

## **APPENDIX II**

**UNAUDITED INTERIM COMBINED FINANCIAL STATEMENTS  
OF GPP FOR 3M FPE 2019**



## GPP RESOURCES BERHAD

(Company No: 1265775-W)  
(Incorporated in Malaysia under Companies Act 2016)

### UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

	As at 31 March 2018 RM'000	As at 31 March 2019 RM'000
<b>ASSETS</b>		
<b><u>Non-current assets</u></b>		
Plant and equipment	10,517	11,926
Right-of-use assets	1,336	769
Intangible asset	-	39
Investment in an associated company	-	23
<b>Total non-current assets</b>	<b>11,853</b>	<b>12,757</b>
<b><u>Current assets</u></b>		
Inventories	2,101	2,889
Trade receivables	8,676	8,908
Contract assets	3,757	7,792
Other receivables, deposits and prepayments	1,446	1,346
Current tax assets	58	151
Deposits with a licensed bank	1,699	3,238
Cash and bank balances	134	543
<b>Total current assets</b>	<b>17,871</b>	<b>24,867</b>
<b>TOTAL ASSETS</b>	<b>29,724</b>	<b>37,624</b>
<b>EQUITY AND LIABILITIES</b>		
<b><u>Equity attributable to owners of the Company</u></b>		
Share capital	8,010	9,619
Retained profits	4,987	6,691
<b>Total equity</b>	<b>12,997</b>	<b>16,310</b>
<b><u>Non-current liabilities</u></b>		
Lease liabilities	964	377
Borrowings	341	1,526
Deferred tax liabilities	139	514
<b>Total non-current liabilities</b>	<b>1,444</b>	<b>2,417</b>



**GPP RESOURCES BERHAD**

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**UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019 (CONT'D)**

	As at 31 March 2018 RM'000	As at 31 March 2019 RM'000
<b><u>Current liabilities</u></b>		
Trade payables	4,022	4,668
Contract liabilities	4,120	4,120
Other payables and accruals	3,325	2,290
Amount due to Directors	904	-
Lease liabilities	404	441
Borrowings	2,372	7,221
Current tax liabilities	136	157
<b>Total current liabilities</b>	<b>15,283</b>	<b>18,897</b>
<b>Total liabilities</b>	<b>16,727</b>	<b>21,314</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>29,724</b>	<b>37,624</b>

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## GPP RESOURCES BERHAD

(Company No: 1265775-W)

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### UNAUDITED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD FROM 1 JANUARY 2019 TO 31 MARCH 2019

	Unaudited	
	3-month period ended 31 March ("3M FPE")	
	2018 RM'000	2019 RM'000
Revenue	6,251	5,799
Cost of sales	(4,554)	(4,156)
Gross profit	1,697	1,643
Other income	93	187
Administrative expenses	(598)	(506)
Other expenses	(341)	(311)
Profit from operation	851	1,013
Finance costs	(67)	(138)
Share of results of an associated company	-	(3)
Profit before taxation	784	872
Income tax expenses	(102)	(114)
Profit after taxation, representing total comprehensive income for the period	<b>682</b>	<b>758</b>

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## GPP RESOURCES BERHAD

(Company No: 1265775-W)  
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### UNAUDITED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD FROM 1 JANUARY 2019 TO 31 MARCH 2019

	Equity attributable to owners of the Company		
	Share Capital RM'000	Retained Profits RM'000	Total Equity RM'000
<b>As at 1 January 2018</b>	8,010	4,331	12,341
Adjustments due to adoption of Malaysian Financial Reporting Standard 16 – Leases (“MFRS 16”)	-	(26)	(26)
<b>Restated balance as at 1 January 2018</b>	8,010	4,305	12,315
Total income for the period	-	682	682
<b>As at 31 March 2018</b>	<b>8,010</b>	<b>4,987</b>	<b>12,997</b>
<b>As at 1 January 2019</b>	9,619	5,986	15,605
Adjustments due to adoption of MFRS 16	-	(53)	(53)
<b>Restated balance as at 1 January 2019</b>	9,619	5,933	15,552
Total income for the period	-	758	758
<b>As at 31 March 2019</b>	<b>9,619</b>	<b>6,691</b>	<b>16,310</b>

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## GPP RESOURCES BERHAD

(Company No: 1265775-W)  
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### UNAUDITED STATEMENT OF CASH FLOWS FOR THE PERIOD FROM 1 JANUARY 2019 TO 31 MARCH 2019

	Unaudited	
	3M FPE 2018 RM'000	3M FPE 2019 RM'000
<b><u>Cash flows from operating activities</u></b>		
Profit before taxation	784	872
<i>Adjustments for:</i>		
Amortisation	-	2
Depreciation	325	382
Impairment losses on trade receivables	75	24
Interest expenses	67	138
Interest income	(13)	(21)
Gain on disposal of plant and equipment	-	(1)
Reversal of impairment loss on trade receivables	-	(13)
Share of loss of equity-accounted associates	-	3
Unrealised gain on foreign exchange	(35)	(90)
Unrealised loss on foreign exchange	55	24
<i>Operating profit before working capital changes</i>	<i>1,258</i>	<i>1,320</i>
(Increase) / Decrease in inventories	(414)	54
(Increase) / Decrease in trade receivables	(61)	1,226
Increase in contract assets	(2,703)	(1,872)
Decrease in other receivables, deposits and prepayments	514	207
Decrease in trade payables	(88)	(1,650)
Decrease in contract liabilities	-	(575)
Increase / (Decrease) in other payables and accruals	247	(429)
<i>Cash generated used in operations</i>	<i>(1,247)</i>	<i>(1,719)</i>
Interest paid	(67)	(138)
Tax paid	(95)	(163)
<b>Net cash used in operating activities</b>	<b>(1,409)</b>	<b>(2,020)</b>
<b><u>Cash flows from investing activities</u></b>		
Interest received	13	21
Placement of deposits with a licensed bank	-	(421)
Proceeds from disposal of other investment	510	-
Proceeds from disposal of plant and equipment	-	42
Purchase of plant and equipment	(671)	(327)
<b>Net cash used in from investing activities</b>	<b>(148)</b>	<b>(685)</b>



**GPP RESOURCES BERHAD**

(Company No: 1265775-W)

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**UNAUDITED STATEMENT OF CASH FLOWS FOR THE PERIOD FROM  
1 JANUARY 2019 TO 31 MARCH 2019 (CONT'D)**

	Unaudited	
	3M FPE 2018 RM'000	3M FPE 2019 RM'000
<b><u>Cash flows from financing activities</u></b>		
Repayment to Directors	(3)	-
Drawdown from bankers' acceptances	-	2,536
Repayment of finance lease / lease liabilities	(232)	(206)
Repayment of Islamic bank financing - Term financing-i	-	(96)
<b>Net cash used in financing activities</b>	<b>(235)</b>	<b>2,234</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(1,792)</b>	<b>(471)</b>
Cash and cash equivalents at the beginning of the period	(300)	(3,162)
<b>Cash and cash equivalents at the end of the period</b>	<b>(2,092)</b>	<b>(3,633)</b>

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## **GPP RESOURCES BERHAD**

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### **EXPLANATORY NOTES**

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#### **1. Basis of preparation**

The unaudited interim combined financial statements of GPP Resources Berhad (“**GPP**” or “**Company**”) and our subsidiaries (“**Group**”) for 3M FPE 2019 have been prepared in accordance with Malaysian Financial Reporting Standard (“**MFRS**”) 134 Interim Financial Reporting, and should be read in conjunction with our Group’s audited combined financial statements for the financial year ended 31 December 2018.

The accounting policies and presentation adopted by our Group in this unaudited interim combined financial statements for 3M FPE 2019 are consistent with those adopted in the audited combined financial statements for the financial year ended 31 December 2018 except for changes arising from the adoption of MFRS 16 - Leases as disclosed below.

MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. It introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term if more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

Our Group adopted MFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application.

Our Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (“short term leases”), and lease contracts for which the underlying asset is low value (“low value assets”).

The effects for the adoption of MFRS 16 as at 1 January 2019 are as follows:

	<b>Increase / (Decrease)</b> <b>RM’000</b>
Right-of-use assets	911
Lease liabilities	964
Retained profits	(53)

#### **2. Seasonal or cyclical factors**

We do not experience any material seasonality in our business, as our business operations are relatively stable throughout the period.

#### **3. Unusual items due to their nature, size or incidence**

There were no unusual items affecting assets, liabilities, equity or cash flow during 3M FPE 2019.





## GPP RESOURCES BERHAD

(Company No: 1265775-W)  
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### EXPLANATORY NOTES (CONT'D)

#### 4. Material changes in accounting estimates

There were no material changes in accounting estimates during 3M FPE 2019.

#### 5. Changes in the composition of our Group

There were no changes in the composition of our Group during 3M FPE 2019.

#### 6. Dividends paid

There were no dividends paid during 3M FPE 2019.

#### 7. Segment Information

##### (i) Analysis of revenue by business segment

	3M FPE 2018		3M FPE 2019	
	RM'000	%	RM'000	%
<b>Renewable energy</b>				
Engineering, procurement, construction and commissioning (“EPCC”)/ construction contracts	2,704	43.26	3,068	52.91
Service and maintenance contracts	520	8.32	540	9.31
Concession contracts	109	1.74	100	1.72
	<b>3,333</b>	<b>53.32</b>	<b>3,708</b>	<b>63.94</b>
<b>Oil palm trunk (“OPT”) products</b>	2,918	46.68	2,091	36.06
<b>Total</b>	<b>6,251</b>	<b>100.00</b>	<b>5,799</b>	<b>100.00</b>

##### (ii) Analysis of revenue by geographical market

	3M FPE 2018		3M FPE 2019	
	RM'000	%	RM'000	%
<b>Malaysia</b>	6,094	97.49	4,287	73.93
<b>Overseas</b>				
Japan	-	-	50	0.86
Singapore	157	2.51	1,452	25.04
Liberia	-	-	10	0.17
<b>Total</b>	<b>6,251</b>	<b>100.00</b>	<b>5,799</b>	<b>100.00</b>



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**EXPLANATORY NOTES (CONT'D)**

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**8. Income tax expense**

	<b>3M FPE 2018</b>	<b>3M FPE 2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Tax expense for the period	<u>102</u>	<u>114</u>

**9. Acquisition and disposal of plant and equipment**

There were no material acquisition and disposal during 3M FPE 2019.

**10. Other investments**

There were no other investment during 3M FPE 2019.

**11. Debt and equity securities**

There were no issuances of debt and equity securities during 3M FPE 2019.

**12. Capital commitments**

There are no material commitments.

**13. Changes in contingent liabilities**

There were no material changes in contingent liabilities during 3M FPE 2019.

**14. Events after reporting date**

There were no material events after the reporting date except for events in relation to the proposed listing exercise as stated in the Information Memorandum dated 5 August 2019 (“**Information Memorandum**”).

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### **EXPLANATORY NOTES (CONT'D)**

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#### **15. Review of performance and comparison with preceding quarter's results**

Our Group's revenue decreased by RM0.45 million or 7.20% to RM5.80 million in 3M FPE 2019 (3M FPE 2018: RM6.25 million), mainly due to lower revenue from OPT products segment arising from lower demand and lower production prior to festive season. On the other hand, revenue from renewable energy segment increased during 3M FPE 2019 due to higher billing for EPCC projects upon completion of pre-determined milestones for the projects.

Our Group's cost of sales decreased by RM0.39 million or 8.57% to RM4.16 million in 3M FPE 2019 (3M FPE 2018: RM4.55 million) mainly due to decrease in the overall cost of sales for OPT products segment, which is in line with the decrease in revenue from OPT products segment.

Despite lower revenue and gross profit, our Group's profit after taxation increased by RM0.08 million or 11.76% to RM0.76 million in 3M FPE 2019 (3M FPE 2018: RM0.68 million) mainly due to higher other income as well as lower administrative incurred during 3M FPE 2019.

#### **16. Prospects and factors likely to influence our Group's prospects**

We believe that the following drivers of growth will support the future development of our business:

##### **(i) Availability of biomass feedstock from the palm oil industry**

Palm oil industry is the key supply industry for our Group. As Malaysia is the world's second largest producer of palm oil, there are abundant supply of palm oil mill effluent ("POME") and OPT.

The milling process of palm oil generates large quantities of POME that need to be effectively treated and processed in order for it to be sustainably managed and disposed of. Between 2015 and 2032, the estimated oil palm area that is expected to reach the end of their economic lifespan ranges from 63.00 thousand hectares to 235.00 thousand hectares per year, will result in a large supply of OPT for further processing. The abundance of OPT supply ranging from 8.90 million units to 32.90 million units per year between 2015 and 2032 will be available from oil palm replanting areas (*Source: Independent market research report as set out in the Information Memorandum ("IMR Report")*). Led by our experienced senior management team with strong technical expertise, our Group has successfully used the biomass (i.e. POME and OPT) to produce renewable energy and OPT plywood products.

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### **EXPLANATORY NOTES (CONT'D)**

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**(ii) Government mandates drive the development of biogas as renewable energy source and OPT products**

The Malaysian government has put measures in place to improve the sustainability of palm oil industry and to further promote renewable energy, including utilising biogas generated from POME for power generation. These measures include, amongst others, a new licence condition imposed by Malaysian Palm Oil Board (which comes into effective on 1 January 2014) that makes it mandatory for all applicants for new palm oil mills as well as those applying for throughput expansion for existing mills to have plans that involve installation of a biogas capture or methane avoidance facility for the treatment of POME; as well as fiscal incentives (e.g. pioneer status, investment tax allowance, import duty and sales tax exemption) to promote the harnessing of biogas from POME in the palm oil industry.

According to the IMR report, the current and future availability of OPT, coupled with the depleting supply of forest logs and rubberwood, has spurred the utilisation of OPT in the manufacturing of plywood in Malaysia. The development of OPT plywood has been supported by the Malaysian government initiatives, amongst others, the introduction of fiscal initiatives, the establishment of Fibre and Biocomposite Centre, the implementation of National Timber Policy, the establishment of a National OPT Task Force and the intention to formulate a National OPT Development Plan.

**(iii) Attractive Feed-in Tariff (“FiT”) rates for biogas plants promote adoption of biogas capture facilities in the palm oil industry in Malaysia**

According to the IMR Report, the introduction of FiT mechanism by Sustainable Energy Development Authority Malaysia has enabled producers of renewable energy with feed-in approval certificates to invest in renewable energy with an arrangement in place for the purchase of generated electricity by the National Grid at predetermined rates over a period of 16 years. Such arrangement which provides a secured revenue stream for any renewable energy power producers will drive the development of biogas ventures in the long run.

**(iv) OPT as alternative raw material for plywood**

According to the IMR Report, plywood is used in the construction of buildings and infrastructure. However, there has been decrease in production of plywood due to the depletion of conventional raw materials for plywood (i.e. forest logs and rubberwood). The growth in construction activities, coupled with depleting source of timber as raw material for plywood, will spur the demand for OPT plywood and thus, provide an opportunity for us to grow our business in the OPT products segment.

By leveraging on our Group’s competitive strengths as set out in Section 5.4 of the Information Memorandum, we believe that we are well-positioned to undertake our strategies as set out in Section 5.19 of the Information Memorandum to capture the future growth opportunities presented in the industries we operate in.