variations and/or amendments as may be required by the relevant authorities."	(Special Resolution)

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

By Order of the Board

ERIC TOH CHEE SEONG (SSM PC No. 202008002884) (MAICSA 7016178)
JESSLYN ONG BEE FANG (SSM PC No. 202008002969) (MAICSA 7020672)
Company Secretaries

Perak Darul Ridzuan
30 June 2020

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. 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.
4. 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.
5. Only members whose names appear on the Record of Depositors as at 3 August 2020 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 meetings of the Board and Board Committees from the day after the 25th AGM until the next AGM of the Company.

(B) Ordinary Resolution 8 – Authority to Allot Shares

As at the date of this Notice, no shares have been issued pursuant to the general mandate granted at the last AGM. Bursa Securities Malaysia Berhad had vide their letter dated 16 April 2020 given the flexibility for listed issuers to seek a higher general mandate of not more than 20% of the total number of issued shares (excluding treasury shares) for the issuance of new securities.

The proposed Ordinary Resolution 8 would give powers to the Directors to issue up to a maximum 20% of the issued shares of the Company (excluding treasury shares) for the time being for such purposes as the Directors would deem fit ("20% General Mandate"). The Board of Directors of the Company is of the view that it is in the best interest of the Company and its shareholders to have a higher general mandate and to provide flexibility to the Company to issue new shares without the need to convene separate general meeting to obtain its shareholders' approval so as to avoid incurring additional cost and time. The purpose of 20% General Mandate is for possible fund-raising exercises including but not limited to further placing of shares, for purpose of funding current and/or future investment projects, working capital and/or acquisitions.

(C) Special Resolution – Proposed Change of Name

The details of the Special Resolution in relation to the Proposed Change of Name are set out in the Circular to Shareholders dated 30 June 2020.

Precautionary Measures To Minimise Risk of COVID-19

(i) Shareholders/proxies are encouraged to abide by the most current regulations issued by the Ministry of Health and/or Government of Malaysia.

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

(ii) Shareholders are encouraged to appoint the Chairman of the Meeting to act as proxy to attend and vote on his/her behalf by submitting proxy form with pre-determined voting instruction as voting is by way of poll.

(iii) Any shareholder/proxy who is feeling unwell or under quarantine order/stay-at-home notice, please refrain from attending the AGM in person.

(iv) Any shareholder/proxy who has been in physical contact with person infected with COVID-19 is advised to refrain from attending the AGM in person.

(v) Shareholders/proxies who are attending the AGM are requested to adhere to the precautionary measures in place at the venue of the AGM.

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 forth coming 25th Annual General Meeting of the Company.

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

Details of the general mandate for the authority to allot and issue shares pursuant to Section 75 and 76 of the Companies Act, 2016 are set out in Explanatory Note B of the Notice of 25th Annual General Meeting.

ANALYSIS OF SHAREHOLDINGS

AS AT 15 JUNE 2020

Issued and fully paid - up capital	: 241,564,708 Ordinary Shares
Class of shares	: Ordinary shares
No. of Shareholders	: 3,233
Voting Rights	: One (1) vote per Ordinary Share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
Less than 100	404	12.50	19,472	0.01
100 to 1,000	173	5.35	71,757	0.03
1,001 to 10,000	1,502	46.46	7,060,185	2.92
10,001 to 100,000	898	27.77	31,689,278	13.12
100,001 to less than 5% of issued shares	256	7.92	202,724,016	83.92
5% and above of issued shares	0	0	0	0
Total	3,233	100.00	241,564,708	100.00

LIST OF THIRTY LARGEST SHAREHOLDERS

(As per Record of Depositors)

	Name of Shareholders	No. of Shares	%
1.	LIN QIN MO	10,870,000	4.50
2.	CATURAN GAMA SDN BHD	9,856,666	4.08
3.	LEE POH HIN	6,250,000	2.59
4.	PUBLIC NOMINEES (ASING)SDN BHD PLEDGED SECURITIES ACCOUNT FOR KHAU KIMBAC (E-KLC)	6,000,000	2.48
5.	LEE YEE LONG	5,800,000	2.40
6.	MAYBANK NOMINES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR AU YEE BOON	5,113,000	2.12
7.	BAN-SENG PACKAGING SDN BHD	5,000,000	2.07
8.	PERCETAKAN SANWA INDUSTRIES SDN BHD	4,930,000	2.04
9.	CHOO WENG WAH	4,480,000	1.85
10.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR BANK OF SINGAPORE LIMITED (LOCAL)	3,950,000	1.64
11.	HENG YONG LAI	3,770,000	1.56
12.	PHAN YING TONG	3,355,000	1.39
13.	HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR IBRAHIM BIN HAMZAH	3,294,200	1.36
14.	UNG ENG HUAT	3,000,000	1.24
15.	SIEV KHAY	2,758,400	1.14
16.	CGS - CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YAN HOCK CHUAN (EMPIRE GALLERY - CL)	2,597,800	1.08
17.	PANG SEM MAW	2,502,400	1.04
18.	HENG YONG LAI	2,500,000	1.03
19.	LIEW EE MOUN	2,426,000	1.00
20.	MAYBANK NOMINEES (TEMPATAN) SDN BHD YAN HOCK CHUAN	2,420,100	1.00
21.	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR MORGAN STANLEY & CO. INTERNATIONAL PLC (CLIENT)	2,400,000	0.99
22.	TAN THENG LIANG	2,336,400	0.97
23.	KENANGA NOMINEES (TEMPATAN) SDN BHD RAKUTEN TRADE SDN BHD FOR KHOR CHONG YAK	2,082,500	0.86

ANALYSIS OF SHAREHOLDINGS

AS AT 15 JUNE 2020 (cont'd)

24.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG THIEW WAH	2,047,600	0.85
25.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DATO' CHAN WENG SANG	2,046,500	0.85
26.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHAN WENG SANG (E-TMI)	2,035,000	0.84
27.	AFFIN HWANG NOMINEES (ASING) SDN BHD EXEMPT AN FOR PHILLIP SECURITIES (HONG KONG)LTD (CLIENTS' ACCOUNT)	1,890,000	0.78
28.	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG KOK LEONG	1,800,000	0.75
29.	AMSEC NOMINEES (TEMPATAN) SDN BHD PLDGED SECURITIES ACCOUNT FOR AASIA-EAST CAPITAL SDN BHD	1,790,000	0.74
30.	TAN HOCK CHYE	1,788,100	0.74

DIRECTORS' SHAREHOLDING AS AT 17 JUNE 2020

(As per Register of Directors' Shareholdings)

Name	Direct No. of Shares	%	Indirect No. of Shares	%
Tan Sri Dr. Ali Bin Hamsa	-	-	-	-
Datuk' Yap Yee Ping	-	-	-	-
Dato' Rosli Bin Sharif	-	-	-	-
Dato' Haji Roshidi Bin Haji Hashim	-	-	-	-
Loi Jin Choo	-	-	-	-

SUBSTANTIAL SHAREHOLDERS AS AT 17 JUNE 2020

(No Substantial Shareholders as per the Register of Substantial Shareholders)

ANALYSIS OF WARRANTHOLDINGS 2010/2020

AS AT 15 JUNE 2020

Class of Securities	:	Warrants 2010/2020
No. of Warrants	:	62,942,500
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 Warrantholders	:	484

DISTRIBUTION OF WARRANTHOLDINGS 2010/2020

Size of Warrant Holdings	No. of Warrant holders	%	No. of Warrants	%
Less than 100	37	7.65	1,470	0.00
100 to 1,000	41	8.47	11,220	0.02
1,001 to 10,000	161	33.26	749,935	1.19
10,001 to 100,000	162	33.47	7,084,349	11.26
100,001 to less than 5% of issued warrants	80	16.53	33,548,300	53.30
5% and above of issued warrants	3	0.62	21,547,226	34.23
Total	484	100.00	62,942,500	100.00

LIST OF THIRTY LARGEST REGISTERED WARRANTHOLDERS 2010/2020

(As per Record of Depositors)

	<u>Name of Warrant Holders</u>	<u>No. of Warrants</u>	<u>%</u>
1	LEE POH HIN	10,080,226	16.01
2	PHAN YING TONG	7,400,000	11.76
3	NG CHYE POH	4,067,000	6.46
4	CGS - CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MOHAMMED AMIN BIN MAHMUD (MM1004)	1,803,500	2.87
5	TAN HOCK CHYE	1,620,000	2.57
6	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAY TECK HWA	1,612,900	2.56
7	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DATO' CHAN WENG SANG	1,233,000	1.96
8	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIEW KON SING@LIEW KONG	1,199,500	1.91
9	LIEW KIM CHOI	1,122,000	1.78
10	CHAI CHEE KONG	1,100,000	1.75
11	CHAI YOON TEKE	1,000,000	1.59
12	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG SENG CHAN	1,000,000	1.59
13	LOOI HOOI MING	1,000,000	1.59
14	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT CHUA WEI CHUAN (E-KKU/BFT)	1,000,000	1.59
15	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG CHIN HONG	934,400	1.48

ANALYSIS OF WARRANTHOLDINGS 2010/2020

AS AT 15 JUNE 2020 (cont'd)

16	TAN KHAY LONG	900,000	1.43
17	MOHAMMED AMIN BIN MAHMUD	772,800	1.23
18	SJ SEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAY AH KAM (SMT)	714,900	1.14
19	DINERSTY GROUP SDN BHD	660,100	1.05
20	HENG BOON TEONG	577,100	0.92
21	YAP WEI TECK	550,000	0.87
22	TAN ENG HAI	510,900	0.81
23	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE CHONG HOON	500,000	0.79
24	M&A NOMINEE (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN CHOON HWA	494,100	0.79
25	DING NYOK CHOO	450,000	0.71
26	AHMED EZZEDIN BIN MOHAMMED	423,000	0.67
27	CHEW KAM WAH	398,400	0.63
28	DANIEL CHAI LI HENG	397,300	0.63
29	SJ NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAY WEE HAU (SMT)	390,000	0.62
30	TEH TEONG POH	389,900	0.62

DIRECTORS' WARRANTHOLDING AS AT 17 JUNE 2020

Name	Direct No. of Warrant	%	Indirect No. of Warrant	%
Tan Sri Dr. Ali Bin Hamsa	-	-	-	-
Datuk' Yap Yee Ping	-	-	-	-
Dato' Rosli bin Sharif	-	-	-	-
Dato' Haji Roshidi Bin Haji Hashim	-	-	-	-
Loi Jin Choo	-	-	-	-

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PROXY FORM

I/We, _____ NRIC No./Company No. _____
(Full Name In Block Letters)

of _____
(Address)

being a member/members 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 25th Annual General Meeting of the Company to be held at the Adenium & Begonia Meeting Room, Palm Garden Hotel, IOI Resort City, 62502 Putrajaya on Monday, 10 August 2020 at 10.00 a.m. and at any adjournment thereof in the manner indicated below.

	Resolutions	For	Against
Ordinary Resolution 1	To approve the payment of Directors' fees of RM180,000 for the financial year ended 31 December 2019		
Ordinary Resolution 2	To approve the payment of Directors' benefits		
Ordinary Resolution 3	To re-elect Datuk Yap Yee Ping		
Ordinary Resolution 4	To re-elect Dato' Haji Roshidi bin Haji Hashim		
Ordinary Resolution 5	To re-elect Tan Sri Dr Ali bin Hamsa		
Ordinary Resolution 6	To re-elect Loi Jin Choo		
Ordinary Resolution 7	To re-appoint Messrs STYL Associates PLT as Auditors of the Company		
Ordinary Resolution 8	Authority to allot shares		
Special Resolution	Proposed Change of Name		

(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 _____ 2020

No. of Shares held	
--------------------	--

Signature of Shareholder

Notes:

1. A member of the Company, eligible to attend and vote at the meeting, is entitled to appoint a proxy or proxies to vote in his/her stead. A proxy may but need not be a member of the Company.
2. Where a member appoints two (2) or more proxies, the appointments shall be invalid unless he/she specifies the proportions of his/her shareholdings to be represented by each proxy.
3. 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.
4. 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.
5. Only members whose names appear on the Record of Depositors as at 3 August 2020 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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Stamp
Here

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

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GUNUNG CAPITAL BERHAD (330171-P)

Corporate Head Office
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Jalan P&G Presint8
62250 Putrajaya
Tel: +60 (3) 8861 8271
Fax: +60 (3) 8861 8274
Email : office@gunung.com.my

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

www.gunung.com.my