APPENDIX I

REPORT ON THE AUDIT OF THE COMBINED FINANCIAL STATEMENTS OF GPP FOR THE FYES 2017 AND 2018

GPP Resources Berhad
(Incorporated in Malaysia, Company No. 1265775 – W)

Combined Financial Statements

31 December

2018

GPP Resources Berhad
(Incorporated in Malaysia, Company No. 1265775 – W)

Combined Statement of Financial Position

31 December 2018

	Note	**2018 RM**	2017 RM
ASSETS			
Non-current Assets			
Plant and equipment	4	**11,881,495**	10,029,766
Intangible asset	5	**40,580**	-
Investment in an associated company	6	**26,243**	-
Other investment	7	**-**	510,000
Total Non-current Assets		**11,948,318**	10,539,766
Current Assets			
Inventories	8	**2,942,830**	1,687,378
Trade receivables	9	**10,117,437**	8,722,240
Contract assets	10	**5,920,067**	1,053,447
Other receivables, deposits and prepayments	11	**1,552,002**	1,959,817
Current tax assets		**45,791**	-
Deposits with a licensed bank	12	**2,816,514**	1,685,556
Cash and bank balances		**96,145**	876,407
Total Current Assets		**23,490,786**	15,984,845
Total Assets		**35,439,104**	26,524,611
EQUITY AND LIABILITIES			
Equity attributable to owners of the company			
Share capital	13	**9,618,695**	8,010,000
Retained profits	14	**5,985,641**	4,330,641
Total Equity		**15,604,336**	12,340,641
Non-current Liabilities			
Borrowings	15	**1,696,541**	181,269
Deferred tax liabilities	19	**514,000**	139,000
Total Non-current Liabilities		**2,210,541**	320,269
Current Liabilities			
Trade payables	20	**6,355,834**	4,121,907
Contract liabilities	10	**4,694,994**	4,119,568
Other payables and accruals	21	**2,720,500**	3,077,344
Amount due to directors	22	**-**	906,843
Borrowings	15	**3,752,480**	1,565,135
Current tax liabilities		**100,419**	72,904
Total Current Liabilities		**17,624,227**	13,863,701
Total Liabilities		**19,834,768**	14,183,970
Total Equity and Liabilities		**35,439,104**	26,524,611

The accompanying accounting policies and explanatory notes form an integral part of the financial statements

Combined Statement of Profit or Loss and Other Comprehensive Income

for the financial year ended 31 December 2018

	Note	**2018** **RM**	2017 RM
Revenue	23	**26,870,345**	18,733,714
Cost of sale		**(20,178,827)**	(14,557,505)
Gross Profit		**6,691,518**	4,176,209
Other income	24	**301,968**	554,090
Administrative expenses		**(3,495,166)**	(1,978,964)
Other expenses		**(543,310)**	(212,674)
Profit from operations		**2,955,010**	2,538,661
Finance costs	25	**(316,335)**	(201,287)
Share of results of an associated company		**(4,079)**	-
Profit before taxation	26	**2,634,596**	2,337,374
Income tax expenses	28	**(979,596)**	(588,727)
Profit for the financial year, representing total comprehensive income for the financial year		**1,655,000**	1,748,647
Earnings per share (sen)	29	**18.67**	21.83

The accompanying accounting policies and explanatory notes form an integral part of the financial statements

GPP Resources Berhad
(Incorporated in Malaysia, Company No. 1265775 - W)

Combined Statement of Changes in Equity

for the financial year ended 31 December 2018

	Share capital RM	Retained profits RM	Total RM
Balance at 1 January 2017	3,010,000	2,581,994	5,591,994
Issue of shares	5,000,000	-	5,000,000
Total comprehesive income for the financial year	-	1,748,647	1,748,647
Balance at 31 December 2017	8,010,000	4,330,641	12,340,641
Issue of shares	1,608,695	-	1,608,695
Total comprehesive income for the financial year	-	1,655,000	1,655,000
Balance at 31 December 2018	9,618,695	5,985,641	15,604,336

The accompanying accounting policies and explanatory notes form an integral part of the financial statements

GPP Resources Berhad
(Incorporated in Malaysia, Company No. 1265775 – W)

Combined Statement of Cash Flows
for the financial year ended 31 December 2018

	Note	2018 RM	2017 RM
Cash flows from operating activities			
Profit before taxation		**2,634,596**	2,337,374
Adjustments for : -			
Amortisation for intangible asset		**4,910**	-
Depreciation		**860,535**	591,782
Gain on disposal of plant and equipment		**(38,100)**	-
Impairment losses on trade receivables		**154,663**	-
Interest income		**(80,700)**	(48,851)
Interest expense		**316,335**	201,287
Loss on disposal of plant and equipment		**34,100**	-
Plant and equipment written off		**-**	895
Share of loss of equity-accounted associates		**4,079**	-
Unrealised gain on foreign exchange		**(18,424)**	(59,644)
Unrealised loss on foreign exchange		**35,890**	23,904
Operating profit before working capital changes		**3,907,884**	3,046,747
Increase in inventories		**(1,255,452)**	(622,073)
Increase in trade receivables		**(1,535,355)**	(4,775,955)
Increase in contract assets		**(4,866,620)**	(477,524)
Decrease in other receivables, deposits and prepayments		**407,815**	428,231
Increase in trade payables		**2,201,956**	285,676
Increase in contract liabilties		**575,426**	2,773,701
(Decrease) /Increase in other payables and accruals		**(356,844)**	2,282,909
Cash generated (used in) /from operations		**(921,190)**	2,941,712
Interest paid		**(316,335)**	(201,287)
Tax paid		**(647,396)**	(274,481)
Tax refund		**24,524**	-
Net cash (used in) /from operating activities		**(1,860,397)**	2,465,944
Cash flows from investing activities			
Acquisition of an associated company		**(30,322)**	-
Interest received		**80,700**	48,851
Placement of deposits with a licensed bank		**(1,130,958)**	(718,270)
Proceeds from disposal of other investment		**510,000**	-
Proceeds from disposal of plant and equipment		**186,000**	-
Purchase of intangible asset		**(45,490)**	-
Purchase of plant and equipment	30	**(2,894,264)**	(6,387,586)
Net cash used in investing activities		**(3,324,334)**	(7,057,005)
Balance carried forward		**(5,184,731)**	(4,591,061)

Combined Statement of Cash Flows

for the financial year ended 31 December 2018

	Note	2018 RM	2017 RM
Balance brought forward		**(5,184,731)**	(4,591,061)
Cash flows from financing activities			
Drawdown of Islamic bank financing - Term financing-i		**2,100,000**	-
Proceeds from issue of share		**1,608,695**	5,000,000
Repayment of finance lease		**(311,726)**	(374,180)
Repayment of Islamic bank financing - Term financing-i		**(167,709)**	-
(Repayment to) /Advance from directors		**(906,843)**	251,667
Net cash from financing activities		**2,322,417**	4,877,487
Net (decrease) /increase in cash and cash equivalents		**(2,862,314)**	286,426
Cash and cash equivalents at the beginning of the financial year		**(299,690)**	(586,116)
Cash and cash equivalents at the end of the financial year	31	**(3,162,004)**	(299,690)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements

Notes to the Combined Financial Statements

31 December 2018

The combined financial statements consist of the financial statements of the Company and the combining entities as disclosed in Note 37 to the combined financial statements, which were under common control throughout the reporting periods by virtue of common controlling shareholders.

The combined financial statements have been prepared using financial information obtained from audited financial statements of the combining entities during the reporting periods. These audited financial statements are not subject to any qualification, modification or disclaimer.

Entities under common control are entities which are ultimately controlled by the same parties and that control is not transitory. Control exists when the same parties have, as a result of contractual agreements, ultimate collective power to govern the financial and operating policies of each of the combining entities so as to obtain benefits from their activities, and that ultimate collective power is not transitory. The financial statements of common controlled entities are included in the combined financial statements from the day that control commences until the date that control ceases.

The combined financial statements of GPP Resources Berhad for the relevant years are prepared in a manner similar to the "pooling-of-interest" method, as if the entities within the Group were operating as a single economic enterprise from the beginning of the earliest comparative year covered by the relevant year or the dates of incorporation of entities within the Group, if later. Such manner of presentation reflects the economic substance of the combining entities, which were under common control throughout the relevant period.

The financial information as presented in the combined financial statements reflects business combinations under common control for the purpose of the proposed listing of and quotation of the enlarged issued and paid-up share capital of GPP Resources Berhad on the LEAP Market of Bursa Malaysia Securities Berhad. Consequently, the financial information from the combined financial statements do not purport to predict the financial position, results of operations and cash flows of the combining entities during the reporting periods.

1. General information

The Company was incorporated in Malaysia on 25 January 2018 as a private limited company, under the name of GPP Resources Sdn. Bhd. On 24 October 2018, it was converted into a public limited company and assumed its present name of GPP Resources Berhad. The address of the registered office of the Company is as follows : -

Registered office	:	Level 33A, Menara 1MK Kompleks 1 Mont Kiara No.1, Jalan Kiara, Mont Kiara 50480 Kuala Lumpur

The combined financial statements of the Company as at and for the financial year ended 31 December 2018 comprises the Company and the combining entitites (together referred to as the "Group" and individually referred to as "Group entities").

The principal activity of the Company is that of investment holding. The principal activities of the combining entities are disclosed in Note 37 to the combined financial statements.

2. **Basis of preparation**

a) Statement of compliance

The combined financial statements of the Group have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards.

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.

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

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

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

- Amendments to MFRS 2, Share-Based Payment
- Amendments to MFRS 3, Business Combinations
- Amendments to MFRS 6, Exploration for and Evaluation of Mineral Resources
- Amendment to MFRS 14, Regulatory Deferral Accounts
- Amendments to MFRS 101, Presentation of Financial Statements – Definition of Material
- Amendments to MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material
- Amendments to MFRS 134, Interim Financial Reporting
- Amendment to MFRS 137, Provisions, Contingent Liabilities and Contingent Assets
- Amendment to MFRS 138, Intangible Assets
- Amendment to IC Interpretation 12, Service Concession Arrangements
- Amendment to IC Interpretation 19, Extinguishing Financial Liabilities with Equity Instruments
- Amendment to IC Interpretation 20, Stripping Costs in the Production Phase of a Surface Mine

2. **Basis of preparation (Cont'd.)**

a) Statement of compliance (Cont'd.)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2020 (Cont'd.)

- Amendment to IC Interpretation 22, Foreign Currency Transactions and Advance Consideration
- Amendments to IC Interpretation 132, Intangible Assets – Web Site Costs

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 a date yet to be confirmed

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

The Group plans to apply the abovementioned accounting standards, interpretations and amendments: -

- from the annual period beginning on 1 January 2019 for those accounting standards, interpretations or amendments that are applicable to the Group and effective for annual periods beginning on or after 1 January 2019;

- from the annual period beginning on 1 January 2020 for those accounting standards, interpretations or amendments that are applicable to the Group and effective for annual periods beginning on or after 1 January 2020; and

- from the annual period beginning on 1 January 2021 for those accounting standards, interpretations or amendments that are applicable to the Group and effective for annual periods beginning on or after 1 January 2021.

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

MFRS 16, Leases

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. MFRS 16 will be effective for annual reporting periods beginning on or after 1 January 2019.

2. **Basis of preparation (Cont'd.)**

a) Statement of compliance (Cont'd.)

Amendments to MFRS 123, Borrowing Costs

Amendments to MFRS 123 (effective from 1 January 2019) clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

IC Interpretation 23, Uncertainty over Income Tax Treatments

IC Interpretation 23 provides guidance on how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. If it is not probable that the tax treatment will be accepted by the tax authority, the effect of the tax uncertainty should be included in the period when such determination is made. The effect of uncertainty shall be measured using the method which best predicts the resolution of the uncertainty. IC Interpretation 23 will be effective for annual reporting periods beginning on or after 1 January 2019.

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 amendments clarify that : -

- gains and losses resulting from transactions involving assets that do not constitute a business, between investor and its associate or joint venture are recognised in the entity's financial statements only to the extent of unrelated investors' interests in the associate or joint venture; and
- gains and losses resulting from transactions involving the sale or contribution of assets to an associate of a joint venture that constitute a business is recognised in full.

The amendments are to be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined by Malaysian Accounting Standards Board. Earlier application is permitted. These amendments are not expected to have any impact on the Group.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 16, amendments to MFRS 123, IC Interpretation 23 and amendments to MFRS 10 and MFRS 128.

b) Basis of measurement

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

c) Functional and presentation currency

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

2. Basis of preparation (Cont'd.)

d) Use of estimates and judgements

The preparation of the combined 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 combined financial statements other than the following items : -

i) Amortisation of intangible asset

The Group estimates the useful lives to amortise intangible asset, other than goodwill, based on the future performance of the assets acquired and management's judgement of the period over which economic benefits will be derived from the assets. The estimated useful lives of intangible asset, other than goodwill, are reviewed periodically, taking into consideration factors such as changes in technology. The amount and timing of recorded expenses for any period would be affected by changes in the estimates.

ii) Depreciation of plant and equipment

Plant and equipment are depreciated in a straight-line basis over their estimated useful lives. Management estimated that useful lives of these assets to be within 5 to 20 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

iii) Income tax expense

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

2. **Basis of preparation (Cont'd.)**

d) Use of estimates and judgements (Cont'd.)

iv) Impairment losses for trade receivables and contract assets

As at 31 December 2018, the Group's trade receivables and contract assets are grouped based on shared credit risk characteristics and days past due, with expected loss rates assessed based on the Group's historical credit loss experience.

The Group further evaluates the expected credit loss ("ECL") on customers on a case-by-case basis, which may be assessed based on indicators such as changes in financial capability of the debtor, and default or significant delay in payments.

The Group's credit risk exposure for trade receivables and contract assets are disclosed in Note 33(b)(i) to the combined financial statements.

3. **Significant accounting policies**

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

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

i) financial instruments;

ii) revenue recognition; and

iii) impairment losses of financial instruments

The impacts arising from the changes are disclosed in Note 39 to the combined financial statements.

a) Basis of consolidation

The combined financial statements incorporate the financial statements of the Company and the combining entities as disclosed in Note 37 to the combined financial statements. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has : -

- Power over the investee;
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

3. **Significant accounting policies (Cont'd.)**

   a) Basis of consolidation (Cont'd.)

If the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including : -

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual agreements; and
- The voting rights of the Group and potential voting rights.

Intragroup balances, transactions, income and expenses are eliminated in the combined financial statements. Unrealised gains arising from transactions with associates and joint ventures are eliminated against the investment to the extent of the interest of the Group in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no impairment. The combined financial statements reflect external transactions only.

The financial statements of the combining entities are prepared for the same reporting period, using consistent accounting policies. The accounting policies of the combining entities are changed to ensure consistency with the policies adopted by the other entities in the combining entities, where necessary.

Non-controlling interests represent equity in the combining entities that are not attributable, directly or indirectly, to the common controlling shareholders, and is presented separately in the combined statement of profit or loss and other comprehensive income and within equity in the combined statement of financial position, separately from equity attributable to the common controlling shareholders. Profit or loss and each component of other comprehensive income are attributed to the common controlling shareholders and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Subsidiary companies are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate. Assets, liabilities, income and expenses of a subsidiary company disposed of during the financial year are included in the combined financial statement of profit or loss and other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary company.

Changes in the common controlling shareholders' interests in a combining entity that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the combining entity. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity and attributed to the common shareholders of the combining entities.

3. **Significant accounting policies (Cont'd.)**

a) Basis of consolidation (Cont'd.)

If the Group loses control of a subsidiary company, the gain or loss on disposal is calculated as the difference between : -

- Aggregate of the fair value of the consideration received and the fair value of any retained interest; and

- Previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary company and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the combining entities are accounted for (i.e. reclassified to profit or loss or transferred directly to retained profits) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former combining entities at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 139 Financial Instruments: Recognition and Measurement or, where applicable, the cost on initial recognition of an investment in associate or joint venture.

b) Business combinations not under common control

Business combinations not under common control are accounted for by applying the acquisition method of accounting.

Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured at their fair value at the acquisition date, except that : -

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with MFRS 112 Income Taxes and MFRS 119 Employee Benefits respectively;

- Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement by the Group of an acquiree's share-based payment transactions are measured in accordance with MFRS 2 Share-based Payment at the acquisition date; and

- Assets (or disposal groups) that are classified as held for sale in accordance with MFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

3. **Significant accounting policies (Cont'd.)**

b) Business combinations not under common control (Cont'd.)

Any contingent consideration payable is recognised at fair value at the acquisition date. Measurement period adjustments to contingent consideration are dealt with as follows : -

- If the contingent consideration is classified as equity, it is not re-measured and settlement is accounted for within equity.

- Subsequent changes to contingent consideration classified as an asset or liability that is a financial instrument within the scope of MFRS 139 are recognised either in profit or loss or in other comprehensive income in accordance with MFRS 139. All other subsequent changes are recognised in profit or loss.

In a business combination achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured at the present ownership instruments' proportionate share in the recognised amounts or the acquiree's identifiable net assets. All other components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by MFRSs. The choice of measurement basis is made on a combination-by-combination basis. Subsequent to initial recognition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the previously held equity interest of the Group in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the combined statement of financial position. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

Following the initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment annually or more frequent when there is objective evidence that the carrying value may be impaired. See accounting policy Note 3(l) to the combined financial statements.

c) Business combinations under common control

Business combinations under common control in the form of equity instrument exchanges are accounted for by applying the merger method of accounting. Assets, liabilities, income and expenses of the merger entities are reflected at their carrying amounts reported in the individual financial statements for the full financial year, irrespective of the date of the merger. Any difference between the consideration paid and the share capital of the merger entity are reflected within equity as merger reserve.

3. **Significant accounting policies (Cont'd.)**

d) Foreign currency

Foreign currencies transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of equity instruments where they are measured at fair value through other comprehensive income or a financial instrument designated as a cash flow hedge, which are recognised in other comprehensive income.

The closing exchange rates used in the translation of foreign currency monetary assets and liabilities are as follows : -

2018		2017	
RM1	**: Euro 0.2112**	RM1	: Euro 0.2061
RM1	**: Singapore Dollar 0.3298**	RM1	: Singapore Dollar 0.3290
RM1	**: US Dollar 0.2416**	RM1	: US Dollar 0.2462

e) Financial instruments

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

i) Recognition and initial measurement

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

Current financial year

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

3. **Significant accounting policies (Cont'd.)**

e) Financial instruments (Cont'd.)

i) Recognition and initial measurement (Cont'd.)

Current financial year (Cont'd.)

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

Previous financial year

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

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised as 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

Current financial year

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group 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.

3. **Significant accounting policies (Cont'd.)**

e) Financial instruments (Cont'd.)

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

Financial assets (Cont'd.)

Current financial year (Cont'd.)

a) Amortised cost (Cont'd.)

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 3(l)(i)) where the effective interest rate is applied to the amortised cost.

b) Fair value through other comprehensive income

i) Debt investments

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

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 3(l)(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 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.

3. **Significant accounting policies (Cont'd.)**

e) Financial instruments (Cont'd.)

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

Financial assets (Cont'd.)

Current financial year (Cont'd.)

c) Fair value through profit or loss

All financial assets not measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Group 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 comprehensive income, are subject to impairment assessment (see Note 3(l)(i)).

Previous financial year

Financial assets of the Group were classified and measured under MFRS 139, Financial Instruments: Recognition and Measurement as follows : -

a) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

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

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

3. **Significant accounting policies (Cont'd.)**

e) Financial instruments (Cont'd.)

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

Financial assets (Cont'd.)

Previous financial year (Cont'd.)

b) Held-to-maturity investments

Held-to-maturity investments category comprises debt instruments that are quoted in an active market and the Group has the positive intention and ability to hold them to maturity.

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

c) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

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

d) Available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

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

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 3(l)(i)).

3. **Significant accounting policies (Cont'd.)**

e) Financial instruments (Cont'd.)

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

Financial liabilities

Current financial year

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

a) Fair value through profit or loss

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

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

i. if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;

ii. 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

iii. if a contract contains one or more embedded derivatives and the host is not a financial asset in the scope of MFRS 9, where the embedded derivative significantly modifies the cash flows and separation is not prohibited.

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

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the Group recognised 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.

3. **Significant accounting policies (Cont'd.)**

e) Financial instruments (Cont'd.)

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

Financial liabilities (Cont'd.)

Current financial year (Cont'd.)

b) Amortised cost

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

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

Previous financial year

Financial liabilities of the Group were subsequently measured at amortised cost other than those categorised as 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) or financial liabilities that are specifically designated into this category upon initial recognition.

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

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

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 accounting.

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.

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

3. **Significant accounting policies (Cont'd.)**

e) Financial instruments (Cont'd.)

iv) Financial guarantee contracts

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

Current financial year

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

a) the amount of the loss allowance; and

b) 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.

Previous financial year

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

v) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of the 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.

3. **Significant accounting policies (Cont'd.)**

f) Plant and equipment

i) Recognition and measurement

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

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.

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 plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

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

ii) Subsequent costs

The cost of replacing a component of an item of 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, 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 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.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of 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. Plant and equipment under construction are not depreciated until the assets are ready for their intended use.

3. **Significant accounting policies (Cont'd.)**

f) Plant and equipment (Cont'd.)

iii) Depreciation (Cont'd.)

The principal annual rate of depreciation for the plant and equipment are as follows : -

	Rate %
Plant and machinery	5-12
Motor vehicles	20
Electrical installation	5
Equipment	20
Fire alarm and hydrant	10
Furniture and fittings	10
Office equipment, computer and software	10
Renovation	10
Signboard	10-20
Used container	10

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

g) Leased assets

i) Finance lease

Leases in terms of which the Group 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 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.

3. **Significant accounting policies (Cont'd.)**

g) Leased assets (Cont'd.)

ii) Operating lease

Leases, where the Group 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.

h) Intangible assets

i) Intangible assets

Intangible assets, other than goodwill, that are acquired by the Group, which have finite useful lives, are measured at cost less any accumulated amortisation and any accumulated impairment losses.

ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

iii) Amortisation

Intangible assets, other than goodwill are amortised from the date that they are available for use. Amortisation is based on the costs of an asset less it residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets.

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

Patent	5 years

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

3. **Significant accounting policies (Cont'd.)**

i) 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.

j) Contract asset /Contract liability

A contract asset is recognised when the Group's right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment in accordance to MFRS 9, Financial Instruments (see Note 3(l)(i)).

A contract liability is stated at cost and represents the obligation of the Group to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers.

k) Cash and cash equivalents

Cash and cash equivalents consists 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 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 and pledged deposits.

l) Impairment

i) Financial assets

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

Current financial year

The Group recognises 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.

3. **Significant accounting policies (Cont'd.)**

l) Impairment (Cont'd.)

i) Financial assets (Cont'd.)

Current financial year (Cont'd.)

The Group measures 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 as 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 losses.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Group considers 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-month 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 is exposed to credit risk.

The Group estimates 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 assesses 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 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 procedures for recovery amounts due.

3. **Significant accounting policies (Cont'd.)**

l) Impairment (Cont'd.)

i) Financial assets (Cont'd.)

Previous financial year

All financial assets (except for financial assets categorised as fair value through profit or loss) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

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3. **Significant accounting policies (Cont'd.)**

l) Impairment (Cont'd.)

ii) Other assets

The carrying amounts of other assets (except for inventories, contract assets, lease receivables, deferred tax asset, assets arising from employee benefits, investment property measured at fair value and non-current assets (or disposal group) classified as held for sale) 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 generate 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 (group of cash-generating units) on a pro rata basis.

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.

3. **Significant accounting policies (Cont'd.)**

m) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not re-measured 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.

n) 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

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the profit or loss as incurred.

o) 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.

3. **Significant accounting policies (Cont'd.)**

p) 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 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 transfers control of a good or service at a point in time unless one of the following over time criteria is met : -

- the customer simultaneously receives and consumes the benefits provided as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use and the Group 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.

iii) Government grants

The Group does not recognise government grants, including non-monetary grants at fair value, until there is reasonable assurance that the Group will comply with the conditions attaching to the grants and the grants will be received.

iv) Rental income

Rental income is recognised on accrual basis in accordance with the substance of the rental agreement.

v) Utilities charges

Utilities charges is recognised on incurred basis.

3. Significant accounting policies (Cont'd.)

q) 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 of 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.

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.

r) 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 statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reserve, 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 liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

3. **Significant accounting policies (Cont'd.)**

r) Income tax (Cont'd.)

A deferred tax asset is recognised to the extent that 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 future taxable profits will be available against which the unutilised tax incentive can be utilised.

s) Earnings per ordinary share

The Group presents basic 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 Group by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

t) 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.

3. **Significant accounting policies (Cont'd.)**

u) 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 transactions 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 are 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.

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4. Plant and equipment

2018	Plant and machinery RM	Plant and machinery in progress RM	Motor vehicles RM	Electrical installation, equipment, fire alarm and hydrant, furniture and fittings, office equipment, computer and software, renovation, signboard and used container RM	Total RM
Cost					
Balance at 1/1/18	2,874,542	4,634,304	588,881	3,822,911	11,920,638
Additions	1,502,574	819,907	-	571,783	2,894,264
Reclassification	1,453,047	(1,453,047)	-	-	-
Disposal	(260,000)	-	-	-	(260,000)
Balance at 31/12/18	5,570,163	4,001,164	588,881	4,394,694	14,554,902
Accumulated Depreciation					
Balance at 1/1/18	804,123	-	462,154	624,595	1,890,872
Charge for the financial year	450,667	-	57,046	352,822	860,535
Deletion	(78,000)	-	-	-	(78,000)
Balance at 31/12/18	1,176,790	-	519,200	977,417	2,673,407
Net Book Value	4,393,373	4,001,164	69,681	3,417,277	11,881,495

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4. **Plant and equipment (Cont'd.)**

2017	Plant and machinery RM	Plant and machinery in progress RM	Motor vehicles RM	Electrical installation, equipment, fire alarm and hydrant, furniture and fittings, office equipment, computer and software, renovation, signboard and used container RM	Total RM
Cost					
Balance at 1/1/17	2,874,542	-	588,881	2,099,144	5,562,567
Additions	-	4,634,304	-	1,753,282	6,387,586
Written off	-	-	-	(29,515)	(29,515)
Balance at 31/12/17	2,874,542	4,634,304	588,881	3,822,911	11,920,638
Accumulated Depreciation					
Balance at 1/1/17	549,228	-	405,108	373,374	1,327,710
Charge for the financial year	254,895	-	57,046	279,841	591,782
Deletion	-	-	-	(28,620)	(28,620)
Balance at 31/12/17	804,123	-	462,154	624,595	1,890,872
Net Book Value	2,070,419	4,634,304	126,727	3,198,316	10,029,766

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4. **Plant and equipment (Cont'd.)**

i) The gross carrying amounts of fully depreciated plant and equipment of the Group are as follows : -

	2018 RM	2017 RM
Plant and machinery	**104,550**	104,550
Motor vehicles	**303,649**	303,649
Equipment	**19,453**	6,925
	427,652	415,124

ii) The carrying amounts of plant and equipment under finance lease of the Group are as follows : -

	2018 RM	2017 RM
Motor vehicles	**53,194**	95,198
Equipment	**1,055,290**	1,053,928
	1,108,484	1,149,126

5. **Intangible asset**

2018	Patent RM
Cost	
Balance at 1/1/18	-
Additions	**45,490**
Balance at 31/12/18	**45,490**
Accumulated Amortisation	
Balance at 1/1/18	-
Charge for the financial year	**4,910**
Balance at 31/12/18	**4,910**
Net Book Value	**40,580**

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5. **Intangible asset (Cont'd.)**

2017	Patent RM
Cost	
Balance at 1/1/17	-
Additions	-
Balance at 31/12/17	-
Accumulated Amortisation	
Balance at 1/1/17	-
Charge for the financial year	-
Balance at 31/12/17	-
Net Book Value	-

6. **Investment in an associated company**

	2018 RM	2017 RM
Unquoted shares at cost		
Balance at beginning of the financial year	-	-
Acquisition	**30,322**	-
Balance at end of the financial year	**30,322**	-
Group's share of post acquisition profits or losses		
Balance at beginning of the financial year	-	-
Share of losses for current financial year	**(4,079)**	-
Balance at end of the financial year	**(4,079)**	-
Investment in an associated company	**26,243**	-

Details of the associated company are as follows : -

Name of company	Place of incorporation	Principal activities	Effective ownership interest **2018** %	2017 %
Acropower Pte. Ltd. *	Singapore	Generation of electricity by other sources (such as solar power and biofuels etc.); and treatment and disposal waste (including remediation activities).	**20**	-

* Audited by a firm other than Kreston John & Gan.

6. **Investment in an associated company (Cont'd.)**

The following table summarises the information of the Group's associated company and reconciles the information to the carrying amount of the Group's interest in the associated company.

	Acropower Pte. Ltd. **2018** **RM**	2017 RM
Percentage of ownership interest and voting interest	**20%**	-
Summarised financial information : -		
As at 31 December		
Current assets	**280,345**	-
Current liabilities	**(149,412)**	-
Net assets	**130,933**	-
Year ended 31 December		
Loss from continuing operations	**(20,395)**	-
Other comprehensive income	**-**	-
Total comprehensive loss	**(20,395)**	-
Included in total comprehensive loss is		
Revenue	**-**	-
Reconciliation of net assets to carrying amount : -		
As at 31 December		
Group's share of net assets	**26,243**	-
Goodwill	**-**	-
Elimination of unrealised profit	**-**	-
Carrying amount in the statement of financial position	**26,243**	-
Group's share of results : -		
Year ended 31 December		
Group's share of loss from continuing operations		
- current year	**(4,079)**	-
Group's share of total comprehensive loss	**(4,079)**	-
Other information		
Dividends received from the company	**-**	-

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7. **Other investment**

	2018 RM	2017 RM
At cost : -		
Unquoted shares in Malaysia	-	510,000

8. **Inventories**

	2018 RM	2017 RM
At cost : -		
Finished goods	313,618	122,521
Raw materials	479,276	353,208
Tools and consumables	1,450,817	1,099,000
Work-in-progress	699,119	112,649
	2,942,830	1,687,378
Recognised in profit or loss :		
- Inventories recognised as cost of sales	20,031,871	14,260,560

9. **Trade receivables**

	2018 RM	2017 RM
Trade receivables	10,272,100	8,935,412
Less : Allowance for impairment losses	(154,663)	(213,172)
	10,117,437	8,722,240

The reconciliation of the allowance account is as follows : -

	2018 RM	2017 RM
At beginning of the financial year	213,172	213,172
Bad debts written off	(213,172)	-
Impairment loss recognised	154,663	-
At end of the financial year	154,663	213,172

Included in trade receivables are as follows : -

i) an amount of RM370,074 (2017 – RM67,066) due from a company in which one of the directors have an interest; and

ii) an amount of RM165,540 (2017 – Nil) due from the associated company.

The normal trade credit term of trade receivables is immediate payment to 30 days (2017 – 30 days). Other credit terms are assessed and approved on a case-by-case basis.

9. Trade receivables (Cont'd.)

The foreign currency exposures of trade receivables of the Group are as follows : -

	2018 RM	2017 RM
US Dollar	**477,097**	556,046

10. Contract assets /(liabilities)

	2018 RM	2017 RM
<u>Contract assets</u>		
Contract costs incurred to date	**10,388,668**	5,968,815
Add : Attributable profits	**3,402,954**	2,213,492
	13,791,622	8,182,307
Less : Progress billings	**(7,871,555)**	(7,128,860)
	5,920,067	1,053,447
<u>Contract liabilities</u>		
Contract costs incurred to date	**2,506,714**	800,172
Add : Attributable profits	**839,047**	266,724
	3,345,761	1,066,896
Less : Progress billings	**(8,040,755)**	(5,186,464)
	(4,694,994)	(4,119,568)

11. Other receivables, deposits and prepayments

	2018 RM	2017 RM
Other receivables	**768,099**	1,284,331
Other deposits	**455,425**	487,739
Prepayments	**328,478**	187,747
	1,552,002	1,959,817

Included in other receivables and deposits are as follows : -

i) an amount of RM2,500 (2017 – RM914,043) due from a company in which one of the directors has an interest;

ii) rental and utilities deposits of RM120,000 (2017 – RM30,000) due from a company in which one of the directors has an interest; and

iii) an amount of RM72,996 (2017 – Nil) relating to the deposit paid for the purchase of plant and equipment.

The amounts outstanding are unsecured, interest free and repayable on demand in cash and cash equivalents.

12. **Deposits with a licensed bank**

Included in deposits with a licensed bank is an amount of RM2,815,514 (2017 – RM1,685,556) are pledged as security for the credit facilities granted to the Group.

The effective interest rate of deposits with a licensed bank is 3.35% (2017 – 3.10% to 3.15%) per annum.

The deposits with a licensed bank have maturity period of 12 months (2017 – 12 months).

13. **Share capital**

	2018 Number of shares	2017 Number of shares	**2018** **RM**	2017 RM
Issued and fully paid:				
At beginning of the financial year				
- GPP Resources Berhad	-	-	-	-
- Green Energy Resources (M) Sdn. Bhd.	**3,000,000**	500,000	**3,000,000**	500,000
- Green Palm Products Sdn. Bhd.	**10,000**	10,000	**10,000**	10,000
- Profina Plywood Sdn. Bhd.	**5,000,000**	2,500,000	**5,000,000**	2,500,000
	8,010,000	3,010,000	**8,010,000**	3,010,000
Issued during the financial year				
- GPP Resources Berhad *	**2**	-	**2**	-
- Green Energy Resources (M) Sdn. Bhd.	-	2,500,000	-	2,500,000
- Green Palm Products Sdn. Bhd.	-	-	-	-
- Profina Plywood Sdn. Bhd.	**1,608,693**	2,500,000	**1,608,693**	2,500,000
	1,608,695	5,000,000	**1,608,695**	5,000,000
At end of the financial year				
- GPP Resources Berhad	**2**	-	**2**	-
- Green Energy Resources (M) Sdn. Bhd.	**3,000,000**	3,000,000	**3,000,000**	3,000,000
- Green Palm Products Sdn. Bhd.	**10,000**	10,000	**10,000**	10,000
- Profina Plywood Sdn. Bhd.	**6,608,693**	5,000,000	**6,608,693**	5,000,000
	9,618,695	8,010,000	**9,618,695**	8,010,000

* These shares are issued to the subscribers at the date of incorporation.

During the financial year, Profina Plywood Sdn. Bhd., one of the combining entities of the Group, increased its issued ordinary share capital from RM5,000,000 to RM6,608,693 by ways of capitalisation amount owing to director and related parties of RM1,608,693.

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. All ordinary shares rank equally with regard to the Company's residual assets.

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14. **Retained profits**

Under the single tier income tax system, the Group is not required to have tax credit under Section 108 of the Income Tax Act, 1967 for dividend payment purposes. Dividends paid under this system are tax exempt in the hands of shareholder.

15. **Borrowings**

	2018 RM	2017 RM
Non-current liabilities		
Secured		
Finance lease liabilities	**100,730**	181,269
Islamic bank financing - Term financing-i	**1,595,811**	-
	1,696,541	181,269
Current liabilities		
Secured		
Bank overdraft	**296,785**	19
Cash line financing-i	**2,961,364**	1,176,078
Finance lease liabilities	**157,851**	389,038
Islamic bank financing - Term financing-i	**336,480**	-
	3,752,480	1,565,135
Total borrowings		
Secured		
Bank overdraft (Note 16)	**296,785**	19
Cash line financing-i (Note 16)	**2,961,364**	1,176,078
Finance lease liabilities (Note 17)	**258,581**	570,307
Islamic bank financing - Term financing-i (Note 18)	**1,932,291**	-
	5,449,021	1,746,404

Effective interest /profit rates per annum on the borrowings of the Group are as follows : -

	2018 %	2017 %
Bank overdraft	**8.07**	7.71
Cash line financing-i	**8.17 - 8.45**	8.17
Finance lease liabilities	**4.03 - 7.44**	4.03 - 7.44
Islamic bank financing - Term financing-i	**8.45 - 9.70**	-

16. **Bank overdraft and cash line financing-i**

Secured

The bank overdraft and cash line financing-i are secured by the following : -

i) jointly and severally guaranteed by certain directors of the combining entities;

ii) pledged of Group's fixed deposits of RM2,815,514; and

iii) pledged of a director's fixed deposits of RM300,000.

17. **Finance lease liabilities**

	2018 RM	2017 RM
Minimum lease payments : -		
- not later than one year	**169,167**	417,072
- later than one year and not later than two years	**94,464**	120,567
- later than two years and not later than five year	**9,800**	70,264
	273,431	607,903
Less : Future interest charges	**(14,850)**	(37,596)
Present value of finance lease liabilities	**258,581**	570,307
Repayable as follows : -		
Non-current liabilities		
- later than one year and not later than two years	**91,304**	112,833
- later than two years and not later than five years	**9,426**	68,436
	100,730	181,269
Current liabilities		
- not later than one year	**157,851**	389,038
	258,581	570,307

The Group obtains finance lease facilities to finance its purchase of motor vehicles and equipment. The remaining finance lease terms are in the range from 1 to 3 years as at 31 December 2018. Implicit interest rate of the finance lease is fixed at the inception of the finance lease arrangements, and the finance lease instalments are fixed throughout the finance lease period. The Group has the option to purchase the assets at the end of the agreements. There are no significant restriction clauses imposed on the finance lease arrangements.

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18. Islamic bank financing - Term financing-i

	2018 RM	2017 RM
Islamic bank financing - Term financing-i	**1,932,291**	-
Repayable as follows : -		
Non-current liabilities		
- later than one year and not later than two years	**396,710**	-
- later than two years and not later than five years	**1,199,101**	-
	1,595,811	-
Current liabilities		
- not later than one year	**336,480**	-
	1,932,291	-

The Islamic bank financing – Term financing-i are secured by the following : -

i) guarantee under the Portfolio Guarantee Scheme of up to RM770,000;

ii) jointly and severally guaranteed by certain directors of the combining entities; and

iii) pledged of Group's fixed deposits of RM2,815,514.

19. Deferred tax liabilities

	2018 RM	2017 RM
Balance at beginning of the financial year	**139,000**	(25,250)
Recognised in profit or loss (Note 28)	**375,000**	164,250
Balance at end of the financial year	**514,000**	139,000

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19. Deferred tax liabilities (Cont'd.)

The component and movement of deferred tax assets and liabilities during the financial year prior to offsetting are as follows : -

	As at 1 January RM	Recognised in profit or loss RM	As at 31 December RM
2018			
Deferred tax assets			
Unabsorbed capital allowance	**(377,000)**	**(4,000)**	**(381,000)**
Deferred tax liabilities			
Accelerated capital allowance	**516,000**	**379,000**	**895,000**
2017			
Deferred tax assets			
Unabsorbed capital allowance	(128,000)	(249,000)	(377,000)
Unrealised foreign exchange	(13,379)	13,379	-
	(141,379)	(235,621)	(377,000)
Deferred tax liabilities			
Accelerated capital allowance	116,129	399,871	516,000

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and where the deferred income taxes relate to the same tax authority. The net deferred tax assets and liabilities shown on the statement of financial position after appropriate off setting are : -

	2018 RM	2017 RM
Deferred tax assets	**(381,000)**	(377,000)
Deferred tax liabilities	**895,000**	516,000
	514,000	139,000

20. Trade payables

The normal credit terms of trade payables are range from immediate payment to 60 days. However, the terms may vary upon negotiation with the trade payables.

Included in trade payables is an amount of RM1,560,754 (2017 – RM690,024) due to companies in which one of the directors has an interest.

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20. Trade payables (Cont'd.)

The foreign currency exposures of trade payables of the Group are as follows : -

	2018 RM	2017 RM
Euro	**484,679**	1,303,026
US Dollar	**1,580,416**	532,446
Singapore Dollar	**789,109**	54,546

21. Other payables and accruals

	2018 RM	2017 RM
Other payables	**2,219,330**	2,547,024
Deposits received	**45,305**	45,805
Accruals	**455,865**	484,515
	2,720,500	3,077,344

Included in other payables are as follows : -

i) an amount of RM1,504,763 (2017 – RM1,868,440) due to companies in which one of the directors has an interest;

ii) an amount of Nil (2017 – RM253,553) due to a company in which certain directors have an interest; and

iii) an amount of RM30,322 (2017 – Nil) due to the associated company.

The amounts outstanding are unsecured, interest free and repayable on demand in cash and cash equivalents.

The foreign currency exposures of other payables of the Group are as follows : -

	2018 RM	2017 RM
Singapore Dollar	**30,322**	-

22. Amount due to directors

The amount outstanding was unsecured, interest free and repayable on demand in cash and cash equivalents.

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23. Revenue

	2018 RM	2017 RM
Revenue from contract with customers : -		
- Contract revenue from construction	**12,788,181**	7,431,611
- Contract income from power generator	**432,845**	440,463
- Maintenance services	**2,213,038**	2,291,603
- Sale of goods	**11,436,281**	8,570,037
	26,870,345	18,733,714
Timing of revenue : -		
- At point in time	**14,082,164**	11,302,103
- Over time	**12,788,181**	7,431,611
	26,870,345	18,733,714

24. Other income

	2018 RM	2017 RM
Gain on disposal of plant and equipment	**38,100**	-
Gain on foreign exchange		
- Realised	**56,359**	74,521
- Unrealised	**18,424**	59,644
Government grants	**59,800**	358,800
Interest received	**80,700**	48,851
Rental received	**41,000**	11,000
Sales of scrap materials	**1,500**	-
Utilities charges received	**6,085**	1,274
	301,968	554,090

25. Finance costs

	2018 RM	2017 RM
Interest expense of financial liabilities that are not measured at fair value through profit or loss : -		
- Bank commitment	**1,185**	1,399
- Bank guarantee	**-**	10,488
- Bank overdraft	**14,532**	12,789
- Bankers' acceptance	**-**	55,102
- Cash line financing-i	**205,826**	62,595
- Finance lease	**28,927**	58,914
- Islamic bank financing - Term financing-i	**65,865**	-
	316,335	201,287

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26. Profit before taxation

	2018 RM	2017 RM
This is arrived at after charging : -		
Amortisation of intangible asset	**4,910**	-
Auditors' remuneration		
- current year	**50,800**	60,050
- under provision in previous financial year	**50**	-
Depreciation	**860,535**	591,782
Directors' remuneration		
- fee	**60,000**	-
- other emoluments	**98,000**	24,000
Impairment losses on trade receivables	**154,663**	-
Interest		
- Bank commitment	**1,185**	1,399
- Bank guarantee	**-**	10,488
- Bank overdraft	**14,532**	12,789
- Bankers' acceptance	**-**	55,102
- Cash line financing-i	**205,826**	62,595
- Finance lease	**28,927**	58,914
- Islamic bank financing – Term financing-i	**65,865**	-
Loss on disposal of plant and equipment	**34,100**	-
Loss on foreign exchange		
- Realised	**98,538**	32,524
- Unrealised	**35,890**	23,904
Plant and equipment written off	**-**	895
Rental		
- Premises	**730,644**	359,760
- Plant and equipment	**83,613**	26,756
and crediting : -		
Gain on disposal of plant and equipment	**38,100**	-
Gain on foreign exchange		
- Realised	**56,359**	74,521
- Unrealised	**18,424**	59,644
Interest received	**80,700**	48,851
Rental received	**41,000**	11,000

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27. Employee information

	2018 RM	2017 RM
Salaries and allowances	**2,877,664**	2,205,962
Employees Provident Fund	**145,658**	91,621
Employment Insurance System	**1,460**	-
Social security costs	**14,586**	9,946
Other staff related expenses	**37,586**	27,142
	3,076,954	2,334,671

The total number of employees of the Group at the end of the financial year was 45 (2017 – 46).

28. Income tax expenses

	2018 RM	2017 RM
Tax provision for the financial year	**579,400**	430,000
Under /(Over)provision in previous financial year	**25,196**	(5,523)
Deferred taxation (Note 19)	**375,000**	164,250
	979,596	588,727

Income tax is calculated at the Malaysian statutory tax rates of 20% to 24% of the estimated assessable profit for the financial year.

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group is as follows : -

	2018 RM	2017 RM
Profit before taxation	**2,634,596**	2,337,374
Taxation at Malaysian statutory tax rate of 24%	**632,302**	560,970
Tax effects of : -		
Effect of changes in tax rate	**-**	(33,163)
Non-allowable expenses	**397,342**	66,443
Non-taxable income	**23,747**	-
Under /(Over) provision of taxation in previous years	**25,196**	(5,523)
Utilisation of unabsorbed capital allowances	**(98,991)**	-
Tax expense for the financial year	**979,596**	588,727

Subject to the approval by Inland Revenue Board, as at 31 December 2018, the Group has unabsorbed capital allowances of approximately RM1,600,000 (2017 – RM2,100,000) to be carried forward to offset against future taxable profits of the Group. The unabsorbed capital allowances are only allowed to be carried forward to offset against future taxable profits from the same business source of the Group.

28. Income tax expenses (Cont'd.)

The utilisation of unabsorbed and capital allowances is as follows : -

	2018 RM	2017 RM
Capital allowances - approximate		
Balance brought forward	**2,100,000**	711,000
Claimed during the financial year	**1,500,000**	1,389,000
	3,600,000	2,100,000
Utilised during the financial year	**(2,000,000)**	-
	1,600,000	2,100,000

The tax saving derived from the utilisation of unabsorbed capital allowances brought forward from previous years amounted to approximately RM120,000 (2017 – Nil).

29. Earnings per share

Basic :

Basic earnings per share is calculated by dividing the profit for the year attributable to equity holders of the Group by the weighted average number of ordinary shares in issue during the financial year.

	2018 RM	2017 RM
Profit for the financial year attributable to ordinary equity holders of the Group	**1,655,000**	1,748,647

	Number of shares Unit	Unit
Number of shares in issue at 1 January	**8,010,000**	3,010,000
Issue of shares	**855,033**	5,000,000
Weighted average number of ordinary shares in issue	**8,865,033**	8,010,000
Basic earnings per share (sen)	**18.67**	21.83

30. Purchase of plant and equipment

During the financial year, the Group made the following cash payments to purchase plant and equipment : -

	2018 RM	2017 RM
Purchase of plant and equipment (Note 4)	**2,894,264**	6,387,586

31. Cash and cash equivalents

Cash and cash equivalents included in the cash flow statements comprise the following statements of financial position amounts : -

	2018 RM	2017 RM
Deposits with licensed bank	**2,816,514**	1,685,556
Cash and bank balances	**96,145**	876,407
Bank overdraft	**(296,785)**	(19)
Cash line financing-i	**(2,961,364)**	(1,176,078)
	(345,490)	1,385,866
Less : Pledged deposits (Note 12)	**(2,815,514)**	(1,685,556)
Less : Deposits with maturity period of more than 3 months	**(1,000)**	-
	(3,162,004)	(299,690)

The foreign currency exposures of cash and bank balances of the Group are as follows : -

	2018 RM	2017 RM
US Dollar	**32,394**	65,414

32. Segmental information

The Group has two reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different corporate and marketing strategies. For each of the strategic business units, the Group's Executive Directors reviews internal management reports at the least on quarterly basis. The following summary describes the operations in each of the Group's reportable segments : -

- Trading — Biomass and downstream value added products.
- Renewable energy plants and energy related facilities — Design, engineering, procurement, construction, installation and commissioning of renewable energy plants and energy related facilities. The company also operates, manages and maintains renewable energy plants and energy related facilities.

Other non-reportable segment represents acquire, own, lease, assign, license, purchase, apply for, registration of any intellectual property and other related services. None of this segment met the quantitative thresholds for reporting segments in 2018 and 2017.

The accounting policies of the reportable segments are the same as described in Note 3 to the combined financial statements.

32. **Segmental information (Cont'd.)**

There are varying levels of integration among the reportable segments. This integration includes transfer of financial resources. Inter-segment pricing is determined on negotiated basis in a manner similar to transactions with third parties.

Performance is measured based on segment profit before tax, interest, depreciation and amortisation, as included in the internal management reports that are reviewed by Group's Executive Directors. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segment assets and liabilities

The total of segment assets and liabilities are measured based on all assets and liabilities of a segment, as included in the internal management reports that are reviewed by the Group's Executive Directors.

Segment capital expenditure

Segment capital expenditure is the total cost incurred during the financial year to acquire plant and equipment, and intangible assets other than goodwill.

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32. Segmental information (Cont'd.)

a) Business segment

2018	Trading RM	Renewable energy plants and energy related facilities RM	Others RM	Elimination RM	Total RM
Revenue					
Sales to external customers	11,436,281	15,434,064	-	-	26,870,345
Inter-segment revenue	-	-	5,397	(5,397)	-
Total revenue	11,436,281	15,434,064	5,397		26,870,345
Results					
Operating results	1,406,538	2,172,199	(708,506)	-	2,870,231
Interest income	180	80,520	-	-	80,700
Finance costs	(45,229)	(271,106)	-	-	(316,335)
Profit before taxation	1,361,489	1,981,613	(708,506)	-	2,634,596
Income tax expense	(299,590)	(679,606)	(400)	-	(979,596)
Profit /(Loss) for the financial year	1,061,899	1,302,007	(708,906)	-	1,655,000
Assets					
Segment assets /Total assets	13,240,313	22,662,085	51,138	(514,432)	35,439,104
Liabilities					
Segment liabilities /Total liabilities	(5,202,506)	(14,384,170)	(762,524)	514,432	(19,834,768)

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32. **Segmental information (Cont'd.)**

a) Business segment (Cont'd.)

2018	Trading	Renewable energy plants and energy related facilities	Others	Elimination	Total
	RM	RM	RM	RM	RM
Other information					
Amortisation of intangible asset	-	-	(4,910)	-	(4,910)
Depreciation	(557,526)	(303,009)	-	-	(860,535)
Non-cash expenses					
Impairment losses on trade receivables	(45,203)	(109,460)	-	-	(154,663)
Loss on foreign exchange					
- unrealised	-	(35,890)	-	-	(35,890)
Non-cash income					
Gain on foreign exchange					
- unrealised	-	18,424	-	-	18,424
Included in the measure of segment assets are : -					
Additions to non-current assets other than financial instruments and deferred tax assets	2,712,757	211,829	45,490	-	2,970,076

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32. **Segmental information (Cont'd.)**

a) Business segment (Cont'd.)

2017	Trading RM	Renewable energy plants and energy related facilities RM	Others RM	Elimination RM	Total RM
Revenue					
Sales to external customers	8,570,037	10,163,677	-	-	18,733,714
Results					
Operating results	588,710	1,903,486	(2,386)	-	2,489,810
Interest income	31	48,820	-	-	48,851
Finance costs	(32,753)	(168,534)	-	-	(201,287)
Profit before taxation	555,988	1,783,772	(2,386)	-	2,337,374
Income tax expense	(121,000)	(467,727)	-	-	(588,727)
Profit /(Loss) for the financial year	434,988	1,316,045	(2,386)	-	1,748,647
Assets					
Segment assets /Total assets	9,709,741	16,813,762	1,108	-	26,524,611
Liabilities					
Segment liabilities /Total liabilities	4,342,526	9,837,854	3,590	-	14,183,970

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32. **Segmental information (Cont'd.)**

a) Business segment (Cont'd.)

2017	Trading RM	Renewable energy plants and energy related facilities RM	Others RM	Elimination RM	Total RM
Other information					
Depreciation	(298,527)	(293,255)	-	-	(591,782)
Non-cash expenses					
Loss on foreign exchange					
- unrealised	-	(23,904)	-	-	(23,904)
Plant and equipment written off	-	(895)	-	-	(895)
Non-cash income					
Gain on foreign exchange					
- unrealised	-	59,644	-	-	59,644
Included in the measure of segment assets are : -					
Additions to non-current assets other than financial instruments and deferred tax assets	5,446,596	940,990	-	-	6,387,586

32. **Segmental information (Cont'd.)**

a) Geographical segments

The trading and renewable energy plants and energy related facilities operations are managed on a worldwide basis, but operate manufacturing facilities and sales offices in Malaysia (country of domicile).

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of assets.

	Group	
	Revenue	**Non-current assets**
2018	**RM**	**RM**
Malaysia	**24,911,509**	**11,073,353**
Africa	**1,336,881**	**-**
Iran	**177,380**	**-**
Iraq	**166,357**	**-**
Singapore	**157,020**	**26,243**
Taiwan	**-**	**848,722**
Turkey	**121,198**	**-**
	26,870,345	**11,948,318**
2017		
Malaysia	18,265,953	10,539,766
Indonesia	72,500	-
Japan	30,260	-
Mexico	136,153	-
Singapore	15,429	-
Taiwan	12,121	-
Turkey	201,298	-
	18,733,714	10,539,766

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

	Group	
	2018	2017
	RM	RM
- Customer A	**3,379,720**	2,234,807
- Customer B	**-**	2,380,786
- Customer C	**-**	2,009,650
	3,379,720	6,625,243

33. **Financial instruments**

a) Categories of financial instruments

The table below provides an analysis of financial instruments categorised under MFRS 9 as follows : -

i) Financial assets measured at amortised cost ("FAAC");
ii) Financial liabilities measured at amortised cost ("FLAC").

	Carrying amount RM	FAAC RM	FLAC RM
2018			
Financial assets			
Trade receivables	**10,117,437**	**10,117,437**	-
Contract assets	**5,920,067**	**5,920,067**	-
Other receivables	**768,099**	**768,099**	-
Deposits with a licensed bank	**2,816,514**	**2,816,514**	-
Cash and bank balances	**96,145**	**96,145**	-
	19,718,262	**19,718,262**	-
Financial liabilities			
Trade payables	**(6,355,834)**	-	**(6,355,834)**
Contract liabilities	**(4,694,994)**	-	**(4,694,994)**
Other payables and accruals	**(2,720,500)**	-	**(2,720,500)**
Bank overdraft	**(296,785)**	-	**(296,785)**
Cash line financing-i	**(2,961,364)**	-	**(2,961,364)**
Finance lease liabilities	**(258,581)**	-	**(258,581)**
Islamic bank financing - Term financing-i	**(1,932,291)**	-	**(1,932,291)**
	(19,220,349)	-	**(19,220,349)**

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33. Financial instruments (Cont'd.)

a) Categories of financial instruments (Cont'd.)

The table below provides an analysis of financial instruments categorised under MFRS 139 as follows : -

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

2017	Carrying amount RM	L&R RM	AFS RM	FL RM
Financial assets				
Other investment	510,000	-	510,000	-
Trade receivables	8,722,240	8,722,240	-	-
Contract assets	1,053,447	1,053,447	-	-
Other receivables	1,284,331	1,284,331	-	-
Deposits with a licensed bank	1,685,556	1,685,556	-	-
Cash and bank balances	876,407	876,407	-	-
	14,131,981	13,621,981	510,000	-
Financial liabilities				
Trade payables	(4,121,907)	-	-	(4,121,907)
Contract liabilities	(4,119,568)	-	-	(4,119,568)
Other payables and accruals	(3,077,344)	-	-	(3,077,344)
Amount due to directors	(906,843)	-	-	(906,843)
Bank overdraft	(19)	-	-	(19)
Cash line financing-i	(1,176,078)	-	-	(1,176,078)
Finance lease liabilities	(570,307)	-	-	(570,307)
	(13,972,066)	-	-	(13,972,066)

b) Financial risk management

The Group has exposure to the following risks from its use of financial instruments : -

- Credit risk
- Liquidity and cash flow risk
- Market risk
- Operational risk

i) 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 its receivables from customers.

33. Financial instruments (Cont'd.)

b) Financial risk management (Cont'd.)

i) Credit risk (Cont'd.)

Trade receivables and contract assets

Risk management objectives, policies and processes for managing the risk

The credit risks are minimised and monitored via strictly limiting the Group's associations to business partners with high credit worthiness. The Group also has an internal credit review which is conducted if the credit risk is material. Trade receivables and contract assets are monitored on an ongoing basis via the Group's management reporting procedures.

Exposure to credit risk, credit quality and collateral

As at 31 December 2018, the Group has significant concentration of credit risk in the form of outstanding balance of approximately RM8,000,000 due from five trade receivables which represents approximately 79% of the total trade receivables of the Group. However, the directors of the Group are of the opinion that these amounts outstanding are fully recoverable. Credit risk and receivables are monitored on an ongoing basis. These procedures substantially mitigate credit risk of the Group.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are measured at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any past due receivables having significant balances, which are deemed to have higher credit risk, are monitored individually.

The trade receivables and contract assets are not secured by any collateral or supported by any other credit enhancements.

Recognition and measurement of impairment losses

The Group uses an allowance matrix to measure the expected credit losses ("ECL") of trade receivables and contract assets from individual customers, which comprise a very large number of insignificant balances outstanding.

To measure the ECLs, trade receivables and contract assets have been grouped based on credit risk and days past due.

Where a receivable has a low credit risk, it is excluded from the allowance matrix and its ECL is assessed individually by considering historical payment trends and financial strength of the receivable.

33. **Financial instruments (Cont'd.)**

b) Financial risk management (Cont'd.)

i) Credit risk (Cont'd.)

Trade receivables and contract assets (Cont'd.)

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

2018	Gross RM	Loss allowance RM	Net RM
Current (not past due)	**8,286,551**	**-**	**8,286,551**
1-30 days past due	**5,888,460**	**-**	**5,888,460**
31-60 days past due	**570,105**	**1,227**	**568,878**
61-90 days past due	**59,493**	**595**	**58,898**
91-120 days past due	**356,068**	**17,804**	**338,264**
More than 120 days past due	**996,060**	**99,607**	**896,453**
	16,156,737	**119,233**	**16,037,504**
Credit impaired			
Individually impaired	**35,430**	**35,430**	**-**
	16,192,167	**154,663**	**16,037,504**
Trade receivables	**10,272,100**	**154,663**	**10,117,437**
Contract assets	**5,920,067**	**-**	**5,920,067**
	16,192,167	**154,663**	**16,037,504**

Movements in the allowance for impairment losses in respect of trade receivables and contract assets

On the date of initial application of MFRS 9, Financial Instruments, there was no adjustment on the ending balance of the allowance for impairment losses reported under the previous MFRS 139, Financial Instruments : Recognition and Measurement, to derive the opening balance allowance for impairment losses determined in accordance with MFRS 9, Financial Instruments.

33. Financial instruments (Cont'd.)

b) Financial risk management (Cont'd.)

i) Credit risk (Cont'd.)

Trade receivables and contract assets (Cont'd.)

Movements in the allowance for impairment losses in respect of trade receivables and contract assets (Cont'd.)

The movements in the allowance for impairment in respect of trade receivables and contract assets during the financial year are as follows : -

2018	Trade receivables Lifetime ECL RM	 Credit impaired RM	Contract asset RM	Total RM
Balance at 1 January per MFRS 9	-	**213,172**	-	**213,172**
Amounts written off	-	**(213,172)**	-	**(213,172)**
Net measurement of loss allowance	**119,233**	**35,430**	-	**154,663**
Balance at 31 December	**119,233**	**35,430**	-	**154,663**

Comparative under MFRS 139 Financial Instruments : Recognition and Measurement

The ageing of trade receivables and contract assets as at 31 December 2017 was as follows : -

2017	Gross RM	Individual impairment RM	Net RM
Not past due	8,111,662	-	8,111,662
Past due 1 - 30 days	423,684	-	423,684
Past due over 30 days	1,453,513	(213,172)	1,240,341
	9,988,859	(213,172)	9,775,687
Trade receivables	8,935,412	(213,172)	8,722,240
Contract assets	1,053,447	-	1,053,447
	9,988,859	(213,172)	9,775,687

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33. **Financial instruments (Cont'd.)**

b) Financial risk management (Cont'd.)

i) Credit risk (Cont'd.)

Trade receivables and contract assets (Cont'd.)

Comparative under MFRS 139 Financial Instruments : Recognition and Measurement (Cont'd.)

The movements in the allowance for impairment losses of trade receivables and contract assets during the financial year were : -

	2017 RM
At 1 January	213,172
Impairment loss recognised	-
At 31 December	213,172

At the end of the reporting period, trade receivables and contract assets that are individually impaired were those in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

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, some of the bank balances are insured by government agencies. Consequently, the Group is of the view that the loss allowance is not material and hence, it is not provided for.

Other receivables

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

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

33. **Financial instruments (Cont'd.)**

b) Financial risk management (Cont'd.)

ii) Liquidity and cash flow risk

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

The Group maintains 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.

33. **Financial instruments (Cont'd.)**

b) Financial risk management (Cont'd.)

ii) Liquidity and cash flow risks (Cont'd.)

Maturity analysis

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

	Carrying amount RM	Effective interest rate %	Contractual cash flows RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM
2018							
Non-derivative financial liabilities							
Trade payables	6,355,834	-	6,355,834	6,355,834	-	-	-
Contract liabilities	4,694,994	-	4,694,994	4,694,994			
Other payables and accruals	2,720,500	-	2,720,500	2,720,500	-	-	-
Bank overdraft	296,785	8.07	296,785	296,785	-	-	-
Cash line financing-i	2,961,364	8.17 - 8.45	2,961,364	2,961,364			
Finance lease liabilities	258,581	4.03 - 7.44	273,431	169,167	94,464	9,800	-
Islamic bank financing - Term financing-i	1,932,291	8.45 - 9.70	2,388,606	524,436	524,436	1,339,734	-
	19,220,349		19,691,514	17,723,080	618,900	1,349,534	-

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33. **Financial instruments (Cont'd.)**

b) Financial risk management (Cont'd.)

ii) Liquidity and cash flow risks (Cont'd.)

Maturity analysis (Cont'd.)

The table below summarises the maturity profile of the Group's financial liabilities as at the end of the reporting period based on undiscounted contractual payments : - (Cont'd.)

	Carrying amount RM	Effective interest rate %	Contractual cash flows RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM
2017							
Non-derivative financial liabilities							
Trade payables	4,121,907	-	4,121,907	4,121,907	-	-	-
Contract liabilities	4,119,568	-	4,119,568	4,119,568	-	-	-
Other payables and accruals	3,077,344	-	3,077,344	3,077,344	-	-	-
Amount due to directors	906,843	-	906,843	906,843	-	-	-
Bank overdraft	19	7.71	19	19	-	-	-
Cash line financing-i	1,176,078	8.17	1,176,078	1,176,078	-	-	-
Finance lease liabilities	570,307	4.03 - 7.44	607,903	417,072	120,567	70,264	-
	13,972,066		14,009,662	13,818,831	120,567	70,264	-

33. Financial instruments (Cont'd.)

b) Financial risk management (Cont'd.)

iii) 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.

Currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the respective functional currency of Group entities. The currencies giving rise to this risk are primarily Euro ("EURO"), Singapore Dollar ("SGD") and US Dollar ("USD").

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period are as follows : -

	2018 RM	2017 RM
Denominated in EURO		
Balance recognised in the statement of financial position		
Trade payables	**(484,679)**	(1,303,026)
Denominated in SGD		
Balance recognised in the statement of financial position		
Trade payables	**(789,109)**	(54,546)
Other payables	**(30,322)**	-
	(819,431)	(54,546)
Denominated in USD		
Balance recognised in the statement of financial position		
Trade receivables	**477,097**	556,046
Cash and bank balances	**32,394**	65,414
Trade payables	**(1,580,416)**	(532,446)
	(1,070,925)	89,014

33. **Financial instruments (Cont'd.)**

b) Financial risk management (Cont'd.)

iii) Market risk (Cont'd.)

Currency risk (Cont'd.)

Currency risk sensitivity analysis

A 5% strengthening of RM against the following currencies 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 is based on foreign currency exchange rate variances that the Group considered to be reasonable possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remained constant.

	2018		2017	
	Equity RM	**Profit for the year RM**	Equity RM	Profit for the year RM
EURO				
Increase	**24,234**	**24,234**	65,151	65,151
SGD				
Increase	**40,972**	**40,972**	2,727	2,727
USD				
Increase/ (Decrease)	**53,546**	**53,546**	(4,451)	(4,451)

A 5% of weakening of RM against the above foreign currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

Interest rate risk

The Group's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes interest rates. Short-term investments such as deposits with licensed bank are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

The Group's policy is to borrow principally on the floating rate basis but to retain a proportion of fixed rate debt. The objectives for the mix between fixed and floating rate borrowings are set to reduce the impact of an upward change in interest rates while enabling benefits to be enjoyed if interest rates fall.

33. **Financial instruments (Cont'd.)**

b) Financial risk management (Cont'd.)

iii) Market risk (Cont'd.)

Interest rate risk (Cont'd.)

Exposure to interest rate risk

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

	2018 RM	**Effective interest / profit rate %**	2017 RM	Effective interest / profit rate %
Fixed rate instruments				
Deposits with a licensed bank	**2,816,514**	**3.35**	1,685,556	3.10 - 3.15
Finance lease liabilities	**(258,581)**	**4.03 - 7.44**	(570,307)	4.03 - 7.44
Islamic bank financing				
– Term financing-i	**(1,932,291)**	**8.45 - 9.70**	-	-
Floating rate instruments				
Bank overdraft	**(296,785)**	**8.07**	(19)	7.71
Cash line financing-i	**(2,961,364)**	**8.17 - 8.45**	(1,176,078)	8.17

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. Therefore, a change on interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

At the reporting date, if interest rates had been 100 basis points lower/higher, with all other variables held constant, the Group's profit net of tax would have been RM32,581 higher/lower, arising mainly as a result of lower/higher interest expense on floating rate borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

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33. **Financial instruments (Cont'd.)**

b) Financial risk management (Cont'd.)

iv) Operational risk

The operational risk arises from the daily activities of the Group which includes legal, credit reputation and financing risk and other risks associated to daily running of its business operations.

Such risks are mitigated through proper authority levels of approval limits, clear reporting structure, segregation of duties, policies and procedures implemented and periodic management meetings.

In dealing with its stewardship, the directors recognise that effective risk management is an integral part of good business practice.

The directors will pursue an ongoing process of identifying, assessing and managing key business areas, overall operational and financial risks faced by the business units as well as regularly reviewing and enhancing risk mitigating strategies with its appointed and key management personnel.

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33. **Financial instruments (Cont'd.)**

c) 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 or that they are floating rate instruments that are re-priced to market interest rates on or near to the reporting date.

It was not practicable to estimate the fair value of the Group's investment in unquoted shares due to the lack of comparable quoted market prices and the inability to estimate fair value without incurring excessive costs.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	RM	RM
2018										
Financial liabilities										
Finance lease liabilities	-	-	-	-	-	-	244,315	244,315	244,315	258,581
Islamic bank financing										
- Term financing-i	-	-	-	-	-	-	1,905,823	1,905,823	1,905,823	1,932,291
	-	-	-	-	-	-	2,150,138	2,150,138	2,150,138	2,190,872

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33. **Financial instruments (Cont'd.)**

c) Fair value information (Cont'd.)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	RM	RM
2017										
Financial liabilities										
Finance lease liabilities	-	-	-	-	-	-	528,882	528,882	528,882	570,307

33. **Financial instruments (Cont'd.)**

c) Fair value information (Cont'd.)

The following shows the valuation techniques used in the determination of fair values within Level 3 for financial instruments not carried at fair value, as well as the key unobservable inputs used in the valuation models.

Type	Description of valuation technique and inputs used
Bank borrowings	Discounted cash flows using a rate based on the current market rate of borrowing of the Group at the reporting date.

34. **Capital management**

The primary objective of capital management is to ensure that an entity maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure to safeguard its ability to continue as a going concern in order to maintain investor, creditors and market confidence and to sustain future business development. The Group's overall strategy remains unchanged from the previous financial year.

The capital management in the Group is the shareholder's funds as shown in the statement of financial position.

35. **Contingent liabilities**

	2018 RM	2017 RM
Secured		
Bankers' guarantees issued in favour of third parties	104,556	-

The bank guarantee expires on 2 January 2019 and was secured by deposits with a licensed bank as disclosed in Note 12 to the combined financial statements.

36. **Related parties**

Identity of related parties

For the purposes of these combined financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the directors of the Group, and certain members of the senior management of the Group.

36. **Related parties (Cont'd.)**

Significant related party transactions

Related party transactions have been entered into the normal course of business under normal trade terms. The significant related party transactions of the Group are show below. The related party balances are shown in Note 9, 11, 20, 21 and 22 to the combined financial statements.

a) Related party /companies transactions : -

i) Transactions with companies in which one of the directors of the Company, namely Ma Eng Yau, has financial interests : -

	2018 **RM**	2017 RM
- Rental received	**36,000**	6,000
- Utilities charges received	**4,450**	301
- Purchases of goods	**(131,260)**	(34,800)
- Purchase of plant and equipment	**(5,500)**	-
- Rental paid	**-**	(3,000)

ii) Transactions with a company in which one of the directors of the Company, namely Tan Ng Wee Chin, has financial interests : -

	2018 **RM**	2017 RM
- Maintenance services	**43,100**	-
- Sales of goods	**61,168**	5,426
- Purchases of goods	**(1,153,550)**	(842,300)
- Purchases of plant and machineries	**(34,280)**	(2,718,400)

iii) Transactions with a company in which one of the directors of the Company, namely Wee Lok Hain, has financial interests : -

	2018 **RM**	2017 RM
- Purchases of goods	**(635,170)**	(224,972)

iv) Transactions with a company in which certain directors of the Company, namely Ma Eng Yau and Tan Tiam Aik, have financial interests : -

	2018 **RM**	2017 RM
- Rental received	**5,000**	5,000
- Utilities charges received	**1,635**	973

Notes to the Combined Financial Statements

31 December 2018

36. **Related parties (Cont'd.)**

Significant related party transactions (Cont'd.)

a) Related party /companies transactions (Cont'd.) : -

v) Transactions with a company in which certain directors of the Company, namely Tan Tiam Aik and Tan Ng Wee Chin, have financial interests : -

	2018	2017
	RM	RM
- Maintenance services	**379,574**	16,100
- Purchases of goods	**(363,850)**	(200,000)
- Purchases of plant and machineries	**-**	(5,215)

vi) Transactions with a company in which certain directors of the Company, namely Tan Tiam Aik, Tan Ng Wee Chin and Tan Tiam Poh, have financial interests : -

	2018	2017
	RM	RM
- Rental expenses	**(360,000)**	-
- Utilities expenses	**(752,152)**	-

vii) Transactions with a company in which certain directors of the Company, namely Ma Eng Yau, Tan Tiam Aik and Tan Tiam Poh, have financial interests : -

	2018	2017
	RM	RM
- Rental paid	**(316,800)**	(264,000)

viii) Transactions with the associated company : -

	2018	2017
	RM	RM
- Maintenance services	**157,020**	-

36. Related parties (Cont'd.)

b) Compensation of key management personnel

The remuneration paid by the Group to key management personnel during the financial year are as follows : -

	2018 RM	2017 RM
Directors'		
- Fee	**60,000**	-
- Other emoluments	**98,000**	24,000
- Contribution to defined contribution plan	**11,780**	2,880
	169,780	26,880

37. Combining entities

The principal activities of the combining entites in the Group and the interest of GPP Resources Berhad are as follows : -

Name of combining entites	Place of incorporation	Principal activities	Effective ownership interest 2018 %	2017 %
Green Energy Resources (M) Sdn. Bhd.	Malaysia	Design, engineering, procurement, construction, installation and commissioning of renewable energy plants and energy related facilities and also operates, manages and maintains renewable energy plants and energy related facilities.	**100**	100
Profina Plywood Sdn. Bhd.	Malaysia	Biomass and downstream value added products.	**100**	100
Green Palm Products Sdn. Bhd.	Malaysia	To acquire, own, lease, assign, license, purchase, apply for, registration of any intellectual property and other related services.	**100**	100

Notes to the Combined Financial Statements

31 December 2018

38. **Significant events**

a) On 31 January 2018, Green Energy Resources (M) Sdn. Bhd. ("GERSB"), one of the combining entities of the Group, entered into a Memorandum of Understanding ("MOU") with Acromec Limited, a public limited liability company incorporated in Singapore and is listed on the Catalist of the Singapore Exchange Securities Trading Limited, to establish a joint venture company in Singapore to undertake any technically and commercially viable renewable energy projects.

   On 13 March 2018, a joint venture company, Acropower Pte. Ltd. ("APL"), has been incorporated in Singapore. Following the incorporation, GERSB owned 20% equity interest in APL.

   On 4 December 2018, APL entered into a binding letter of intent ("LOI") with Chew's Agriculture Pte. Ltd. ("CAPL") to build-own-operate a waste-to-energy power plant on CAPL's farm. The parties to the LOI have agreed to extend the validity of the LOI to 18 May 2019.

   On 21 May 2019, APL has entered into a definitive agreement with CAPL on terms consistent with the principal terms set out in the LOI.

b) On 5 March 2018, GERSB, one of the combining entities of the Group, disposed off the investment in unquoted shares at cost of RM510,000 to companies in which certain directors have an interest at a total consideration of RM510,000.

c) On 16 March 2018, Green Palm Products Sdn. Bhd. ("GPPSB"), one of the combining entities of the Group, ceased to be a subsidiary of Bright Sight Sdn. Bhd. ("BSSB") following by the disposal of 7,000 shares representing 70% of the equity interest in the company by BSSB to 3 individuals, which included 2 directors of the Group.

d) On 18 June 2018, GPPSB, one of the combining entities of the Group, entered into a Deed of Assignment with ESS Realty Sdn. Bhd. ("ERSB") to acquire the rights, titles and interests in the utility innovation ("a method to manufacture plywood") and all future improvements made or discovered by ERSB in connection with the said utility innovation, for a total consideration of RM10.

e) On 18 June 2018, Profina Plywood Sdn. Bhd. ("PPSB") entered into a License Agreement with GPPSB, for the use of the utility innovation ("a method to manufacture plywood") held by GPPSB, PPSB and GPPSB are both the combining entities of the Group.

Notes to the Combined Financial Statements

31 December 2018

38. Significant events (Cont'd.)

f) On 2 July 2018, GPP Resources Berhad ("GPPRB") entered into Share Sale Agreements with all the combining entities of the Group, namely Green Energy Resources (M) Sdn. Bhd. ("GERSB"), Green Palm Products Sdn. Bhd. ("GPPSB") and Profina Plywood Sdn. Bhd. ("PPSB") to acquire : -

   i) 3,000,000 ordinary shares in GERSB, representing 100% equity interest for a total purchase consideration of RM6,975,908 via issuance of 69,759,080 ordinary shares of RM0.10 each in GPPRB;

   ii) 10,000 ordinary shares in GPPSB, representing 100% equity interest for a total purchase consideration of RM1 via issuance of 10 ordinary shares of RM0.10 each in GPPRB; and

   iii) 6,608,693 ordinary shares in PPSB, representing 100% equity interest for a total purchase consideration of RM6,975,908 via issuance of 69,759,080 ordinary shares of RM0.10 each in GPPRB.

   Following the completion of the transfer of all sale shares on 8 May 2019, GERSB, GPPSB and PPSB became the wholly-owned subsidiaries of the Company.

39. Changes in accounting policy

Classification of financial assets and financial liabilities upon adoption of MFRS 9

The following table shows the initial measurement under MFRS 139 and the new measurement categories under MFRS 9 for each class of the company's financial assets and liabilities as at 1 January 2018 based on the business model assessment done.

	Classification under MFRS 139	New classification under MFRS 9	Carrying amount under MFRS 139 RM	Carrying amount under MFRS 9 RM
Financial assets				
Other investment	Available-for-sale financial assets	Amortised cost	510,000	510,000
Trade receivables	Loans and receivables	Amortised cost	8,722,240	8,722,240
Contract assets	Loans and receivables	Amortised cost	1,053,447	1,053,447
Other receivables	Loans and receivables	Amortised cost	1,284,331	1,284,331
Deposits with licensed banks	Loans and receivables	Amortised cost	1,685,556	1,685,556
Cash and bank balances	Loans and receivables	Amortised cost	876,407	876,407

Notes to the Combined Financial Statements

31 December 2018

39. Changes in accounting policy (Cont'd.)

Classification of financial assets and financial liabilities upon adoption of MFRS 9 (Cont'd.)

	Classification under MFRS 139	New classification under MFRS 9	Carrying amount under MFRS 139 RM	Carrying amount under MFRS 9 RM
Financial liabilities				
Trade payables	Financial liabilities measured at amortised cost	Financial liabilities measured at amortised cost	(4,121,907)	(4,121,907)
Contract liabilities	Financial liabilities measured at amortised cost	Financial liabilities measured at amortised cost	(4,119,568)	(4,119,568)
Other payables and accruals	Financial liabilities measured at amortised cost	Financial liabilities measured at amortised cost	(3,077,344)	(3,077,344)
Amount due to directors	Financial liabilities measured at amortised cost	Financial liabilities measured at amortised cost	(906,843)	(906,843)
Bank overdraft	Financial liabilities measured at amortised cost	Financial liabilities measured at amortised cost	(19)	(19)
Cash line financing-i	Financial liabilities measured at amortised cost	Financial liabilities measured at amortised cost	(1,176,078)	(1,176,078)
Finance lease liabilities	Financial liabilities measured at amortised cost	Financial liabilities measured at amortised cost	(570,307)	(570,307)

Notes to the Combined Financial Statements

31 December 2018

40. Comparative figures

i) The following comparative figures have been reclassified to conform with the current year's presentation : -

	As reclassified RM	As previously report RM
Statement of Financial Position		
- Trade receivables	8,722,240	9,775,687
- Contract assets	1,053,447	-
- Trade payables	(4,121,907)	(8,241,475)
- Contract liabilities	(4,119,568)	-
Statement of Profit or Loss and Other Comprehensive Income		
- Other income	554,090	530,186
- Administrative expenses	(1,978,964)	(1,974,222)
- Other expenses	(212,674)	(188,770)
- Finance costs	(201,287)	(206,029)

ii) The comparative combined financial statements did not include the financial statements of GPP Resources Berhad as it was only incorporated on 25 January 2018.

GPP Resources Berhad
(Incorporated in Malaysia, Company No. 1265775 – W)

Statement by Directors

Pursuant to Section 251(2) of the Companies Act, 2016

We, Ma Eng Yau and Tan Tiam Aik, being two of the directors of GPP Resources Berhad, do hereby state on behalf of the directors that in our opinion, the combined financial statements set out on pages 1 to 82 are drawn up in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group at 31 December 2018 and of the results and the cash flows of the Group for the financial year ended on that date.

Signed on behalf of the Board of Directors

Ma Eng Yau

Tan Tiam Aik

Johor,
Date : 01 AUG 2019

KRESTON
JOHN & GAN

Independent Auditors' Report

to members of GPP Resources Berhad
(Incorporated in Malaysia, Company No. 1265775 – W)

Report on the Audit of the Combined Financial Statements

Opinion

We have audited the combined financial statements of GPP Resources Berhad, which comprise the combined statement of financial position as at 31 December 2018, and the combined statement of profit or loss and other comprehensive income, combined statement of changes in equity and combined statement of cash flows for the year then ended, and notes to the combined financial statements, including a summary of significant accounting policies, as set out on pages 1 to 82.

In our opinion, the accompanying combined financial statements give a true and fair view of the financial position of the Group as at 31 December 2018, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

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 Combined Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group 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.

Responsibilities of the Directors for the Combined Financial Statements

The directors of the Company are responsible for the preparation of combined financial statements of the Group that give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of combined financial statements of the Group that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements of the Group, the directors are responsible for assessing the Group's ability 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 to cease operations, or have no realistic alternative but to do so.

Independent Auditors' Report

to members of GPP Resources Berhad
(Incorporated in Malaysia, Company No. 1265775 – W)

Auditors' Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements of the Group as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the combined financial statements of the Group, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

- 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 Group's ability 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 combined financial statements of the Group 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 to cease to continue as going concern.

- Evaluate the overall presentation, structure and content of the combined financial statements of the Group, including the disclosures, and whether the combined financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the combined financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent Auditors' Report

to members of GPP Resources Berhad
(Incorporated in Malaysia, Company No. 1265775 – W)

Other Matters

This report is made solely to the directors of the Company, as a body for inclusion in the information memorandum of GPP Resources Berhad in connection with the proposed listing of and quotation of the enlarged issued and paid-up share capital of GPP Resources Berhad on the LEAP Market of Bursa Malaysia Securities Berhad. This report is given for the purposes of complying with the LEAP Market listing requirements issued by the Bursa Malaysia Securities Berhad and for no other purpose. We do not assume responsibility to any other person for the contents of this report.

Kreston John & Gan
(AF 0113)
Chartered Accountants

Charles Lee King Long
Approval No: 3142/04/2021(J)
Chartered Accountant

Kuala Lumpur,
Date : 01 AUG 2019