GUNUNG CAPITAL BERHAD (Company No: 330171-P, Incorporated in Malaysia)

No.11B
2nd Floor, Persiaran Greentown 9
Green Town Business Centre
30450 Ipoh, Perak Darul Ridzuan

For immediate release

QUARTERLY FINANCIAL REPORT

Quarter 1 : Financial Year Ending 31 December 2019

The Directors are pleased to release the quarterly financial report for the three months ended 31st March 2019 being the first quarter for the financial year 2019.

The contents of the financial report comprise of the following attached condensed financial statements, explanatory notes, and additional disclosures. These must be read in conjunction with the Group's financial statements for the year ended 31st December 2018:

Schedule I	: Condensed Consolidated Income Statement
Schedule II	: Condensed Consolidated Statement of Comprehensive Income
Schedule III	: Condensed Consolidated Statement of Financial Position
Schedule IV	: Condensed Consolidated Statement of Cash Flow
Schedule V	: Condensed Consolidated Statement of Changes in Equity
Schedule VI	: Selected Explanatory Notes
Schedule VII	: Additional Disclosures

This quarterly financial report has been prepared in accordance with the accounting standards on interim financial reporting issued by the Malaysian Accounting Standards Board and contains additional disclosures prescribed by the Main Market Listing Requirements of Bursa Malaysia. Unless specified otherwise, the same accounting policies and methods of computation applied to the Group's financial statements for the previous year had been followed throughout this quarterly financial report.

By Order of the Board

Eric Toh Chee Seong (MAICSA 7016178)
Company Secretary
21 May 2019

Schedule I : Condensed Consolidated Income Statement
For the three months ended 31 March 2019

	1st Quarter		
RM'000	31/03/2019	31/03/2018	*% chg*
Revenue	4,637	12,041	*(61.5)%*
Operating profit	453	4,599	*(90.2)%*
Interest expense	(36)	(21)	
Interest income	4	275	
Administrative expenses	(2,062)	(2,020)	
Other income	121	569	
Profit/(Loss) before taxation (PBT)	(1,520)	3,402	*>(100)%*
Taxation	157	(884)	
Profit/ (Loss) after taxation (PAT)	(1,363)	2,518	*>(100)%*
Attributable to :			
Equity holders of the Company	(1,252)	2,666	*>(100)%*
Non-controlling interests	(111)	(148)	*Nm*
	(1,363)	2,518	
Basic earnings/ (loss) per share (Sen) attributable to equity holders of the Company	(0.5)	1.1	
Diluted earnings/ (loss) per share (Sen) attributable to equity holders of the Company	(0.5)	1.1	

nm – not meaningful

This Statement should be read in conjunction with the selected explanatory notes on Schedule VI & VII of this Report and the Group's audited financial statements for the year ended 31 December 2018.

Schedule II : Condensed Consolidated Statement of Comprehensive Income
For the three months ended 31 March 2019

RM'000	1st Quarter 31/03/2019	31/03/2018	*% chg*
Profit after taxation	(1,363)	2,518	*>(100)%*
Other comprehensive income, (net of tax)			
Foreign currency translation			
Fair value changes on financial assets	-	-	
Total comprehensive income for the quarter	(1,363)	2,518	*>(100)%*
Total comprehensive income attributable to:			
Equity holders of the Company	(1,252)	2,666	*>(100)%*
Non-controlling interests	(111)	(148)	*nm*
	(1,363)	2,518	

nm – not meaningful

This Statement should be read in conjunction with the selected explanatory notes on Schedule VI & VII of this Report and the Group's audited financial statements for the year ended 31 December 2018.

Schedule III : Condensed Consolidated Statement of Financial Position
As at 31 March 2019

RM'000	31/03/2019	Audited 31/12/2018
Property, plant & equipment	21,931	23,330
Other financial assets	4,542	4,574
Goodwill on consolidation	21,026	21,026
Other receivable	3,299	3,299
Current assets		
Trade receivables	9,558	11,350
Inventories	590	600
Tax recoverable	29	20
Other receivables	10,106	7,182
Other financial assets	2,700	-
Due from contracts	2,765	-
Cash and cash equivalents	34,564	40,492
	60,312	59,644
Less : Current liabilities		
Trade payables	719	-
Other payables	3,524	3,436
Term Loan	325	321
Finance lease and hire purchase creditors	35	34
Provision for taxation	234	-
	4,837	3,791
Net Current Assets	55,475	55,853
	106,273	108,082
Financed by:		
Share capital	94,478	94,478
Retained earnings	6,718	7,970
Other reserves	(2,219)	(2,219)
Non-controlling interests	2,264	2,376
Total Equity	101,241	102,605
Non-current liabilities		
Finance lease and hire purchase creditors	172	180
Deferred tax liabilities	1,234	1,600
Term loan	2,043	2,114
Other payables	1,583	1,583
	5,032	5,477
Total equity & non-current liabilities	106,273	108,082
Net assets per share (sen) attributable to equity holders of the Company	**41.9**	**42.4**

This Statement should be read in conjunction with the selected explanatory notes on Schedule VI & VII of this Report and the Group's audited financial statements for the year ended 31 December 2018.

Schedule IV : Condensed Consolidated Statement of Cash Flow
For the year three months ended 31 March 2019

RM'000	1st Quarter 31/03/2019	1st Quarter 31/03/2018
Operating activities		
Profit before taxation		
- Continuing	(1,520)	3,402
Add non-cash : Depreciation & amortisation	1,559	1,735
Gain on :		
- disposal of property, plant & equipment	(25)	-
- financial assets	(91)	-
Changes in working capital	(3,050)	(10,773)
Net (tax paid)/ refunded	16	(6)
Net cash flows from operating activities	(3,111)	(5,642)
Investing activities		
Interest income received	4	275
Proceeds from gain in financial assets	91	-
Purchase of property, plant and equipment	(160)	(1,992)
Proceeds from disposal of financial assets	33	-
Investment in financial assets	(2,700)	-
Proceeds from disposal of property, plant and equipment	25	-
Net cash flows from investing activities	(2,707)	(1,717)
Financing activities		
Interest expenses	(36)	(21)
Repayment of finance lease	(8)	(14)
Repayment of term loan	(66)	-
Net cash flows from financing activities	(110)	(35)
Net change in cash & cash equivalents	(5,928)	(7,394)
Cash & cash equivalents at beginning of period	40,492	49,793
Cash & cash equivalents at end of period	34,564	42,399
Comprising of :		
Cash and bank balances	34,521	42,357
Fixed deposits with financial institutions	43	42

Note :
( ) denotes cash outflow

This Statement should be read in conjunction with the selected explanatory notes on Schedule VI & VII of this Report and the Group's audited financial statements for the year ended 31 December 2018.

Schedule V : Condensed Consolidated Statement of Changes in Equity
For the three months ended 31 March 2019

RM'000	Share Capital	Other Reserves	Warrant Reserve	Retained Earnings	Total	Non-controlling Interests	Total Equity
	<---------Attributable to equity holders of the Company--------->						
AT 31 December 2018	94,478	(3,226)	1,007	7,970	100,229	2,376	102,605
Total comprehensive income	-	-	-	(1,252)	(1,252)	(111)	(1,363)
Transactions with owners:							
	-	-	-	-	-	-	-
Total transactions with owners	-	-	-	-	-	-	-
AT 31 March 2019	94,478	(3,226)	1,007	6,718	98,977	2,264	101,241
AT 1 January 2018	94,478	(3,806)	1,007	8,184	99,863	1,774	101,637
Total comprehensive income	-	-	-	2,666	2,666	(148)	2,518
Transactions with owners:							
	-	-	-	-	-	-	-
Total transactions with owners	-	-	-	-	-	-	-
AT 31 March 2018	94,441	(3,801)	1,007	10,850	102,529	1,626	104,155

Schedule VI : Selected Explanatory Notes Pursuant to MFRS 134

1. Accounting Policies and method of computation

The condensed consolidated interim financial statements have been prepared in accordance with MFRS 134, Interim Financial Reporting in Malaysia and with IAS 34, Interim Financial Reporting, and Paragraph 9.22 of the Bursa Malaysia Securities Berhad Listing Requirements. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2017. The accounting policies and presentation adopted by the Group for the quarterly financial statements are consistent with those adopted in the Group's consolidated audited financial statements for the financial year ended 31 December 2017, except for the adoption of the following:

Adoption of MFRS/ Amendments/Interpretations	**Effective date**
MFRS 9, *Financial Instruments*	1 January 2018
Amendments to MFRS 15, *Revenue from contracts with Customers*	1 January 2018
Amendments to MFRS 4, *Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*	1 January 2018

The initial application of the abovementioned standards, amendments and interpretations did not have any material impacts to the current and prior period financial statements upon their first adoption.

Standards Issued But Not Yet Effective	**Effective date**
MFRS 16, *Leases*	1 January 2019
Amendments to MFRS 9, *Financial Instruments : prepayment features with negative compensation*	1 January 2019
Amendments to MFRS 119, *Employee Benefits : plan amendments, curtailment or settlement*	1 January 2019
Amendments to MFRS 128, *Investment in Associates and Joint Venture : long-term interests in associates and joint ventures*	1 January 2019
IC Interpretation 23, *Uncertainty over Income Tax Treatments*	1 January 2019
Actual Improvements to MRFS Standards 2015-2017 Cycle	1 January 2019
MFRS 17, *Insurance contracts*	1 January 2021
Amendments to MFRS 10 and MRFS 128, *sale or contribution of assets between an Investor and its Associate or Joint Venture*	Not confirmed

As at the date of authorization of these condensed consolidated financial statements, the above standards were issued but not yet effective and have not been adopted by the Group. The initial application of the abovementioned standards is not expected to have any material impact to the financial statement of the Group upon adoption

2. Auditors' report

The auditors' report of the preceding annual financial statements of the Company and of the Group was not subject to any qualification.

Schedule VI : Selected Explanatory Notes Pursuant to MFRS 134 (cont'd)

3. Comment on seasonality or cyclicality of operation

The Group's performance is normally not affected by seasonal or cyclical events on a year to year basis. However, contract revenue from the Ministry of Defence contract to ferry school children is based on students attending school. Thus school holidays will effect contract revenues. In December of each calendar year there is no revenue from this contract.

4. Unusual items due to their nature, size or incidence

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the quarter.

5. Significant estimates and changes in estimates

There were no significant estimates or changes in estimates that have had any material effect on the results of the current quarter.

6. Issuance or repayments of debt/equity securities

There has not been any issuance or repayment of debt and equity securities during the period under review.

7. Dividends paid

No dividends have been paid in the current financial quarter.

8. Segmental results

For management purposes, the Group's operating businesses are organised according to services, namely chartering of land-based transportation assets and specialty vehicles, small hydropower and others. Segment performance is evaluated based on operating profit. Inter-segment transactions and pricing arrangements where applicable, are determined on a commercial basis. The results by segments for the quarter are as follows:

	Individual 1st Quarter			***Cumulative 1st Quarter***		
RM'000	**31/03/2019**	**31/03/2018**	***% chg***	**31/03/2019**	**31/03/2018**	***% chg***
Segmental Analysis						
Revenue						
Transportation assets	4,637	12,041	*(61.5)%*	4,637	12,041	*(61.5)%*
Small hydro development	-	-	*0.0%*	-	-	*0.0%*
Operating profit/(loss)						
Transportation assets	683	4,920	*(86.1)%*	683	4,920	*(86.1)%*
Small hydro development	(230)	(321)	*28.3%*	(230)	(321)	*28.3%*

	>Current v Preceding Quarter<			***>1st Quarter<***		
RM'000	**31/03/2019**	**31/12/2018**	***% chg***	**31/03/2019**	**31/03/2018**	***% chg***
Total Assets						
Transportation	70,786	74,382	*(4.8)%*	70,786	93,100	*(24.0)%*
Small hydro development	37,624	37,515	*0.3 %*	37,624	22,044	*70.7 %*
Other financial assets	2,700	-	*>100%*	2,700	-	*>100%*
Total Liabilities						
Transportation	2,645	3,824	*(30.8)%*	2,645	5,388	*(50.9)%*
Small hydro development	7,224	7,192	*0.4 %*	7,224	5,601	*29.0 %*

Schedule VI : Selected Explanatory Notes Pursuant to MFRS 134 (cont'd)

Current Quarter vs Corresponding Quarter last year

Group revenue for Q1 2019 declined against that of Q1 2018, down 61.5% to RM4.64 million. Whilst contract revenue from the Ministry of Defence contract to ferry school children was relatively constant throughout the period under review with minimal school holidays, there were no revenue from the National Service program as it has been terminated in FY2018. In Q1 2018, there was one batch of trainees (January-March) for the National Service contract, generating a revenue of approximately RM7.2 million for the quarter. Group revenue was derived from the transportation segment of the Group, as the Group's portfolio of small hydropower segment is predominately at the development and construction phase, with no dividends generated from those sites already commissioned and delivering energy to the national utility.

The Group registered an operating profit from the transportation segment of RM0.68 mil for Q1 2019, which was substantially lower than the RM4.92mil operating profit in Q1 2018. In addition to revenues generated from the National Service contract in Q1 2018, the operating profit in Q1 2018 was also improved by a one-off timing effect. The 2nd batch of trainees commenced on March 17 to 13 May 2018, which resulted in our invoicing at end-March, whilst the majority of direct costs for this service will be incurred in the 2nd quarter (1 April -13 May).

Operating loss for the hydropower division also improved year on year registering a RM0.23 mil loss compared with a RM0.32 mil loss in Q1 2018. This loss reflects the cost of our in-house engineers, administration expenses, and the costs associated with procuring the necessary approvals from the relevant State Government authorities.

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

As the hydro sites under Gunung Hydropower Sdn Bhd are developed, and capital expenditure is incurred, total assets in this segment increases, which explains the 70.7% increase in assets from Q1 2018 to Q1 2019.

Liabilities continue to be well managed, and relatively low, at only 8.9% of total assets in Q1 2019 from 9.5% of total assets in Q1 2018, on the back of increased capital expenditure in the small hydropower division.

9. <u>Valuation of property, plant and equipment</u>
There were no changes in the valuation on property, plant and equipment since the last annual financial statements.

10. <u>Significant & subsequent events</u>
There were no material events subsequent to the end of the quarter that has not been reflected in the current financial quarter.

11. <u>Changes in the composition of the Group</u>
There were no changes in the composition of the Group during the financial quarter.

12. <u>Contingent liabilities</u>
There were no contingent liabilities of a material nature since the last annual balance sheet.

Schedule VI : Selected Explanatory Notes Pursuant to MFRS 134 (cont'd)

13. Contingent assets

There were no contingent assets of a material nature since the last annual balance sheet.

14. Capital commitments

RM'000		**31/03/2019**
Capital Expenditure Commitments		
Plant & Equipment (small hydro)		
Contracted but not provided for in the financial statements under review	:	13,050

15. Significant related party transactions

The following are significant related party transactions:-

RM'000	**Cumulative 1st Quarter**	
	2019	**2018**
Charter of vehicles to related party	Nil	Nil

Schedule VII : Additional Disclosures in Compliance with Main Market Listing Requirements

1. Operations review

Explanatory comments on the performance of each of the Group's segments is provided in Note 8. Above.

2. Comment on material change in profit before taxation vs preceding quarter

	Current Quarter 31/03/2019 RM'000	Preceding Quarter 31/12/2018 RM'000	% Change
Revenue	4,637	3,281	*41.3%*
Operating profit	453	(585)	*>100%*
Profit/ (Loss) before interest and tax	(1,484)	(3,288)	*54.9%*
Profit/ (Loss) before tax	(1,520)	(3,326)	*54.3%*
Profit/ (Loss) after tax	(1,363)	(3,864)	*64.7%*
Profit/ (Loss) attributable to ordinary equity holders of parent	(1,252)	(3,592)	*>100%*

Group loss before tax for Q1 was approximately RM1.5 mil, which was 54.3% higher than the preceding quarter which generated a loss before tax of RM3.3 mil. Revenue improved as Q4 2018 faced long school holidays in December which did not generate revenue. Furthermore, in Q4 2018, the Group recognised a 'one-off', RM1.01 mil impairment of goodwill for the transportation division, a fair value impairment on other receivables/ payables of approximately RM235,000 and a tax penalty on prior years underestimation of tax of RM126,000.

3. Prospects for the next financial year -

In August 2018 the National Service Program (NSP) was cancelled by the Government. As such, the management is now extremely cautious on the possibility of any reactivation of the NSP.

The NSP service-contract had underpinned the Group's contract-revenues for the previous seven consecutive years (including Q1 and Q2 2018). The shuttle bus service for the International Islamic University of Malaysia, the Ministry of Defence contract to ferry school children, and ad-hoc charters will continue throughout FY2019. However, from the transport division, we expect Group revenue to initially drop and then experience a minimal growth. Reducing our fleet size is an option currently undertaken to generate cashflow and reduce costs associated with the underutilization of our transportation assets.

In the medium term, we are looking forward to the commissioning of a number of small-hydro projects in Perak in FY 2019, which will contribute to Gunung's long term revenue and earnings, and enhance Gunung's growth potential.

The long term stable income stream will reduce Gunung's dependency on incomes solely from chartering land-based transportation assets. Under our small hydro portfolio there are 5 sites with an installed capacity of 34.25MW, at various stages of construction, and 4 sites with an installed capacity of 97.8MW, which will start construction in FY2019. The '*Kerian*' site with an installed capacity of 14MW, has been completed, and commissioned and is

Schedule VII : Additional Disclosures in Compliance with Main Market Listing Requirements (cont'd)

generating energy based on its TNB power purchase agreement. The 'Sungai Slim' site with an installed capacity of 6 MW is also complete and commissioned and is generating energy based on its TNB power purchase agreement.

4. Tax expense

The details of the tax expense (*) are as follows:-

	Individual Quarter		Cumulative Quarter	
RM'000	31/03/2019	31/03/2018	31/03/2019	31/03/2018
Current	(209)	(4)	(209)	(4)
Deferred tax	366	(880)	366	(880)
	157	(884)	157	(884)

5. Status of corporate proposal

There are currently no corporate proposals outstanding as at 31 March 2019.

6. Group borrowings and debt securities

The details of the Group's borrowings as at 31 March 2019 are as follows:-

As at 1st Quarter 2019	Currency	Current	Non-Current
RM'000			
Finance lease & hire purchase payables^	RM	35	172
Project financing term loan#	RM	325	2,043
	RM	360	2,215

As at 1st Quarter 2018	Currency	Current	Non-Current
RM'000			
Finance lease & hire purchase payables^	RM	33	206
Project financing term loan#	RM	326	677
	RM	359	883

^No material change in borrowings year-on–year. Borrowing consists of hire purchase facilities for vehicles under the Group. Borrowing costs of hire purchase obligations range from 2.47%-2.89%.
 # Financing of the development of a small hydro site. Borrowing cost from the financial institution is 7.85% pa. less a 2% interest subsidy from Green Technology Financing Scheme Fund (net 5.85%).

7. Pending material litigation

There was no pending litigation of a material nature since the last balance sheet date.

Schedule VII : Additional Disclosures in Compliance with Main Market Listing Requirements (cont'd)

8. Proposed Dividend

No dividend have been proposed by the Board of Directors for the current financial quarter under review.

9. Basis of calculation of earnings per share (EPS)

(a) The basic EPS for the current quarter was computed by dividing the Group profit attributable to shareholders of the Company by the weighted average number of ordinary share in issue (net of treasury shares).

	Current Quarter RM'000	**Current YTD RM'000**
Group attributable profit/(loss) to shareholders of the Company	(1,252)	(1,252)
Weighted average issued capital net of treasury shares	236,180	236,180
Earnings/(Loss) per share (sen)	(0.53)	(0.53)

(b) The diluted EPS for the current quarter was computed by dividing the Group profit attributable to shareholders, adjusted for the dilutive effects of the conversion of all the outstanding warrants and ESOS of the Company into ordinary shares.

	Current Quarter RM'000	**Current YTD RM'000**
Group attributable profit/ (oss) to shareholders of the Company	(1,252)	(1,252)
Weighted average issued capital net of treasury shares	236,180	236,180
Adjustment for warrant/ESOS conversion into ordinary shares	-	-
Adjusted weighted average issued capital net of treasury shares	236,180	236,180
Earnings/ (Loss) per share (sen)	(0.53)	(0.53)

Schedule VII : Additional Disclosures in Compliance with Main Market Listing Requirements (cont'd)

10. Notes to the Condensed Consolidated Income Statement

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

RM'000		*Individual 1st Quarter* 31/03/2019	*Individual 1st Quarter* 31/03/2018	*Cumulative 1st Quarter* 31/03/2019	*Cumulative 1st Quarter* 31/03/2018
(a)	Interest Income	**(4)**	**(275)**	**(4)**	**(275)**
(b)	Depreciation and amortization	**1,559**	**1,735**	**1,559**	**1,735**
(c)	Impairment of receivables	-	-	-	-
(d)	Bad debts written off	-	-	-	-
(e)	Impairment of inventories	-	-	-	-
(f)	Property, plant and equipment written off	-	-	-	-
(g)	(Gain)/Loss on disposal of associates/subsidiaries	-	-	-	-
(h)	(Gain)/Loss on disposal of property, plant and equipment	**(25)**	-	**(25)**	-
(i)	Impairment/(Gain) of financial assets	**(91)**	-	**(91)**	-
(j)	Fair value (Gain)/loss on other payables	-	-	-	-
(k)	Government subsidy/ grant received	-	**(569)**	-	**(569)**
(l)	Impairment of goodwill	-	-	-	-

12. Additional Disclosure Information

Trade Receivables

The credit terms of trade receivables granted to related parties are no different from those granted to non-related parties which are between 45-60 days. The majority of trade receivables of the Group are debts arising from Government agency customers (more than 90% 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:

RM'000	<30 days	31-60 days	61-90 days	91-180 days	>180 days	Total
31/03/2019	3,079	270	1	-	6,208	**9,558**
31/03/2018	3,894	4,282	3,941	118	-	**12,235**

Schedule VII : Additional Disclosures in Compliance with Main Market Listing Requirements (cont'd)

The past due trade receivables above 90 days are collectable. Trade receivables increased in FY2018 on the back of the suspension and then cancellation of the National Service Program. With 98% of receivables comprising of the PLKN Government service-contract, collection has been delayed due to the Ministry of Finance process of reviewing and verifying the scope of service provided and subsequent invoices for the service-contract carried out during the previous administration. In Q1 2019, we have collected a total of RM4.95 million of these past due trade receivables from the Ministry of Finance. Trade receivables from the Ferrying of School children (Ministry of Defence) are current.

No material impairment on receivables was made during the financial period under review. Invoices for the PLKN Government service-contract have been submitted to the Ministry of Defence payment system and we expect recover past due trade receivables, albeit substantially late.

Foreign exchange exposure/ hedging policy

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

Material impairment of assets

No material impairment on assets was made during the financial period under review.