

**FOR RESTRICTED CIRCULATION ONLY**



**GPP RESOURCES BERHAD**  
(Company No.: 1265775-W)  
(Incorporated in Malaysia under Companies Act 2016)

**■ INFORMATION MEMORANDUM**

EXCLUDED ISSUE OF 15,600,000 NEW ORDINARY SHARES TO SOPHISTICATED INVESTORS WITHIN THE MEANING OF SECTION 230 OF THE CAPITAL MARKETS AND SERVICES ACT 2007 AT AN ISSUE PRICE OF RM0.28 PER ORDINARY SHARE IN CONJUNCTION WITH OUR PROPOSED LISTING ON THE LEAP MARKET OF BURSA MALAYSIA SECURITIES BERHAD

**Approved Adviser, Continuing Adviser  
and Placement Agent**



TA SECURITIES HOLDINGS BERHAD (14948-M)  
(A Participating Organisation of Bursa Malaysia Securities Berhad)

**Financial Adviser**



**Quantum Capital Sdn Bhd (683802-A)**  
(formerly known as Salihin Capital Sdn Bhd)

THE LEAP MARKET HAS BEEN POSITIONED AS A MARKET DESIGNED TO ACCOMMODATE CORPORATIONS TO WHICH A HIGHER INVESTMENT RISK MAY BE ATTACHED THAN OTHER CORPORATIONS LISTED ON THE ACE MARKET AND MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD. IT IS A QUALIFIED MARKET WHICH IS MEANT MAINLY FOR SOPHISTICATED INVESTORS (AS DEFINED HEREIN) ONLY. ONLY EXISTING SECURITIES HOLDERS AND SOPHISTICATED INVESTORS ARE ALLOWED TO PARTICIPATE IN CORPORATE EXERCISES UNDERTAKEN BY US. INVESTORS SHOULD BE AWARE OF THE POTENTIAL RISK OF INVESTING IN US AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER DUE AND CAREFUL CONSIDERATION.

**This Information Memorandum is dated 5 August 2019**

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**IMPORTANT NOTICE**

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*All defined terms used in this Information Memorandum are defined under “Definitions”, unless otherwise stated.*

**RESPONSIBILITY STATEMENTS**

THE BOARD AND PROMOTERS OF OUR COMPANY HAVE SEEN AND APPROVED THIS INFORMATION MEMORANDUM. OUR BOARD AND PROMOTERS, HAVING MADE ALL REASONABLE ENQUIRIES AND TO THE BEST OF THEIR KNOWLEDGE, INFORMATION AND BELIEF, COLLECTIVELY AND INDIVIDUALLY ACCEPT FULL RESPONSIBILITY FOR THE ACCURACY OF ALL THE INFORMATION AND STATEMENTS CONTAINED IN THIS INFORMATION MEMORANDUM, AND CONFIRM THAT THIS INFORMATION MEMORANDUM CONTAINS ALL RELEVANT INFORMATION WITH REGARD TO OUR GROUP WHICH IS MATERIAL IN THE CONTEXT OF OUR EXCLUDED ISSUE AND PROPOSED LISTING. AS AT THE DATE HEREOF, THE INFORMATION CONTAINED IN THIS DOCUMENT IS TRUE AND ACCURATE IN ALL MATERIAL RESPECTS AND IS NOT MISLEADING. AS AT THE DATE HEREOF, THE OPINIONS AND INTENTIONS OF OUR COMPANY EXPRESSED HEREIN ARE HONESTLY HELD, AND THAT THERE ARE NO FALSE OR MISLEADING STATEMENTS OR OTHER MATERIAL FACTS WHICH, IF OMITTED, WOULD MAKE ANY STATEMENT IN THIS INFORMATION MEMORANDUM FALSE OR MISLEADING.

TA SECURITIES, BEING THE APPROVED ADVISER, CONTINUING ADVISER AND PLACEMENT AGENT TO OUR PROPOSED LISTING, ACKNOWLEDGES THAT, BASED ON ALL AVAILABLE INFORMATION, AND TO THE BEST OF ITS KNOWLEDGE, THIS INFORMATION MEMORANDUM CONSTITUTES A FULL AND TRUE DISCLOSURE OF ALL MATERIAL FACTS CONCERNING OUR EXCLUDED ISSUE AND PROPOSED LISTING.

**STATEMENTS OF DISCLAIMER**

THIS INFORMATION MEMORANDUM HAS BEEN DRAWN UP IN ACCORDANCE WITH THE LEAP MARKET LISTING REQUIREMENTS FOR OUR EXCLUDED ISSUE AND PROPOSED LISTING AND IS NOT A PROSPECTUS AND HAS NOT BEEN REGISTERED, NOR WILL IT BE REGISTERED AS A PROSPECTUS UNDER THE CMSA. OUR EXCLUDED ISSUE IS WITHIN THE MEANING OF SECTION 230 OF THE CMSA.

THIS INFORMATION MEMORANDUM HAS BEEN PREPARED IN THE CONTEXT OF SECURITIES OFFERING UNDER THE LAWS OF MALAYSIA. IT DOES NOT COMPLY WITH THE LAWS OF ANY JURISDICTION OTHER THAN MALAYSIA, AND HAS NOT AND WILL NOT BE LODGED, REGISTERED OR APPROVED PURSUANT TO OR UNDER ANY APPLICABLE SECURITIES OR EQUIVALENT LEGISLATION OR BY ANY REGULATORY AUTHORITY OF ANY JURISDICTION OTHER THAN MALAYSIA. THIS INFORMATION MEMORANDUM IS NOT TO BE DISTRIBUTED OUTSIDE MALAYSIA.

A COPY OF THIS INFORMATION MEMORANDUM HAS BEEN DEPOSITED WITH THE SC.

THE SC AND BURSA SECURITIES TAKE NO RESPONSIBILITY FOR THE CONTENTS OF THIS INFORMATION MEMORANDUM, MAKE NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIM ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWSOEVER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS INFORMATION MEMORANDUM. THE SC AND BURSA SECURITIES DO NOT MAKE ANY ASSESSMENT ON THE SUITABILITY, VIABILITY OR PROSPECTS OF OUR GROUP. SOPHISTICATED INVESTORS ARE EXPECTED TO MAKE THEIR OWN ASSESSMENT ON OUR GROUP OR SEEK APPROPRIATE ADVICE BEFORE MAKING THEIR INVESTMENT DECISIONS. TA SECURITIES, AS OUR APPROVED ADVISER, HAS ASSESSED THE SUITABILITY OF OUR GROUP FOR ADMISSION TO THE LEAP MARKET OF BURSA SECURITIES AS REQUIRED UNDER RULE 4.10 OF THE LEAP MARKET LISTING REQUIREMENTS.

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**IMPORTANT NOTICE (*CONT'D*)**

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AN APPLICATION HAS BEEN MADE TO BURSA SECURITIES FOR THE ADMISSION OF OUR COMPANY AND THE LISTING OF AND QUOTATION FOR THE ENTIRE ENLARGED SHARE CAPITAL OF OUR COMPANY ON THE LEAP MARKET OF BURSA SECURITIES. NO MONIES SHALL BE COLLECTED FROM SOPHISTICATED INVESTORS FOR THE SUBSCRIPTION OF THE ISSUE SHARES, AND NO NEW SHARES SHALL BE ALLOTTED PURSUANT TO OUR EXCLUDED ISSUE UNTIL BURSA SECURITIES HAS GRANTED ITS APPROVAL FOR THE ADMISSION OF OUR COMPANY TO THE LEAP MARKET OF BURSA SECURITIES. APPROVAL FROM BURSA SECURITIES OF THE SAME IS NOT AN INDICATION OF THE MERITS OF OUR EXCLUDED ISSUE, PROPOSED LISTING, OUR GROUP AND OUR SHARES. THIS INFORMATION MEMORANDUM CAN BE VIEWED OR DOWNLOADED FROM BURSA SECURITIES' WEBSITE AT [www.bursamalaysia.com](http://www.bursamalaysia.com).

THE LEAP MARKET OF BURSA SECURITIES HAS BEEN POSITIONED AS A MARKET DESIGNED TO ACCOMMODATE CORPORATIONS TO WHICH A HIGHER INVESTMENT RISK MAY BE ATTACHED THAN OTHER CORPORATIONS LISTED ON BURSA SECURITIES. IT IS A QUALIFIED MARKET WHICH IS MEANT MAINLY FOR SOPHISTICATED INVESTORS ONLY. ONLY EXISTING SECURITIES HOLDERS ("**HOLDERS**") AND SOPHISTICATED INVESTORS ARE ALLOWED TO PARTICIPATE IN CORPORATE EXERCISES UNDERTAKEN BY OUR COMPANY. SOPHISTICATED INVESTORS SHOULD BE AWARE OF THE POTENTIAL RISKS OF INVESTING IN OUR COMPANY, AND SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF AN INVESTMENT IN OUR COMPANY AND MAKE THE DECISION TO INVEST AFTER DUE AND CAREFUL CONSIDERATIONS AND, IF APPROPRIATE, CONSULTATION WITH STOCKBROKER, MANAGER, SOLICITOR, ACCOUNTANT AND OTHER PROFESSIONAL ADVISERS.

THERE ARE CERTAIN RISK FACTORS WHICH SOPHISTICATED INVESTORS SHOULD CONSIDER. PLEASE REFER TO THE "RISK FACTORS" AS SET OUT IN SECTION 6 OF THIS INFORMATION MEMORANDUM.

SOPHISTICATED INVESTORS SHOULD NOTE THAT THEY MAY SEEK RECOURSE UNDER SECTIONS 248, 249 AND 357 OF THE CMSA FOR BREACHES OF SECURITIES LAWS AND REGULATIONS INCLUDING ANY STATEMENT IN THIS INFORMATION MEMORANDUM THAT IS FALSE, MISLEADING, OR FROM WHICH THERE IS A MATERIAL OMISSION, OR FOR ANY MISLEADING OR DECEPTIVE ACT IN RELATION TO THIS INFORMATION MEMORANDUM. THIS INFORMATION MEMORANDUM OR ANY DOCUMENT DELIVERED UNDER OR IN RELATION TO THE ISSUE, OFFER AND SALE OF OUR SHARES IS NOT AND SHOULD NOT BE CONSTRUED AS A RECOMMENDATION BY US AND/OR THE APPROVED ADVISER TO SUBSCRIBE FOR OR PURCHASE OUR SHARES.

THE PURPOSE OF THIS INFORMATION MEMORANDUM IS TO PROVIDE INFORMATION ON THE BUSINESS AND AFFAIRS OF OUR GROUP. THIS INFORMATION MEMORANDUM IS NOT A SUBSTITUTE FOR AND SHOULD NOT BE REGARDED AS AN INDEPENDENT EVALUATION AND ANALYSIS AND DOES NOT PURPORT TO BE ALL INCLUSIVE. EACH SOPHISTICATED INVESTOR SHOULD PERFORM AND IS DEEMED TO HAVE MADE ITS OWN INDEPENDENT INVESTIGATION, ASSESS THE MERITS AND RISKS OF THE INVESTMENT AND ANALYSIS OF OUR GROUP AND ALL OTHER RELEVANT MATTERS.

THIS INFORMATION MEMORANDUM IS INTENDED FOR CIRCULATION ONLY TO PERSONS WHOM AN ISSUE OF SECURITIES WOULD CONSTITUTE AN EXCLUDED ISSUE WITHIN THE MEANING OF SECTION 230 OF THE CMSA.

THIS INFORMATION MEMORANDUM, IF FURNISHED TO YOU, IS STRICTLY FOR YOUR OWN USE AND IS NOT TO BE CIRCULATED TO ANY OTHER PARTY. INFORMATION IN THIS DOCUMENT IS SUBJECT TO CHANGE FROM TIME TO TIME AS WE AND/OR TA SECURITIES SHALL DEEM FIT.

WE AND/OR TA SECURITIES DO NOT ASSUME ANY FIDUCIARY RESPONSIBILITIES OR LIABILITY FOR ANY CONSEQUENCES, FINANCIAL OR OTHERWISE, ARISING FROM THE SUBSCRIPTION OR ACQUISITION OF OUR SHARES.

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**IMPORTANT NOTICE (CONT'D)**

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**MODE OF COMMUNICATION**

In accordance with our Constitution, we may send notices and documents to our Holders by electronic means to our Holders' registered email address last maintained with Bursa Depository. Our Holders have a right to request for a hard copy of such notices and documents should they wish to do so. In such event, we will forward a hard copy of the notices and documents to our Holders, as soon as reasonably practicable after the receipt of the request, free of charge by ordinary mail to our Holders' registered Malaysian address last maintained with Bursa Depository.

We may also publish notices and documents on our website as a form of electronic communication with our Holders. In such event, we will separately and immediately notify our Holders through the following:

- (i) ordinary mail; and/or
- (ii) electronic means to our Holders' registered email address.

**TERMS AND CONDITIONS BINDING ALL RECIPIENTS**

By accepting this Information Memorandum, you agree and undertake to be bound by the following terms and conditions:

- (i) This Information Memorandum is issued by our Company and distributed by us as well as TA Securities as our Approved Adviser and Placement Agent. The distribution of this Information Memorandum shall be in paper/printed copy and/or electronic copy upon request by interested recipient, free of charge. This Information Memorandum is distributed to interested recipient for information purposes only and upon the express understanding that such recipients will use it only for the purposes set forth below.
- (ii) The information contained in this Information Memorandum, including any statement or fact or opinion is solely for use by a limited number of prospective Sophisticated Investors for the purpose of evaluating their interest in investing in our Group ("**Proposed Investment**"). Nothing contained herein shall be taken as a recommendation or invitation by us and/or TA Securities to undertake the Proposed Investment or as a commitment on our part to accept your Proposed Investment.
- (iii) You are solely responsible for your investment decision and are advised to seek independent financial, legal, tax or such other professional advice at your own cost and expense when making your independent appraisal, assessment, review and evaluation of our business, financial position, financial performance and prospects, the rights and obligations attaching to our Shares, the merits of investing in our Shares, and the extent of the risk involved in doing so.
- (iv) This Information Memorandum may include certain statements provided by us or on our behalf with respect to the anticipated future performance of our Group. These statements, although believed to be reasonable, are based on estimates and assumptions made by us that are subject to risks and uncertainties that may cause actual events and our future results to be materially different from that expected or indicated by such statements or estimates and no assurance can be given that any of such statements or estimates will be realised. In light of these and other uncertainties, the inclusion of forward-looking statements in this Information Memorandum should not be regarded as a representation or warranty by us or TA Securities that our plans and strategies as disclosed herein will be achieved.
- (v) We and TA Securities each reserve the right (without notice or recourse) to alter, amend, terminate or suspend the process in respect of the Proposed Investment ("**Investment Process**") without providing any reason therefor. All costs incurred by you during the Investment Process are for your account only and under no circumstances will we or TA Securities be responsible for any part of such costs, notwithstanding any alteration, amendment, termination or suspension of the Investment Process or the reason thereof.

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**IMPORTANT NOTICE (*CONT'D*)**

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- (vi) Any document in relation to our Excluded Issue and Proposed Listing published or issued from time to time after the date hereof shall be deemed to form part of this Information Memorandum.
- (vii) Subject to the provisions of any law, regulations and guidelines (“**Applicable Laws**”), we and TA Securities each reserve the right to negotiate with one or more prospective Sophisticated Investors at any time. Subject to the Applicable Laws, we and TA Securities each also reserve the rights (without notice or recourse) to terminate, at any time, further participation in the Investment Process by all or any recipients without assigning any reasons thereof.
- (viii) You shall not copy, reproduce, distribute, summarise, excerpt from, publicly refer to or pass on any part of this Information Memorandum to any person at any time without the prior written consent of TA Securities. You shall at all times keep confidential all information contained herein or any other information relating to the Proposed Investment, whether written, oral or in a visual or an electronic form, transmitted or made available to you in the course of your evaluation of the Proposed Investment. In the event that you do not undertake the Proposed Investment for any reason whatsoever, you shall upon request return all materials received from us or TA Securities, including this Information Memorandum, without retaining any copy.
- (ix) Neither the receipt of this Information Memorandum by any recipient nor any information made available in connection with the Proposed Investment is to be taken as constituting the giving of investment advice by TA Securities. TA Securities shall not advise you on the merits or risks of the Proposed Investment or potential valuation for the Proposed Investment.
- (x) This Information Memorandum will not be distributed in any jurisdiction outside Malaysia except in accordance with the legal requirements applicable in such jurisdiction. No recipient in any jurisdiction outside Malaysia may take any action upon this Information Memorandum if, in the relevant jurisdiction, such action cannot be taken by the recipients without contravention of any relevant legal requirements. It is the sole responsibility of any recipients wishing to take any action upon this Information Memorandum to satisfy themselves as to the full observance of the law of the relevant jurisdiction and/or Malaysia in connection therewith, including without limitation, the receipt of our Shares or cash payment upon the sale of our Shares by the recipients, the repatriation of any money by the recipients out of Malaysia, the obtaining of any governmental, exchange control or other consents which may be required, and the payment of any tax or duty due in such jurisdiction. Such recipients shall be responsible for the payment of any tax or other requisite payment due in such jurisdiction, and we and TA Securities shall be entitled to be fully indemnified by such recipients for any tax or payment as the recipients may be required to pay.
- (xi) This Information Memorandum had not been made and will not be made to ensure that our Excluded Issue complies with the laws of any jurisdiction other than Malaysia. We and TA Securities, shall not accept any responsibility or liability in the event that any action taken by any recipients in any jurisdiction outside Malaysia is or shall become illegal, unenforceable, voidable or void in such jurisdiction. Such recipients shall therefore immediately consult their professional advisers in relation to the observance of the relevant legal requirements, and shall be responsible for the payment of any tax or other requisite payment due in such jurisdiction, and shall keep us and TA Securities fully indemnified for the payment of such taxes or payments.

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**IMPORTANT NOTICE (CONT'D)**

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**PRESENTATION OF INFORMATION**

All references to “our Company” and “GPP” in this Information Memorandum are to GPP Resources Berhad. All references to “our Group” and “GPP Group” in this Information Memorandum are to our Company and our subsidiaries taken as a whole and references to “we”, “us”, “our” and “ourselves” are to our Company and where the context requires, shall include our subsidiaries. Unless the context otherwise requires, references to “Management” are to our Executive Chairman, Executive Directors and key management personnel as disclosed in this Information Memorandum and statements as to our beliefs, expectations, estimates and opinions are those of our Management.

Certain abbreviations, acronyms and technical terms used are defined in the “Definitions” section of this Information Memorandum. Words denoting the singular will, where applicable, include the plural and vice versa and words denoting the masculine gender will, where applicable, include the feminine and neuter genders and vice versa. Reference to persons will include companies and corporations.

Unless otherwise stated, any reference to dates and times in this Information Memorandum are references to dates and times in Malaysia.

Any reference in this Information Memorandum to any statutory legislation is a reference to that statutory legislation as for the time being amended, modified or re-enacted.

In particular, certain information in this Information Memorandum is extracted or derived from the report prepared by Smith Zander International Sdn Bhd, an independent market researcher. We believe that the statistical data and projections cited in this Information Memorandum are useful in helping you to understand the major trends in the industries in which we operate. Third party projections cited in this Information Memorandum are subject to significant uncertainties that could cause actual data to differ materially from the projected figures. We give no assurance that the projected figures will be achieved and you should not place undue reliance on the third party projections cited in this Information Memorandum.

You should not rely on the information on our websites or any website directly or indirectly linked to our websites as they do not form part of this Information Memorandum.

This Information Memorandum contains forward-looking statements, which include all statements other than those of historical facts including, among others, those regarding our financial position, business strategies, prospects, plans and objectives of our Management for future operations. Some of these statements can be identified by the use of forward-looking terminology such as the words “may”, “will”, “would”, “could”, “believe”, “expect”, “anticipate”, “intend”, “estimate”, “aim”, “plan”, “forecast” or similar expressions. Such forward-looking statements involve known or unknown risks, uncertainties and other important factors beyond our control that could cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. As such, we cannot assure you that the forward-looking statements in this Information Memorandum will be realised.

Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we operate. Additional factors that could cause our actual results, performance or achievements to differ materially include, but are not limited to those discussed in Sections 6 and 10 of this Information Memorandum. We cannot give any assurance that the forward-looking statements made in this Information Memorandum will be realised.

These forward-looking statements are based on information available to us as at the date of this Information Memorandum. Subject to the provisions of Section 238 of the CMSA, we expressly disclaim any obligation or undertaking to release publicly any update or revision to any forward-looking statement contained in this Information Memorandum to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

You will be deemed to have read and understood the descriptions of the assumptions and uncertainties underlying the forward-looking statements that are contained in this Information Memorandum.



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**IMPORTANT NOTICE (CONT'D)**

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**PRIVACY NOTICE**

The Personal Data Protection Act 2010 (“**PDPA**”) was introduced to regulate the processing of personal data in commercial transactions. The PDPA requires us to inform you of your rights in respect of your personal data that is to be collected and processed by us.

Consequently, please be informed that the personal data and other information (collectively, “**Personal Data**”) that you provide will be used and processed by us in connection with our Excluded Issue and Proposed Listing only (“**Purpose**”), and not for any other purpose.

If required for the Purpose, you hereby give consent that your Personal Data may be disclosed to our advisers who provide services to us, including our Placement Agent. Save for the foregoing, your Personal Data will not be knowingly disclosed to any other third party.

Without prejudice to the terms and conditions of our Excluded Issue and the Proposed Listing as contained in this Information Memorandum, you may at any time hereafter make inquiries, complaints and upon payment of a prescribed fee, request in writing to access to, or correction of, your Personal Data or limit the processing of your Personal Data by submitting such request to the following:

Postal address : GPP Resources Berhad  
c/o Tricor Investor & Issuing House Services Sdn Bhd  
Unit 32-01, Level 32, Tower A, Vertical Business Suite  
Avenue 3, Bangsar South  
No. 8, Jalan Kerinchi  
59200 Kuala Lumpur

Kindly be informed that we will assume that you have consented and we will continue to process your Personal Data in accordance with this Privacy Notice unless we hear otherwise from you. You may exercise your rights in respect of Personal Data in the manner described above.

This Privacy Notice may be amended from time to time and would be in effect on the date as determined by us. Any amendment to this Privacy Notice shall be published on any medium as we deem fit.

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**INDICATIVE TIMETABLE**


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The indicative timing of our Excluded Issue and events leading up to the listing of and quotation for our entire enlarged issued share capital on the LEAP Market of Bursa Securities are set out below:

<b>Events</b>	<b>Tentative date</b>
Issuance of Information Memorandum	5 August 2019
Allotment of Issue Shares to selected Sophisticated Investors	Mid September 2019*
Listing on the LEAP Market of Bursa Securities	End September 2019*

*Note:*

\* *Subject to receipt of approval-in-principle from Bursa Securities for our Proposed Listing. An announcement for the key relevant dates will be made after obtaining Bursa Securities' approval-in-principle for our Proposed Listing.*

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**DEFINITIONS**

Except where the context otherwise requires, the following definitions shall apply throughout this Information Memorandum and the accompanying appendices:

“3M FPE”	:	3-month FPE 31 March
“Acquisition of Green Energy”	:	Acquisition by our Company of the entire issued share capital of Green Energy from the Vendors of Green Energy for a total purchase consideration of RM6,975,908 to be satisfied via the issuance of 69,759,080 new Shares to the Vendors of Green Energy and Team Au (as nominated by Tan Tiam Aik and Ma Eng Yau) at an issue price of RM0.10 per Share, which was completed on 8 May 2019
“Acquisition of Green Palm”	:	Acquisition by our Company of the entire issued share capital of Green Palm from the Vendors of Green Palm for a total purchase consideration of RM1 to be satisfied via the issuance of 10 new Shares to the Vendors of Green Palm at an issue price of RM0.10 per Share, which was completed on 8 May 2019
“Acquisition of Profina”	:	Acquisition by our Company of the entire issued share capital of Profina from the Vendors of Profina for a total purchase consideration of RM6,975,908 to be satisfied via the issuance of 69,759,080 new Shares to the Vendors of Profina and Team Au (as nominated by Tan Tiam Aik and Ma Eng Yau) at an issue price of RM0.10 per Share, which was completed on 8 May 2019
“Acquisitions”	:	Acquisition of Green Energy, Acquisition of Green Palm and Acquisition of Profina, collectively
“Acropower”	:	Acropower Pte Ltd, our associated company
“Act”	:	Companies Act 2016
“Board”	:	Board of Directors of our Company
“Bursa Depository”	:	Bursa Malaysia Depository Sdn Bhd
“Bursa Securities”	:	Bursa Malaysia Securities Berhad
“CAGR”	:	Compounded annual growth rate
“CIDB”	:	Malaysian Construction Industry Development Board
“CIDB Act”	:	Lembaga Pembangunan Industri Pembinaan Malaysia Act 1994
“CMSA”	:	Capital Markets and Services Act 2007
“Concession contracts”	:	Being contracts entered into between our subsidiary, Green Energy, with its customers for the management and maintenance of biogas power generators whereby Green Energy’s revenue is computed based on the volume of electricity generated
“Constitution”	:	Constitution of our Company

**DEFINITIONS (CONT'D)**

“Deed of Assignment”	:	The Deed of Assignment dated 18 June 2018 between ESS and Green Palm whereby ESS assigns all its rights, title and interests in a utility innovation (with grant number MY-147198-A) and all future improvements made or discovered by ESS in connection with the said utility innovation to Green Palm for a cash consideration of RM10
“Director”	:	A natural person who holds a directorship in a company and shall have the meaning given in Section 2(1) of the Act and Section 2(1) of the CMSA
“EBITDA”	:	Earnings before interest, taxation, depreciation and amortisation
“EPCC”	:	Engineering, procurement, construction and commissioning
“EPS”	:	Earnings per Share
“ESS”	:	ESS Realty Sdn Bhd
“ETSB”	:	Extraction Technology Sdn Bhd
“EUR”	:	Euro
“Excluded Issue”	:	Proposed issue of 15,600,000 Issue Shares within the meaning of Section 230 of the CMSA at the Issue Price to Sophisticated Investors
“FiT”	:	Feed-in Tariff
“Forestry Licences”	:	The forestry licence for sawmill (Class A) and the forestry licence for plywood mill located at Lot 8028, Batu 4, Jalan Mengkibol, 86000 Kluang, Johor, collectively
“FPE”	:	Financial period ended
“FYE”	:	Financial year ended / ending 31 December, as the case may be
“GP”	:	Gross profit
“GPP” or “Company”	:	GPP Resources Berhad
“GPP Group” or “Group”	:	Our Company and our subsidiaries, collectively
“GPP Share(s)” or “Share(s)”	:	Ordinary share(s) in our Company
“Green Energy”	:	Green Energy Resources (M) Sdn Bhd, our wholly-owned subsidiary
“Green Energy SSA”	:	Share sale agreement dated 2 July 2018 entered into between our Company and the Vendors of Green Energy for the Acquisition of Green Energy
“Green Palm”	:	Green Palm Products Sdn Bhd, our wholly-owned subsidiary
“Green Palm SSA”	:	Share sale agreement dated 2 July 2018 entered into between our Company and the Vendors of Green Palm for the Acquisition of Green Palm

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**DEFINITIONS (CONT'D)**


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“IMR Report”	:	Independent market research report on Plywood Market and Biogas Industry in Malaysia dated 1 August 2019 prepared by Smith Zander International Sdn Bhd
“Information Memorandum”	:	This Information Memorandum dated 5 August 2019 in relation to our Excluded Issue and Proposed Listing
“Issue Price”	:	RM0.28 per Issue Share
“Issue Share(s)”	:	New Share(s) to be issued pursuant to our Excluded Issue
“JPNJ”	:	Jabatan Perhutanan Negeri Johor
“LEAP Market Listing Requirements”	:	LEAP Market Listing Requirements of Bursa Securities
“Licence Agreement”	:	The Licence Agreement dated 18 June 2018 between Green Palm and Profina whereby Green Palm grants a licence to Profina for the usage of the utility innovation (with grant number MY-147198-A) and any know-how, experience, data or any other technical or commercial information relating to the said utility innovation for a royalty fee of RM10,000 per annum
“LPD”	:	12 July 2019, being the latest practicable date prior to the date of this Information Memorandum
“LVL”	:	Laminated veneer lumber
“m <sup>3</sup> ”	:	Cubic metres
“M&E”	:	Mechanical and engineering
“Management”	:	Executive Chairman, Executive Directors and key management personnel of our Group, collectively
“Mewajohor”	:	Mewajohor Sdn Bhd
“MFRS”	:	Malaysian Financial Reporting Standard
“MIDA”	:	Malaysian Investment Development Authority
“MITI”	:	Ministry of International Trade and Industry
“MOU”	:	Memorandum of Understanding
“MPK”	:	Majlis Perbandaran Kluang
“MPOB”	:	Malaysian Palm Oil Board
“MT”	:	Metric tonnes
“MTIB”	:	Malaysian Timber Industry Board
“NA”	:	Net assets
“Official List”	:	The list specifying all securities listed on Bursa Securities

**DEFINITIONS (CONT'D)**

“OPT”	:	Oil palm trunk
“PAT”	:	Profit after taxation
“PBT”	:	Profit before taxation
“PHDJT”	:	Pejabat Hutan Daerah Johor Tengah
“PMSB”	:	Profina (M) Sdn Bhd
“POME”	:	Palm oil mill effluent
“PPSB”	:	Profina Properties Sdn Bhd
“Pre-IPO Reorganisation”	:	Profina Capitalisation and Acquisitions, collectively
“Profina”	:	Profina Plywood Sdn Bhd, our wholly-owned subsidiary
“Profina Capitalisation”	:	Collectively, (i) the capitalisation of RM903,704 owing by Profina to Tan Tiam Aik via issuance of 903,704 new Profina Shares to Tan Tiam Aik, Ma Eng Yau and Anthony Chai Gao Wei at an issue price of RM1.00 each, which was completed on 21 June 2018; (ii) the capitalisation of RM253,553 owing by Profina to PTSB via issuance of 253,553 new Profina Shares to Tan Tiam Aik and Tan Ng Wee Chin at an issue price of RM1.00 each, which was completed on 21 June 2018; and (iii) the capitalisation of RM451,436 owing by Profina to PMSB via issuance of 451,436 new Profina Shares to Tan Tiam Aik and Tan Ng Wee Chin at an issue price of RM1.00 each, which was completed on 21 June 2018.
“Profina Share(s)”	:	Ordinary share(s) in Profina
“Profina SSA”	:	Share sale agreement dated 2 July 2018 entered into between our Company and the Vendors of Profina for the Acquisition of Profina
“Promoters”	:	Tan Tiam Aik, Ma Eng Yau, Wee Lok Hain, Tan Ng Wee Chin and Team Au, collectively
“Proposed Listing”	:	Proposed admission to the Official List and the listing of and quotation for our entire enlarged share capital of 155,118,172 Shares on the LEAP Market of Bursa Securities
“PTSB”	:	Profina Teknik Sdn Bhd
“Public”	:	All persons or members of the public but excluding Directors of our Group, our substantial shareholders and persons associated with them (as defined in the LEAP Market Listing Requirements)
“R&D”	:	Research and development
“RM” and “sen”	:	Ringgit Malaysia and sen, respectively
“SC”	:	Securities Commission of Malaysia

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**DEFINITIONS (CONT'D)**


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“SCADA”	:	Supervisory control and data acquisition
“SEDA”	:	Sustainable Energy Development Authority
“SGD”	:	Singapore Dollar
“Sophisticated Investors”	:	Any persons who fall within any of the categories of investors set out in Part I of Schedule 7 of the CMSA
“Sq. ft.”	:	Square feet
“Srimultec”	:	Srimultec Engineering Sdn Bhd
“SSAs”	:	Green Energy SSA, Green Palm SSA and Profina SSA, collectively. “SSA” shall mean any one of them
“TA Securities”	:	TA Securities Holdings Berhad
“Team Au”	:	Team Au Sdn Bhd
“Transfer of Forestry Licences”	:	Application dated 4 June 2018 by Profina to PHDJT to transfer the Forestry Licences to Profina
“USD”	:	United States Dollar
“V&M Mixtec”	:	V&M Mixtec Asia Sdn Bhd
“Vendors of Green Energy”	:	Tan Tiam Aik, Ma Eng Yau, Wee Lok Hain, Goh Kee Seng, Lim Shize Chin and Koh Yong Teng, collectively
“Vendors of Green Palm”	:	Tan Tiam Aik, Ma Eng Yau, Tan Ng Wee Chin, Chuah Xiang Yue and Anthony Chai Gao Wei, collectively
“Vendors of Profina”	:	Tan Tiam Aik, Ma Eng Yau, Tan Ng Wee Chin, Chuah Xiang Yue and Anthony Chai Gao Wei, collectively

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**1. CORPORATE DIRECTORY**

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<b>BOARD OF DIRECTORS</b>	:	Tan Tiam Aik <i>(Executive Chairman)</i>  Ma Eng Yau <i>(Executive Director)</i>  Wee Lok Hain <i>(Executive Director)</i>  Tan Ng Wee Chin <i>(Alternate Director to Tan Tiam Aik)</i>  Ma Lik Heng <i>(Alternate Director to Ma Eng Yau)</i>  Law Lee Yen <i>(Independent Non-Executive Director)</i>  Tan Tiam Poh <i>(Non-Independent Non-Executive Director)</i>
<b>REGISTERED OFFICE</b>	:	Level 33A, Menara 1MK, Kompleks 1 Mont Kiara No. 1, Jalan Kiara, Mont Kiara 50480 Kuala Lumpur
<b>MANAGEMENT OFFICES / PRINCIPAL PLACES OF BUSINESS</b>	:	<b><u>Green Energy</u></b> No. 7, Jalan Sungai Tiram 1 81800 Ulu Tiram Johor Website: <a href="http://www.greenenergyresources.com.my">www.greenenergyresources.com.my</a>  : <b><u>Profina</u></b> Lot 8028, Batu 4 Jalan Mengkibol 86000 Kluang Johor Website: <a href="http://www.profinaplywood.com">www.profinaplywood.com</a>
<b>COMPANY SECRETARY</b>	:	Foo Siew Loon (MAICSA 7006874) c/o CE Corporate Secretaries Sdn Bhd Level 33A, Menara 1MK, Kompleks 1 Mont Kiara No. 1, Jalan Kiara, Mont Kiara 50480 Kuala Lumpur
<b>AUDITORS AND REPORTING ACCOUNTANTS</b>	:	Kreston John & Gan (AF 0113) 160-2-1, Kompleks Maluri Business Centre Jalan Jejaka 55100 Kuala Lumpur
<b>SHARE REGISTRAR</b>	:	Tricor Investor & Issuing House Services Sdn Bhd Unit 32-01, Level 32, Tower A, Vertical Business Suite Avenue 3, Bangsar South No. 8, Jalan Kerinchi 59200 Kuala Lumpur

# **1. CORPORATE DIRECTORY (CONT'D)**

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<b>PRINCIPAL BANKERS</b>	:	Alliance Islamic Bank Berhad Alliance Business Centre, Johor Jaya 1 <sup>st</sup> Floor, No. 50 & 52 Jalan Dedap 13, Taman Johor Jaya 81100 Johor Bahru Johor
	:	AmBank Islamic Berhad 28 & 30, Jalan Indah 16/5 Taman Bukit Indah 81200 Johor Bahru Johor
<b>SOLICITORS FOR OUR PROPOSED LISTING</b>	:	Wong Beh & Toh Peti #30, Level 19, West Block Wisma Golden Eagle Realty (formerly known as Wisma Selangor Dredging) 142-C Jalan Ampang 50450 Kuala Lumpur
<b>APPROVED ADVISER, CONTINUING ADVISER AND PLACEMENT AGENT</b>	:	TA Securities Holdings Berhad 32 <sup>nd</sup> Floor, Menara TA One 22, Jalan P. Ramlee 50250 Kuala Lumpur
<b>INDEPENDENT MARKET RESEARCHER</b>	:	Smith Zander International Sdn Bhd 15-01, Level 15, Menara MBMR 1, Jalan Syed Putra 58000 Kuala Lumpur
<b>FINANCIAL ADVISER</b>	:	Qwantum Capital Sdn Bhd (formerly known as Salihin Capital Sdn Bhd) Lot 67-2, 2 <sup>nd</sup> Floor Plaza Damansara, Bukit Damansara 50490 Kuala Lumpur
<b>LISTING SOUGHT</b>	:	LEAP Market of Bursa Securities

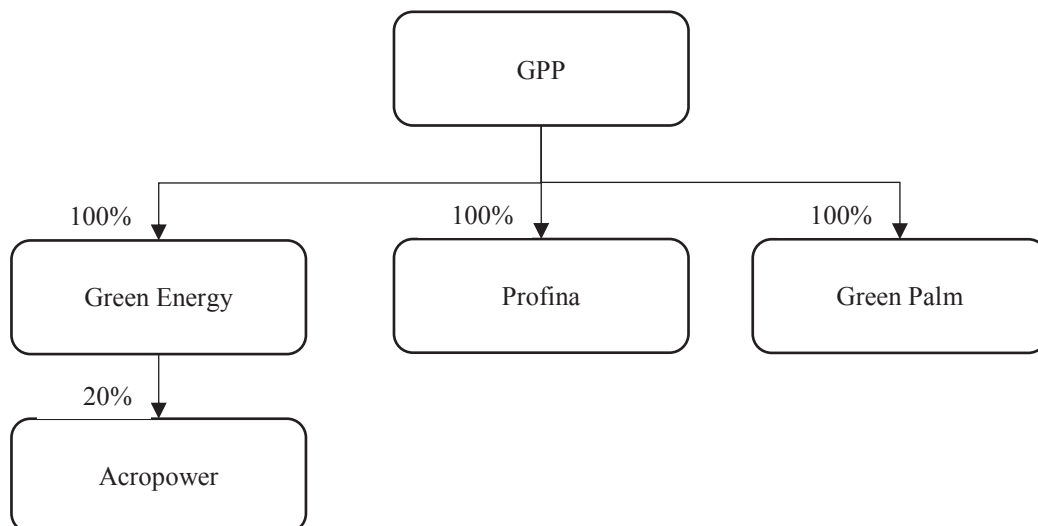
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## 2. INFORMATION SUMMARY

### 2.1 Overview

Our Company was incorporated in Malaysia on 25 January 2018 under the Act, as an investment holding company and listing vehicle for our Group pursuant to our Proposed Listing.

As at the LPD, our group structure is depicted as below:



Our Group is principally involved in businesses that are related to the use of biomass to produce renewable energy and OPT products, as follows:

- (i) provision of EPCC services, management and maintenance of biogas plants which convert biomass into biogas used for the production of renewable energy, via Green Energy; and
- (ii) manufacturing and sales of OPT products including OPT plywood, via Profina which uses a utility innovation (i.e. “A method to manufacture plywood”) held by Green Palm.

Our associated company, Acropower, was formed to explore opportunities for provision of sustainable energy solutions to renewable energy sector in Singapore. As at the LPD, Acropower has secured a contract in Singapore (refer to Section 4.2 of this Information Memorandum for further details of such contract).

Malaysia is the principal market of our Group’s products and services for the financial years/periods under review.

Further details of our Group and business overview are set out in Sections 4 and 5 of this Information Memorandum, respectively.

### 2.2 Competitive strengths

We believe that our business sustainability and growth is built on the following competitive strengths:

- (i) we contribute to the preservation of the environment when we reuse biomass as feedstock and raw materials;
- (ii) we have leveraged on our engineering and technical expertise to transform organic waste or biomass to products and solutions with commercial values;
- (iii) we provide an integrated solution for design, construction, commissioning, management and maintenance of biogas plants; and

**2. INFORMATION SUMMARY (CONT'D)**

(iv) we have an experienced and technically strong senior management team.

Further details of our competitive strengths are set out in Section 5.4 of this Information Memorandum.

**2.3 Future plans**

Our future plans involve the following:

- (i) expand our range of OPT products;
- (ii) increase our export sales and expand overseas markets;
- (iii) expand our source of revenue by selling electricity generated from our biogas plants to the National Grid;
- (iv) strengthen our business by leveraging on the growth in the palm oil industry; and
- (v) expand our renewable energy segment by using various types of biomass as feedstock to produce renewable energy.

Further details of our future plans are set out in Section 5.19 of this Information Memorandum.

**2.4 Financial highlights**

The summary of our financial information is as follows:

	<----- Audited ----->		Unaudited
	FYE 2017	FYE 2018	3M FPE 2019
	RM'000	RM'000	RM'000
Revenue	18,734	26,870	5,799
GP	4,176	6,691	1,643
PBT	2,337	2,635	872
PAT	1,748	1,655	758
GP margin (%)	22.29	24.90	28.33
PBT margin (%)	12.47	9.81	15.04
PAT margin (%)	9.33	6.16	13.07

Further details on our financial information and management discussion and analysis of our financial are set out in Sections 9 and 10 of this Information Memorandum, respectively.

**2.5 Share capital**

	No. of Shares	RM
Issued share capital as at the date of this Information Memorandum	139,518,172	13,951,819
Shares to be issued pursuant to our Excluded Issue	15,600,000	4,368,000
Enlarged issued share capital upon our Proposed Listing	155,118,172	18,319,819
Issue Price		0.28
Gross proceeds to be raised		4,368,000
Market capitalisation at the Issue Price upon our Proposed Listing		43,433,088

Further details on our share capital are set out in Section 3.3 of this Information Memorandum.

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**2. INFORMATION SUMMARY (CONT'D)**


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**2.6 Utilisation of proceeds**

Based on the Issue Price, our Excluded Issue is expected to raise gross proceeds of approximately RM4.37 million to be used for our capital expenditure, R&D, working capital and to defray the estimated expenses in relation to our Proposed Listing.

Further details on the utilisation of proceeds are set out in Section 3.5 of this Information Memorandum.

**2.7 Risk factors**

Before investing in our Shares, you should carefully consider, along with other matters in this Information Memorandum, the risk factors in particular risks relating to our business and operations as set out in Section 6 of this Information Memorandum, which are summarised below:

**(i) Risks relating to our industry**

- (a) We face inherent business risk associated with palm oil industry;
- (b) We face competition from existing competitors and new entrants; and
- (c) We may be adversely affected by factors beyond our control, which include political, economic and government policies.

**(ii) Risks relating to our business and operations**

- (a) We have yet to receive approval for the transfer of forestry licence for our OPT plywood manufacturing business and face risk of non-renewal or revocation of licences, permits and certificates;
- (b) We rely on the continued services of our Management;
- (c) We do not have long term contracts with our customers;
- (d) Our engineering services are exposed to project risks;
- (e) We are subject to operating risks;
- (f) We are affected by fluctuations in foreign currency exchange rates;
- (g) We are subject to credit risk and default payment by customers;
- (h) Non-realisation of benefits from our R&D efforts;
- (i) We are subject to business expansion risk;
- (j) Our existing tenancies may be terminated and we may not successfully renew our existing tenancies; and
- (k) We may face regulations on policies for foreign investment, taxation and profit repatriation.

**(iii) Risks relating to investment in our Shares**

- (a) We may not be able to proceed with our Proposed Listing or our Proposed Listing may be delayed;
- (b) No prior trading for our Shares;
- (c) Trading and performance of our Shares;
- (d) Our Promoters can exercise significant control over our Group; and
- (e) We may not be able to pay dividends.

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### 3. DETAILS OF OUR PROPOSED LISTING

#### 3.1 Particulars of our Proposed Listing

We are offering 15,600,000 Shares at the Issue Price, representing approximately 10.06% of the enlarged issued share capital of our Company, to be allocated and allotted to selected Sophisticated Investors.

- (i) TA Securities had obtained a waiver from Bursa Securities from compliance with Rule 3.10(1) of the LEAP Market Listing Requirements whereby all monies received from investors pursuant to subscription of our Issue Shares will be deposited into a trust account operated solely by TA Securities (instead of a trust account jointly operated by TA Securities and our Company as required under Rule 3.10(1) of the LEAP Market Listing Requirements). As such, all monies received from investors pursuant to subscription of our Issue Shares will be held in trust by TA Securities;
- (ii) our Company and TA Securities undertake that all monies held in trust by TA Securities will not be withdrawn until the listing date; and
- (iii) our Company undertakes to forthwith repay without interest all monies received from the investors if:
  - (a) the listing of our Company does not take place within 6 months from the date of Bursa Securities' approval for our listing on the LEAP Market of Bursa Securities or such further extension of time as Bursa Securities may allow ("**Period**"); or
  - (b) our Company aborts the listing on the LEAP Market of Bursa Securities.

In such event, the monies will be repaid within 14 days from the end of the Period or the date when we notify Bursa Securities of our decision to abort our Proposed Listing. Should we fail to do so, in addition to our Company's liabilities, our Board shall be jointly and severally liable to repay such money with interest at the rate of 10% per annum from the end of the Period or such other rate as Bursa Securities may prescribe.

#### 3.2 Purposes of our listing

The purposes of our listing are as follows:

- (i) to enable us to tap into the capital market for future fund-raising to pursue future growth opportunities as and when the need arises, through other forms of capital raising avenue;
- (ii) to gain recognition and enhance the stature of our Group with a listing status as well as increase market awareness of our products and services so as to assist us in expanding our customers base;
- (iii) to provide an opportunity for investors to participate in our equity and continuing growth; and
- (iv) to act as an initial step for an eventual transfer of listing to other markets of Bursa Securities.

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**3. DETAILS OF OUR PROPOSED LISTING (CONT'D)****3.3 Share capital**

	<b>No. of Shares</b>	<b>RM</b>
Issued share capital as at the date of this Information Memorandum	139,518,172	13,951,819
Shares to be issued pursuant to our Excluded Issue	15,600,000	4,368,000
Enlarged issued share capital upon our Proposed Listing	<u>155,118,172</u>	<u>18,319,819</u>
Issue Price		0.28
Gross proceeds to be raised		4,368,000
Market capitalisation at the Issue Price upon our Proposed Listing		43,433,088

Based on the Issue Price and our enlarged issued share capital of 155,118,172 GPP Shares, we will have a market capitalisation of approximately RM43.43 million upon the completion of our Proposed Listing. The board lot size of our Shares upon our Proposed Listing will be standardised at 100 units per board lot.

As at the LPD, our Company has a single class of shares, namely ordinary shares.

Our Shares rank *pari passu* in all respects with one another including voting rights and rights to all dividends and other distributions that may be declared.

Subject to any special rights attaching to any Shares which we may issue in the future, our shareholders shall, in proportion to the capital on the Shares held by them, be entitled to share in whole of the profits paid out by our Company in the form of dividends and other distributions. In the event of our liquidation, our shareholders shall be entitled to any surplus in proportion to the capital at the commencement of the liquidation, in accordance with our Constitution and the provisions of the Act.

At any general meeting of our Company, each shareholder shall be entitled to vote in person, by proxy or by attorney or other duly authorised representative. On a poll, each present shareholder either in person, by proxy, by attorney or other duly authorised representative shall have 1 vote for each Share held.

There are no limitations on the right to own securities, including limitations on the right of non-resident or foreign shareholders to hold or exercise voting rights on the securities imposed by law or by the constituent documents of our Company. However, we wish to highlight that the validity of Green Energy's certificate from CIDB pursuant to the CIDB Act is subject to the limitation on foreign ownership whereby the details are disclosed in Section 5.17(i) of this Information Memorandum.

**3.4 Basis of arriving at the Issue Price**

The Issue Price was determined after taking into consideration, amongst others, the following factors:

- (i) our financial performance and operating history as described in Section 10 of this Information Memorandum;
- (ii) our net EPS of approximately RM0.0119, computed based on our audited combined PAT of RM1,655,000 for the FYE 2018 and our existing issued share capital of 139,518,172 Shares, translating to a price-earnings multiple of 23.53 times based on the Issue Price;
- (iii) our net EPS of approximately RM0.0217, computed based on our annualised combined PAT of RM3,032,668 for the 3M FPE 2019 and our existing issued share capital of 139,518,172 Shares, translating to a price-earnings multiple of 12.90 times based on the Issue Price;
- (iv) our NA per Share of approximately RM0.1006, computed based on our audited combined NA of RM15,604,336 as at 31 December 2018 and our enlarged issued share capital of 155,118,172 Shares, translating to a price-to-book multiple of 2.78 times based on the Issue Price;

**3. DETAILS OF OUR PROPOSED LISTING (CONT'D)**

- (v) our competitive strengths as set out in Section 5.4 of this Information Memorandum;
- (vi) our future plans as set out in Section 5.19 of this Information Memorandum; and
- (vii) the prospects of our Group and the prevailing outlook of the industries which our Group operates in as set out in Sections 5.20 and 7 of this Information Memorandum.

The market price of our Shares upon and subsequent to our Proposed Listing is subject to the vagaries of market forces and other uncertainties, which may affect the price of our Shares being traded. You are reminded to consider the risk factors as set out in Section 6 of this Information Memorandum and form your own views on the valuation of our Shares before deciding on whether to invest in our Shares.

**3.5 Utilisation of proceeds**

Based on the Issue Price, our Excluded Issue is expected to raise gross proceeds of RM4,368,000 to be utilised as follows:

Utilisation purposes	Notes	RM'000	% of total gross proceeds	Expected time frame for the utilisation of proceeds (from the date of listing of our Shares)
Capital expenditure	(i)	1,000	22.89	Within 12 months
R&D	(ii)	500	11.45	Within 12 months
Working capital	(iii)	1,318	30.17	Within 12 months
Estimated expenses in relation to our Proposed Listing	(iv)	1,550	35.49	Within 2 weeks
<b>Total estimated proceeds</b>		<b>4,368</b>	<b>100.00</b>	

Notes:

- (i) Our subsidiary, Profina, intends to utilise RM1.0 million to purchase the following new machineries and equipment to cater for our current and future operations of OPT products business. These purchases of machineries and equipment are expected to increase automation, improve production efficiency and gradually increase its annual production capacity from 20,100m<sup>3</sup> to 30,000m<sup>3</sup>.

Machineries and equipment	No. of units	Total estimated purchase cost (RM'000)	Purposes
Veneer separator	1	100	Automatic OPT veneer segregation device based on density, to reduce manpower to segregate veneer manually.
Veneer feeders	4	240	Auto rack feeding system for the in-feed of unformed OPT veneers and the out-feed of formed OPT veneer, to reduce manpower to feed in/push out OPT veneer manually. Increase the production efficiency by reducing feeding time.
Rotary drying system	1	360	To pre-dry the waste boiler fuels to reduce its moisture content before feeding into boiler in order to increase boiler combustion efficiency and reduce the boiler fuel consumption.
Boiler pre-heater system	1	300	To increase boiler heating efficiency and to reduce fuel consumption.
<b>Total</b>	<b>7</b>	<b>1,000</b>	

**3. DETAILS OF OUR PROPOSED LISTING (CONT'D)**

- (ii) *Our subsidiary, Profina, intends to utilise RM0.5 million to fund the R&D initiatives which aim to improve our product quality, expand our product range as well as to enhance our manufacturing capabilities and efficiency. This will allow us to offer a wider range of OPT products to our customers and enable us to serve a broader range of customers from various industries and overseas markets. Further details of our R&D are set out in Section 5.7 of this Information Memorandum.*
- (iii) *Our working capital requirements are expected to increase in line with our intended business expansion as outlined in Section 5.19 of this Information Memorandum. Thus, we intend to utilise approximately RM1.32 million for marketing and promotion activities (such as participation and visits to trade shows, exhibitions and conferences to increase our presence in overseas markets) and for daily operations of our Group which shall include, but are not limited to, operating expenses, payments to suppliers, staff related expenses and general expenses.*
- (iv) *To defray the estimated listing expenses incidental to our Proposed Listing including professional fees, fees payable to authorities and other miscellaneous expenses.*

In the event that the actual amounts vary from the above estimates, the excess or deficit (as the case may be), would be reallocated to / from the amount earmarked for the working capital of our Group.

Prior to being utilised, the proceeds from our Excluded Issue will be placed in deposits with financial institutions or short-term money market instruments, as our Board may deem fit. The interest income derived from such deposits or any gain arising from the short-term money market instruments will be used as working capital of our Group.

**3.6 Dividend policy**

Historically, we have declared and paid the following dividend:

	<b>FYE 2016</b>	<b>FYE 2017</b>	<b>FYE 2018</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
Dividend declared and paid	301,500	-	-
% of PAT	36.82	-	-

Our Company does not have any formal dividend policy presently. Upon listing, our Board intends to reward our shareholders for participating in our growth, while maintaining an optimal capital structure and ensuring sufficient funds for our future growth.

Our ability to pay future dividend to our shareholders is subject to various factors, including but not limited to our financial performance, cash flow requirements, availability of distributable reserves and capital expenditure plan.

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## 4. INFORMATION OF OUR GROUP

### 4.1 Overview of our Group

Our Company was incorporated in Malaysia on 25 January 2018 under the Act as a private limited company under the name of GPP Resources Sdn Bhd. Our Company was incorporated for the purpose of being an investment holding company and listing vehicle for our Group pursuant to our Proposed Listing. On 24 October 2018, our Company was converted into a public company and assumed its current name.

On 13 March 2018, Green Energy has formed an associated company, Acropower, to explore opportunities for provision of sustainable energy solutions to renewable energy sector in Singapore. On 2 July 2018, our Company entered into the SSAs to acquire 100% equity interests in Green Energy, Profina and Green Palm, respectively. The Acquisitions were completed on 8 May 2019. Consequentially, Green Energy, Profina and Green Palm became wholly-owned subsidiaries of our Company, resulting in our Group structure as illustrated in Section 4.7 of this Information Memorandum.

Our Group is principally involved in businesses that are related to the use of biomass to produce renewable energy and OPT products, as follows:

- (i) provision of EPCC services, management and maintenance of biogas plants which convert biomass into biogas used for the production of renewable energy, via Green Energy; and
- (ii) manufacturing and sales of OPT products including OPT plywood, via Profina which uses a utility innovation (i.e. “A method to manufacture plywood”) held by Green Palm.

### 4.2 History of our Group

#### Our renewable energy segment

Our biogas plant business can be traced back to 3 September 2004 with the incorporation of Exposure Stars Sdn Bhd (“**Exposure Stars**”) as a shelf company. In December 2004, Exposure Stars was acquired by Tan Tiam Aik and Ma Eng Yau, with the intention to venture into biodiesel business. It was operated in a leased factory in Masai, Johor with a built-up area of 7,000 sq. ft.. The biodiesel business did not materialise as it was not commercially viable then.

On 3 September 2008, Exposure Stars changed its company name to Green Energy and the company’s direction was changed to focus on the development of biogas plants.

In October 2010, with the technical expertise and experience of Tan Tiam Aik, Green Energy successfully commercialised and secured its first EPCC contract to supply a biogas plant for Taiko Plantations Sdn Bhd, a wholly-owned subsidiary of Kuala Lumpur Kepong Berhad, in Tawau, Sabah.

In January 2011, our Executive Director, Wee Lok Hain, joined Green Energy and brought with him technical expertise in the biogas industry, particularly in the design and construction of biogas plants. Together with Tan Tiam Aik and Ma Eng Yau, they strengthened the business growth in the biogas plant business.

In August 2011, Green Energy entered into a collaboration with Prince of Songkla University, Thailand, whereby Green Energy rendered its technical assistance to develop and improve the biogas scrubber that was being used to remove hydrogen sulphide in biogas in the biogas plant of Kim Loong Palm Oil Mills Sdn Bhd in Kota Tinggi, Johor.

In October 2013, Green Energy completed its first overseas EPCC contract for a biogas plant in Kalimantan Tengah, Indonesia for PT Wana Sawit Subur Lestari I.

In March 2014, Green Energy was awarded a 5-year contract (expiring in May 2020 upon commencement of operation of the biogas power plant in June 2015) to design, construct, commission, manage and maintain an oil palm biogas power plant for Ladang Sabah Sdn Bhd, a wholly-owned subsidiary of IOI Corporation Berhad, in Pamol, Sabah.

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**4. INFORMATION OF OUR GROUP (CONT'D)**


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In September 2016, Green Energy completed its second overseas EPCC contract for a biogas power plant for PT. Tania Selatan, a palm oil mill owned by PPB Oil Palms Berhad in Palembang, Indonesia.

In March 2017, Green Energy moved its entire operation to a leased factory in Ulu Tiram, Johor with a built-up area of 22,950 sq. ft..

In May 2017, Green Energy was awarded a 20-year contract (expiring in March 2037) to supply and maintain a biogas power generator within an existing biogas plant for Jenyie Corporation in Taiwan. In the same year, Green Energy also secured 6 service and maintenance contracts to provide maintenance work for the biogas power plants with various companies under PPB Oil Palms Berhad with each contract running for 32,000 engine running hours.

On 31 January 2018, Green Energy signed an MOU with Acromec Limited (a company listed on Singapore Stock Exchange which is a one-stop total solutions provider of engineering services to controlled environment) which gives Green Energy an opportunity to render its expertise and experience to provide sustainable energy solutions to renewable energy sector in Singapore as well as to explore possibilities for build-own-operate energy projects with the company. Subsequently, Acropower, a 80:20 joint venture company between Acromec Limited and Green Energy, was incorporated in Singapore on 13 March 2018.

In March 2018, Green Energy secured an order to supply 2 biogas power generators to Libinc Oil Palm Inc in Liberia, West Africa.

On 21 May 2019, Acropower entered into an agreement with Chew's Agriculture Pte Ltd ("CAPL") to build-own-operate a waste-to-energy power plant in Singapore which will convert poultry waste (from selected poultry farm in Singapore owned by CAPL) into energy for a period of 15 years wherein the electricity generated shall be sold to CAPL at a price not more than 10% discount to the prevailing electricity tariff rate in Singapore. In conjunction with the agreement, Green Energy shall render its engineering and technical expertise to Acropower to design, construct, test, commission, expand and repair the aforementioned waste-to-energy power plant.

**Our OPT products segment**

Our OPT products business can be traced back to 24 November 2014 with the incorporation of Kang Sem Biomass Sdn Bhd ("Kang Sem"). It was established to manufacture plywood from OPT and was operating in a leased factory in Kluang, Johor with built-up area of 65,340 sq. ft.. Despite the first sale of OPT plywood to NTL Industrial Supplies in January 2015 in small quantity, it continuously faced technical difficulties in manufacturing OPT plywood in large quantity due to the physical properties of OPT logs having more moisture than timber logs, the lengthy drying process and the existing machineries which were catered for processing timber logs.

In July 2015, Tan Tiam Aik joined our OPT plywood business as a shareholder, bringing in his technical expertise, industry experience and capital. Under the leadership of Tan Tiam Aik, the management initiated R&D and made technical modifications to existing plywood manufacturing machinery to overcome the difficulties faced with the higher moisture content in OPT logs as compared to timber logs. Subsequently, in September 2015, Kang Sem secured sales from Bersatu Wire Mesh Trading Sdn Bhd for its OPT plywood.

In March 2016, Kang Sem was granted a manufacturing licence from MITI and an export licence from MTIB in May 2016 (which was subsequently renewed in October 2018).

In July 2016, Kang Sem received an R&D grant from a government body which was utilised to purchase new machines to improve its manufacturing process, including veneer separator and stacker, heating chambers and veneer feeders. The management designed and calibrated the machines according to the specification and requirement needed to manufacture OPT plywood and outsourced the fabrication of the machines. In August 2016, Kang Sem was awarded pioneer status by MIDA where it was granted tax exemption of 70% of statutory income for a period of 5 years (2016 to 2021), subject to conditions as detailed in Section 5.17(ii) of this Information Memorandum.

#### 4. INFORMATION OF OUR GROUP (CONT'D)

In November 2016, the Institute of Tropical Forestry and Forest Products (INTROP), a unit of Universiti Putra Malaysia, and MTIB conducted production trials at Kang Sem's factory in Kluang, Johor on the plywood moisture content and bonding between the OPT veneers due to the properties of OPT having higher moisture content as compared to timber logs. During the trials, Kang Sem provided manpower and necessary equipment required, and shared technical know-how as well as feedback concerning the practical applications in the manufacturing of OPT plywood.

On 15 November 2016, the company changed its name to Profina Plywood Sdn Bhd. In March 2017, Profina secured its first export sale to a customer in Turkey. In May 2017, Profina secured its first export sale to the Central America region (Mexico). Subsequently, in the same year, Profina secured its first export sale to Japan in August.

As a testament to Profina's leading role in the use of OPT for plywood manufacturing in Malaysia, Profina has collaborated with MTIB in November 2017 to demonstrate its OPT plywood manufacturing capabilities to international participants, at its factory in Kluang, Johor. The purpose of the demonstration was to facilitate the development of ISO standards for the manufacturing of OPT plywood. In the same month, Profina attended a focus group for OPT products meeting organised by MTIB for a technical discussion in relation to usage and commercialisation of value added OPT products.

In January 2018, Profina moved into a new factory in Kluang, Johor with a total built-up area of 143,774 sq. ft. to increase its annual production capacity from 12,000m<sup>3</sup> to 30,000m<sup>3</sup>, to cater for the increasing demand of its OPT products from its customers.

In March 2018, Profina participated in the Technology Acquisition and Familiarisation for Oil Palm Timber programme in Germany, organised by MTIB to keep abreast with the technology and machinery of the German participants in processing OPT. The German participants comprise representatives of timber manufacturers, automation machinery and woodworking equipment manufacturers as well as research institutes.

On 18 June 2018, Profina signed the Licence Agreement with Green Palm, for the use of a utility innovation (i.e. "A method to manufacture plywood") held by Green Palm. Green Palm was assigned the exclusive rights to use this utility innovation on 18 June 2018 via the Deed of Assignment.

In April 2018, Profina secured its first export sale to Middle East region (Iraq).

#### 4.3 Synergies between our subsidiaries

Our Board believes the following synergies are created within our Group:

##### (i) **Preservation of environment via provision of environmentally friendly solutions to the oil palm plantation sector**

Both Green Energy and Profina share a common objective, i.e. contribute to the preservation of environment by providing environmentally friendly solutions to the oil palm plantations whereby both Green Energy and Profina reuse biomass as feedstock for our biogas plants for the production of renewable energy and as raw materials for our OPT products. The biogas plants constructed and commissioned by Green Energy are able to capture methane released from biomass, reuse biomass as feedstock for electrical power generation, and effectively reduce greenhouse gases in the process. The use of OPT (which is a biomass in oil palm plantations) to manufacture OPT plywood offered by Profina would prevent the formation of harbours for insects arising from natural decomposition of OPT in oil palm trees replanting process.

Further, the Malaysian government has been actively promoting palm oil mills to install biogas plants which capture and convert biomass into biogas used to generate renewable energy as well as the development of OPT plywood due to the depletion of conventional raw materials for plywood such as forest logs and rubberwood.



#### 4. INFORMATION OF OUR GROUP (CONT'D)

In view of the above and considering that both companies have common shareholders, Green Energy and Profina are housed within our Group as our management believes that our Group is able to undertake concerted effort to preserve the environment by reusing the biomass from oil palm plantations (include POME and OPT) for the production of renewable energy and OPT products.

##### (ii) Cross-selling of services and products

The businesses of both Green Energy and Profina are associated with oil palm sector. It will create opportunities for the 2 respective wholly-owned subsidiaries to leverage on the respective network of palm oil sector contacts to cross-sell our products and services to each other's customers of which our management believes it will create significant synergies for the growth of our Group in the long run. Green Energy is expected to leverage on Profina's OPT suppliers' contacts which consist of oil palm plantations and palm oil mills to cross sell our products and services under renewable energy segment, whereas Profina can leverage on Green Energy's palm oil mill contacts to source for raw materials for our OPT segment and to sell our OPT products.

##### (iii) Sharing of technical M&E knowledge

Both Green Energy and Profina are led by our Executive Chairman and Executive Directors with each of them has experience over 25 years coupled with technical M&E knowledge and expertise in the design, calibration and engineering of machineries and equipment. Through their collaborations and contributions in conducting continuous R&D, the biogas moisture reduction system designed by Green Energy for the biogas power plant is also applicable for the drying process of OPT veneers to shorten the overall OPT plywood manufacturing time. With this synergistic effort and through the sharing of M&E knowledge and expertise between our Executive Chairman and Executive Directors, our Group is able to enhance production efficiency and we believe it will enable us to continue to further grow our business and expand our market presence.

#### 4.4 Pre-IPO Reorganisation

To facilitate our Proposed Listing, we have undertaken the following corporate exercises:

- (i) Profina Capitalisation, which was completed on 21 June 2018, involving the following:
  - (a) the capitalisation of RM903,704 owing by Profina to Tan Tiam Aik via issuance of 903,704 new Profina Shares to Tan Tiam Aik, as well as Ma Eng Yau and Anthony Chai Gao Wei (both were nominated by Tan Tiam Aik to receive such new Profina Shares) at an issue price of RM1.00 each. The said amount owing to Tan Tiam Aik was advances by him for Profina's working capital purpose during FYE 2017. This capitalisation fully settled the advances from Tan Tiam Aik to Profina as at 31 December 2017;
  - (b) the capitalisation of RM253,553 owing by Profina to PTSB (a company related to Tan Tiam Aik and Tan Ng Wee Chin) via issuance of 253,553 new Profina Shares to Tan Tiam Aik and Tan Ng Wee Chin (both were nominated by PTSB to receive such new Profina Shares) at an issue price of RM1.00 each. The said amount owing to PTSB arose from payments made to suppliers on behalf of Profina during FYE 2017. This capitalisation fully settled the amount owing by Profina to PTSB as at 31 December 2017; and
  - (c) the capitalisation of RM451,436 owing by Profina to PMSB (a company related to Tan Ng Wee Chin) via issuance of 451,436 new Profina Shares to Tan Tiam Aik and Tan Ng Wee Chin (both were nominated by PMSB to receive such new Profina Shares) at an issue price of RM1.00 each. The amount owing to PMSB arose from the purchases of boilers and equipment (e.g. thermal oil heater, dryer, mono-cutter and hot-pressed machine) by Profina from PMSB during FYE 2017 for a total amount of RM1,756,504.

The amount owing to PMSB is interest free with no fix repayment period. Subsequent to the capitalisation, Profina still has an outstanding amount of RM1,096,264 owing to PMSB as at the LPD, which shall be repayable to PMSB over a 12-months' period after our Proposed Listing.



**4. INFORMATION OF OUR GROUP (CONT'D)**

The shareholders of Profina and their respective shareholdings in Profina before and after the Profina Capitalisation are as follows:

Shareholders	No. of Profina Shares before the Profina Capitalisation		No. of Profina Shares after the Profina Capitalisation	
	No. of Profina Shares	%	No. of Profina Shares	%
Tan Tiam Aik	2,550,000	51.00	3,460,707	52.37
Ma Eng Yau	625,000	12.50	903,494	13.67
Tan Ng Wee Chin	700,000	14.00	840,998	12.72
Chuah Xiang Yue	500,000	10.00	500,000	7.57
Anthony Chai Gao Wei	625,000	12.50	903,494	13.67
<b>Total</b>	<b>5,000,000</b>	<b>100.00</b>	<b>6,608,693</b>	<b>100.00</b>

(ii) Acquisitions, which were completed on 8 May 2019, involving the following:

(a) Acquisition of Green Energy

Our Company entered into the Green Energy SSA to acquire 100% equity interest of Green Energy for a total purchase consideration of RM6,975,908 satisfied via issuance of 69,759,080 new GPP Shares at an issue price of RM0.10 each.

The total purchase consideration of RM6,975,908 for the Acquisition of Green Energy was arrived at after taking into consideration its audited NA of RM6,975,908 as at 31 December 2017.

The Vendors of Green Energy and the number of GPP Shares issued to them are as follows:

	Date of becoming shareholder	No. of Green Energy shares acquired	% of issued share capital in Green Energy	Purchase consideration (RM)	No. of GPP Shares issued
<b><u>Vendors of Green Energy</u></b>					
Tan Tiam Aik	8 December 2004	805,000	26.83	1,871,869	-
Ma Eng Yau	8 December 2004	750,000	25.00	1,743,977	-
Wee Lok Hain	7 January 2011	995,000	33.17	2,313,676	23,136,760
Goh Kee Seng	30 December 2016	165,000	5.50	383,675	3,836,750
Lim Shize Chin	30 December 2016	165,000	5.50	383,675	3,836,750
Koh Yong Teng	30 December 2016	120,000	4.00	279,036	2,790,360
<b><u>Company nominated by Tan Tiam Aik and Ma Eng Yau</u></b>					
Team Au <sup>(1) (2)</sup>	-	-	-	-	36,158,460
<b>Total</b>		<b>3,000,000</b>	<b>100.00</b>	<b>6,975,908</b>	<b>69,759,080</b>

Notes:

(1) Pursuant to the Green Energy SSA, both Tan Tiam Aik and Ma Eng Yau have nominated Team Au to receive all new GPP Shares allotted pursuant to the Acquisition of Green Energy.

(2) Team Au is an investment holding company which is controlled by Tan Tiam Aik and Ma Eng Yau. Refer to Section 8.1(v) of this Information Memorandum for further details on Team Au.

**4. INFORMATION OF OUR GROUP (CONT'D)****(b) Acquisition of Profina**

Our Company entered into the Profina SSA to acquire 100% equity interest of Profina for a total purchase consideration of RM6,975,908 satisfied via issuance of 69,759,080 new GPP Shares at an issue price of RM0.10 each.

The total purchase consideration of RM6,975,908 for the Acquisition of Profina was arrived at after taking into consideration its adjusted audited NA as at 31 December 2017 subsequent to the Profina Capitalisation.

The Vendors of Profina and the number of GPP Shares issued to them are as follows:

	<b>Date of becoming shareholder</b>	<b>No. of Profina Shares acquired</b>	<b>% of issued share capital in Profina</b>	<b>Purchase consideration (RM)</b>	<b>No. of GPP Shares issued</b>
<b><u>Vendors of Profina</u></b>					
Tan Tiam Aik	16 July 2015	3,460,707	52.37	3,653,003	3,436,660
Ma Eng Yau	24 October 2017	903,494	13.67	953,697	1,074,596
Tan Ng Wee Chin	1 February 2016	840,998	12.72	887,728	8,877,280
Chuah Xiang Yue	8 June 2015	500,000	7.57	527,783	5,277,830
Anthony Chai Gao Wei	24 October 2017	903,494	13.67	953,697	9,536,970
<b><u>Company nominated by Tan Tiam Aik and Ma Eng Yau</u></b>					
Team Au <sup>(1) (2)</sup>	-	-	-	-	41,555,744
<b>Total</b>		<b>6,608,693</b>	<b>100.00</b>	<b>6,975,908</b>	<b>69,759,080</b>

Notes:

- (1) Pursuant to the Profina SSA, both Tan Tiam Aik and Ma Eng Yau have nominated Team Au to receive 33,093,370 and 8,462,374 new GPP Shares allotted pursuant to the Acquisition of Profina, respectively.
- (2) Team Au is an investment holding company which is controlled by Tan Tiam Aik and Ma Eng Yau. Refer to Section 8.1(v) of this Information Memorandum for further details on Team Au.

**(c) Acquisition of Green Palm**

Our Company entered into the Green Palm SSA to acquire 100% equity interest of Green Palm for a total purchase consideration of RM1 satisfied via issuance of 10 new GPP Shares at an issue price of RM0.10 each.

The total purchase consideration of RM1 for the Acquisition of Green Palm was arrived at after taking into consideration its audited net liability position as at 30 June 2017.

The Vendors of Green Palm and the number of GPP Shares issued to them are as follows:

<b>Vendors of Green Palm</b>	<b>Date of becoming shareholder</b>	<b>No. of Green Palm shares acquired</b>	<b>% of issued share capital in Green Palm</b>	<b>Purchase consideration (RM)</b>	<b>No. of GPP Shares issued</b>
Tan Tiam Aik	2 April 2018	4,000	40.00	0.40	4
Ma Eng Yau	2 April 2018	2,000	20.00	0.20	2
Tan Ng Wee Chin	2 April 2018	1,000	10.00	0.10	1
Chuah Xiang Yue	2 April 2018	1,000	10.00	0.10	1
Anthony Chai Gao Wei	2 April 2018	2,000	20.00	0.20	2
<b>Total</b>		<b>10,000</b>	<b>100.00</b>	<b>1.00</b>	<b>10</b>

**4. INFORMATION OF OUR GROUP (CONT'D)****4.5 Shareholding structure**

Our shareholding structure before and after our Proposed Listing are as follows:

	Before Proposed Listing		After Proposed Listing	
	No. of Shares	%	No. of Shares	%
Promoters / Directors and substantial shareholders	123,776,481	88.72	123,776,481	79.79
Existing Public shareholders	15,741,691	11.28	15,741,691	10.15
New Public shareholders	-	-	15,600,000	10.06
<b>Total</b>	<b>139,518,172</b>	<b>100.00</b>	<b>155,118,172</b>	<b>100.00</b>

As at the LPD, our Group does not have any outstanding warrants, options, convertible securities or uncalled capital.

**4.6 Cost of investments**

Details of the cost of investment of our shareholders in our Company are as follows:

Shareholders	Date of allotment / transfer of Shares	Cost of investment per Share (RM)	No. of Shares (as at the LPD)	% <sup>(1)</sup>
<b><u>Promoters</u></b>				
Team Au	23 May 2019 <sup>(2)</sup>	1.00	2	Neg
	28 May 2019	0.10	77,714,204	55.70
Tan Tiam Aik	28 May 2019	0.10	3,436,664	2.46
Ma Eng Yau	28 May 2019	0.10	1,074,598	0.77
Wee Lok Hain	28 May 2019	0.10	23,136,760	16.58
Tan Ng Wee Chin	28 May 2019	0.10	8,877,281	6.36
<b><u>Existing shareholders</u></b>				
Chuah Xiang Yue	28 May 2019	0.10	5,277,831	3.78
Anthony Chai Gao Wei	28 May 2019	0.10	9,536,972	6.84
Goh Kee Seng	28 May 2019	0.10	3,836,750	2.75
Lim Shize Chin	28 May 2019	0.10	3,836,750	2.75
Koh Yong Teng	28 May 2019	0.10	2,790,360	2.00

Notes:

Neg Negligible.

(1) Based on the total number of our issued Shares as at the LPD.

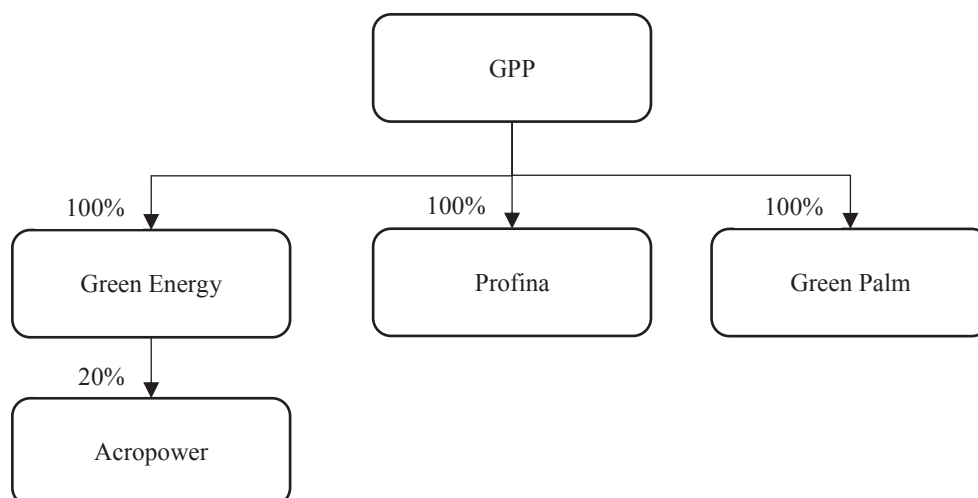
(2) Being the transfer of 2 Shares from the initial subscriber shareholders of our Company to Team Au.

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#### 4. INFORMATION OF OUR GROUP (CONT'D)

##### 4.7 Subsidiaries and associated company

The following diagram depicts the corporate structure of our group:



Our subsidiaries and associated company are as follows:

Companies	Date / country of incorporation	Commencement of operation	Issued share capital	Effective equity interest (%)	Principal activities
Green Energy	3 September 2004 / Malaysia	7 October 2010	RM3,000,000 comprising 3,000,000 ordinary shares	100.00	Design, engineering, procurement, construction, installation and commissioning of renewable energy plants and energy related facilities; operates, manages and maintains renewable energy plants and energy related facilities.
Profina	24 November 2014 / Malaysia	1 January 2015	RM6,608,693 comprising 6,608,693 ordinary shares	100.00	Business of biomass and downstream value added products.
Green Palm	25 March 2014 / Malaysia	18 June 2018	RM10,000 comprising 10,000 ordinary shares	100.00	To acquire, own, lease, assign, license, purchase, apply for, registration of any intellectual property and other related services <sup>(1)</sup> .
Acropower	13 March 2018 / Singapore	14 March 2018	SGD50,000 comprising 50,000 ordinary shares	20.00	Generation of electricity by other source (e.g. solar power, biofuels etc.); treatment and disposal of waste (including remediation activities).

Note:

(1) Pursuant to the Deed of Assignment, Green Palm was assigned the utility innovation, i.e. "A method to manufacture plywood".

## 5. BUSINESS OVERVIEW

### 5.1 Principal activities

Our Group is principally involved in businesses that are related to the use of biomass to produce renewable energy and OPT products, as follows:

(i) **Provision of EPCC services, management and maintenance of biogas plants which convert biomass into biogas used for the production of renewable energy**

We are involved in the provision of EPCC services to design, construct and commission biogas plants that are used for producing electricity from renewable sources. Further, upon request from our customers, we also manage and maintain biogas plants that are constructed and commissioned either by us or third parties, where we sell the electricity that we produce to our customers. These biogas plants capture and convert methane released from organic waste, such as POME, animal manure and food waste, into biogas for the generation of electricity. POME, animal manure and food waste are some examples of biomass.

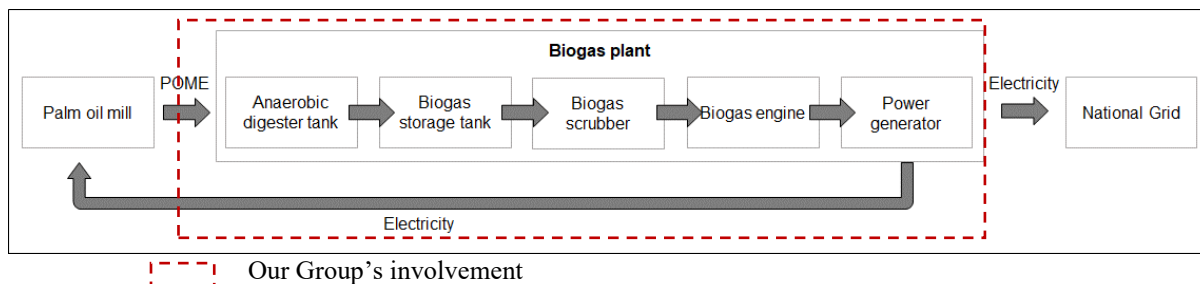
Biomass is the biological matter derived from living, or recently living organisms, and typically refers to plants or plant-derived materials. Biomass can be used directly via combustion to produce heat, or indirectly after converting it to various forms of biofuels. The conversion of biomass to biofuels is possible through thermal, chemical, and biochemical methods. *(Source: IMR Report)*

Our customers are the owners of facilities that generate renewable energy from organic waste for the biogas plants, such as palm oil mills and livestock farms. The electricity generated using gas from our biogas power generator is a form of renewable energy and is used to power the operations of the palm oil mills and livestock farms which house the biogas plants.

A biogas plant comprises the biogas digester plant and power plant. The biogas digester plant is involved in collecting and processing the biogas derived from biomass to be used as a feedstock for the power plant. The power plant is involved in converting the biogas into electricity. Both the biogas digester plant and the power plant consist of various components. The main components of a biogas plant and their respective functions are as follows:

<b>Biogas digester plant</b>		
Anaerobic digester tank	:	an enclosed tank used to trap biogas which mainly comprises methane, carbon dioxide and small amount of hydrogen sulphide produced by the natural anaerobic degradation process of the feedstock.
Biogas storage tank	:	an enclosed tank to store the biogas produced from the anaerobic digester tank.
Biogas scrubber	:	an enclosed tank used to treat the biogas by reducing or removing the hydrogen sulphide present in the biogas, because if untreated biogas is burnt as fuel in a biogas engine, the hydrogen sulphide will form a weak sulphuric acid that will contaminate the engine lubrication oil leading to corrosion in the biogas engine.
<b>Power plant</b>		
Biogas engine	:	converts biogas to mechanical energy through an internal combustion process.
Biogas power generator	:	converts mechanical energy generated in the biogas engine to electricity.

## 5. BUSINESS OVERVIEW (CONT'D)



(Source: IMR Report)

In the engineering phase, our Group is involved in the design of the biogas plant, where we develop the engineering specifications and layout of the plant based on requirements of our customer. During the procurement phase, we purchase the necessary supplies for the project which include key machineries and equipment such as anaerobic digester tank, biogas storage tank, biogas scrubber, biogas engine and biogas power generator. Thereafter, we are involved in the construction of the biogas plant, where physical construction works involving civil works and mechanical works are outsourced to third party contractors while we manage and supervise all aspects of the construction works. Upon the completion of construction, we are involved in the commissioning and handover of the biogas plant to our customer.

In addition to the above, we also secure service and maintenance as well as concession contracts with our customers, for biogas plants constructed either by our Group or third parties.

Our revenue from our renewable energy segment is derived through the following:

**(a) EPCC / Construction contracts**

Revenue derived from provision of EPCC services for biogas plants. We charge an upfront fee as mobilisation deposit upon confirmation of order. Subsequently, we charge our customers on a progress billing basis based on milestones achieved. As at the LPD, our Group has completed 20 EPCC projects and has 12 on-going EPCC projects.

**(b) Service and maintenance contracts**

Monthly revenue derived from the maintenance services provided to our customers for the period as stated in each of our service and maintenance contracts. As at the LPD, we have 6 on-going service and maintenance contracts for periods of 32,000 engine running hours and one contract for a maintenance period of 5-year, respectively. We also derive revenue from on-demand maintenance services when requested by our customers.

**(c) Concession contracts**

Revenue derived from managing and maintenance of biogas power generators from concession contracts, whereby our revenue is computed based on the volume of electricity generated and sold back to our customers' facilities, namely the palm oil mill and livestock farm. For these contracts, we maintain ownership of the biogas power generators and receive revenue until the end of the contractual period. Upon expiry of the contract, our customers may opt to purchase the biogas power generators at a price to be negotiated and the ownership of the biogas power generators will be transferred to our customers. If our customers do not opt to purchase the biogas power generators, we will maintain ownership of the biogas power generators. As at the LPD, our Group has 2 on-going contracts for periods of 5 and 20 years, respectively.



**5. BUSINESS OVERVIEW (CONT'D)****(ii) Manufacturing and sales of OPT products**

Our OPT product, which is OPT plywood, is made from OPTs. Our OPT plywood is generally 5mm to 25mm thick, 4 feet in width and 8 feet in length. We also customise the size of our OPT plywood according to our customers' requests.

Our OPT products are used in the following applications:

- (a) In construction as concrete formwork, such as concrete shuttering panels and loose panel formwork for slab or wall concrete casting, for infrastructure, residential and commercial properties;
- (b) In construction as building materials for both interior and exterior applications such as partitions, floors, walls, roofs, wind bracing panels and hoarding boards;
- (c) In construction as structural reinforcements such as beams, for infrastructure, residential and commercial properties;
- (d) In fixture manufacturing such as component of doors, for residential and commercial properties;
- (e) In furniture manufacturing as furniture components; and
- (f) In the warehousing and transportation industry as packaging materials and wooden pallets.

The types of our OPT plywood are as follows:

Category	Picture	Description
Commercial OPT plywood		A plywood product that uses multiple layers of veneers that are firmly pressed and piled up in alternating grain direction. Commercial OPT plywood is usually used in construction, infrastructure, furniture manufacturing, and packaging and wooden pallets for warehousing and transportation.
Tego film OPT plywood		A plywood product that uses multiple layers of veneers that are firmly pressed and joined with each other that is laminated with the waterproof Tego film on the top and bottom surfaces to form the final product. Tego film is a thin sheet of paper soaked with phenolic resin. Tego film plywood is usually used in construction which includes building and infrastructure. It is also more durable as concrete formwork because of the film, and because of the lamination, surfaces become smoother as compared to commercial OPT plywood.

Our customers are distributors and trading companies, where we sell our OPT plywood products in bulk for their onward sale to end users.

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**5. BUSINESS OVERVIEW (CONT'D)****5.2 Principal segments and markets for our business****(i) Principal segments**

The breakdown of our Group's revenue by business segments for the past 2 FYEs 2017 and 2018 as well as 3M FPE 2019 is as follows:

	FYE 2017		FYE 2018		3M FPE 2019	
	RM'000	%	RM'000	%	RM'000	%
<b>Renewable energy</b>						
- EPCC / Construction contracts	7,432	39.67	12,788	47.59	3,068	52.91
- Service and maintenance contracts	2,292	12.23	2,213	8.24	540	9.31
- Concession contracts	440	2.35	433	1.61	100	1.72
	<b>10,164</b>	<b>54.25</b>	<b>15,434</b>	<b>57.44</b>	<b>3,708</b>	<b>63.94</b>
<b>OPT products</b>	8,570	45.75	11,436	42.56	2,091	36.06
<b>Total</b>	<b>18,734</b>	<b>100.00</b>	<b>26,870</b>	<b>100.00</b>	<b>5,799</b>	<b>100.00</b>

**(ii) Principal markets**

For the past 2 FYEs 2017 and 2018 as well as 3M FPE 2019, 97.50%, 92.71% and 73.93% of our Group's revenue is derived locally, respectively. While 2.50%, 7.29% and 26.07% of our Group's revenue is derived from overseas sales for the corresponding periods.

The breakdown of our Group's revenue by geographical markets for the past 2 FYEs 2017 and 2018 as well as 3M FPE 2019 is as follows:

	FYE 2017		FYE 2018		3M FPE 2019	
	RM'000	%	RM'000	%	RM'000	%
<b>Malaysia</b>	18,266	97.50	24,912	92.71	4,287	73.93
<b>Overseas</b>						
Turkey	202	1.08	121	0.45	-	-
Mexico	136	0.73	-	-	-	-
Indonesia	73	0.39	-	-	-	-
Japan	30	0.16	-	-	50	0.86
Singapore	15	0.08	157	0.58	1,452	25.04
Taiwan	12	0.06	-	-	-	-
Liberia	-	-	1,337	4.98	10	0.17
Iraq	-	-	166	0.62	-	-
Iran	-	-	177	0.66	-	-
<b>Total</b>	<b>18,734</b>	<b>100.00</b>	<b>26,870</b>	<b>100.00</b>	<b>5,799</b>	<b>100.00</b>

For our renewable energy segment, 99.16%, 90.32% and 60.57% of Green Energy's revenue for FYEs 2017 and 2018 as well as 3M FPE 2019, respectively, is derived locally.

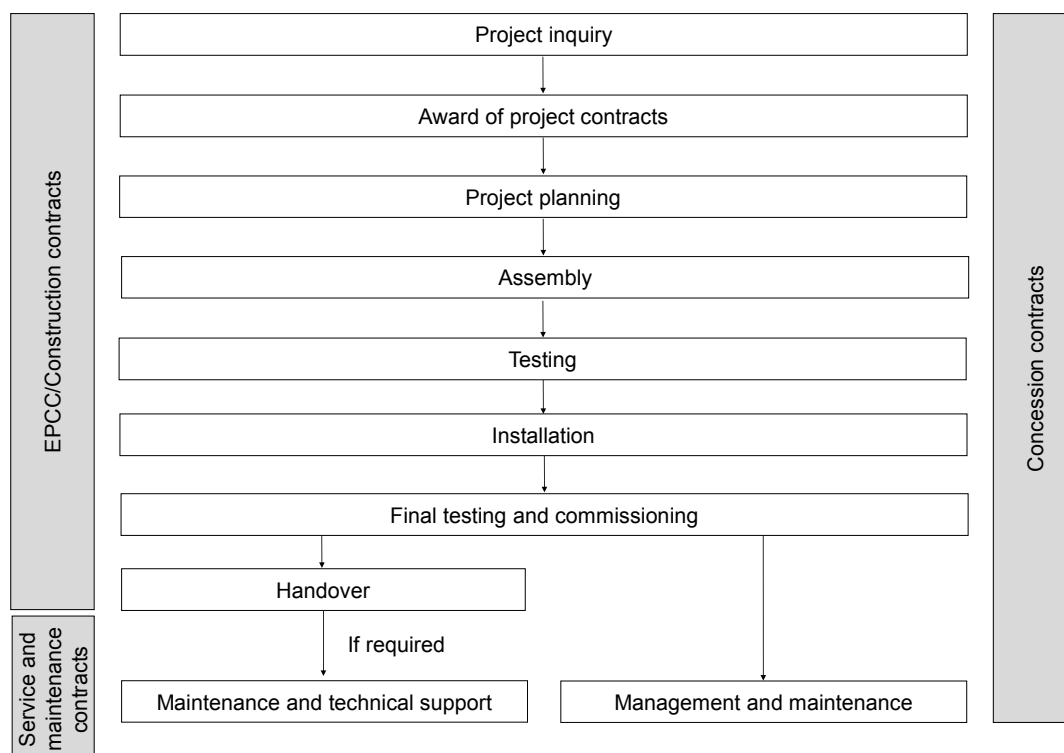
For our OPT products segment, 95.53%, 95.94% and 97.61% of Profina's revenue for FYEs 2017 and 2018 as well as 3M FPE 2019, respectively, is derived locally.

## 5. BUSINESS OVERVIEW (CONT'D)

### 5.3 Business process flows

The processes of our business operations for the renewable energy and OPT products segments are depicted as follows:

#### (i) Renewable energy segment



#### Project inquiry

There are 3 approaches of acquiring project contracts from our customers, i.e. receiving incoming project inquiries from our customers; approaching potential customers to propose our biogas plant solutions to these customers; and participating in tender processes by submitting our tender quotation based on general specifications required by our customers.

#### Award of project contracts

Upon award of project contracts and/or successful tender, our business development team will communicate the information to our project team to arrange for a site visit to our customer's vicinity where a biogas plant will be installed. We will then propose the specific location for the biogas plant to be built on in our customer's vicinity as well as the specifications of each components required for the biogas plant according to our customer's required capacity.

We will also produce an engineering design plan to include details such as number and layout of each component of the biogas plant and the M&E requirements.

#### Project planning

A project plan is formalised prior to commencement. As part of project planning, a work order is issued according to the details in the project contract / successful tender. The work order sets out the components and equipment required, project timeline and resources required. We will source for key machineries and equipment (e.g. biogas power generator, engine block, alternator, biogas scrubber) from our suppliers.

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**5. BUSINESS OVERVIEW (CONT'D)**

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**Assembly**

Some of the components and equipment required for the biogas plant (such as the biogas power generator) are assembled in our assembly area. Our technical staffs are also responsible for engine recalibration and installation of control panels. Thereafter, all the components and equipment will be sent to the main assembly plant located at our customer's stipulated installation site for the biogas plants. For our overseas project, the biogas power generators are recalibrated and installed with control panels by our technical staffs in our assembly area before being sent to our overseas customer's stipulated location of their plant for installation.

**Testing**

We will conduct quality control and inspection throughout the construction process, including outsourced part fabrication process and in-house assembly process to ensure all components and parts are in accordance with the system specifications and drawings. Prior to shipping, our biogas power generator which is recalibrated will also be load tested at our assembly area by our technical staffs.

**Installation**

Upon arrival of parts and components at our customer's stipulated installation site, our outsourced technical staffs will begin the installation process. We outsource all civil and M&E works during the installation of the biogas plant. Our technical staffs will also be stationed on-site throughout the installation process to manage and supervise the installation works.

During the installation process, we carry out activities including handling of parts and components, assembly of parts and components to ensure that works are carried out in accordance with the system specifications and project requirements.

**Final testing and commissioning**

Our project team will carry out final inspection, testing and commissioning jointly with our customer's representative at the end of installation and prior to demobilising resources from the installation site. A final testing procedure will be done by our technical staffs at our customer's stipulated main assembly plant to ensure the biogas plants will not have leakage, physical defects or fault. Our on-site technical staffs are responsible for compiling final project documentation such as project costing, as-built drawings, warranties, and operations and maintenance manuals where a complete set of project documents will be presented to our customer during the handover stage by our project team. Thereafter, our project team will demobilise resources from the project site.

**Handover**

The defect liability period after the project handover is typically dependent on the warranty period given by our supplier of each component of the biogas plant after certified practical completion of the project. The components that we source from our suppliers are provided with warranty from our suppliers, typically 12 months. Thus, we practice a back-to-back warranty period where we will obtain warranty claims from our suppliers if there are defects in any of the components in the biogas plant installed at our customer's site. During the defect liability period, upon receiving report on defects identified by our customer, our maintenance team will investigate and rectify the issue by getting our technical staffs to check the defects.

**Maintenance and technical support**

Upon completion of the defect liability period, we may continue with our maintenance and technical support after signing the service and maintenance contract with our customers or on an on-demand basis when required.

Our maintenance work includes inspection, maintenance, servicing, periodic testing and calibration of the biogas plant.

## 5. BUSINESS OVERVIEW (*CONT'D*)

### **Management and maintenance**

For our concession contracts, we maintain ownership of the biogas power generators after the design, construction and commissioning of the biogas plant. We supervise, monitor and manage the biogas power generators to generate electricity which will be sold back to our customers' facilities, namely the palm oil mill and livestock farm. In addition to supervising, monitoring and managing the biogas power generators, we carry out maintenance work which includes inspection, maintenance, servicing, periodic testing and calibration of the biogas power generators.

### (ii) **OPT products segment**



### **Sales inquiry**

There are 2 approaches of acquiring sales and purchase orders from our customers, i.e. receiving incoming sales inquiries from our customers as well as approaching potential customers to propose our manufacturing solutions to these customers. After gathering and understanding the needs and requirements of our customers, our sales team will communicate the information to our production team to proceed with the production planning.

### **Product order and confirmation**

Our business development team will prepare a quotation taking into account our customer's stipulated product requirements, our cost of raw materials and consumables as well as delivery timeline. A purchase order will be placed upon order confirmation from our customer.

### **Production planning**

A production plan is formalised prior to production run. As part of production planning, a work order is issued according to the details in the purchase order. The work order sets out the materials required for production, timeline for production and resources required.

### **Material procurement**

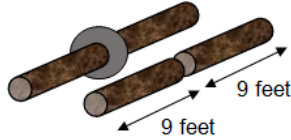
We will check for the availability of raw materials and/or consumables such as OPT logs, glue and teco film required for production in our inventory prior to sourcing from our suppliers. If the raw materials and consumables are available, the required raw materials and consumables will be sent to the production line according to the production schedule. If the raw materials and/or consumables required are not available, we will source for the raw materials from our suppliers. We will conduct quality checks on the surface appearances and moisture of the OPT logs.

## 5. BUSINESS OVERVIEW (CONT'D)

### **Manufacturing**

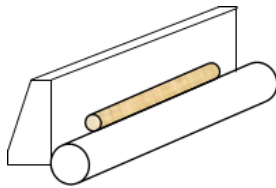
The manufacturing of OPT plywood involves the following processes:

#### **(i) Sawing of OPT to length**



Before commencement of manufacturing of OPT products, the OPT is sawn to standard length of 9 feet, for easy handling of the OPT in subsequent processes.

#### **(ii) Debarking of sawn OPT**



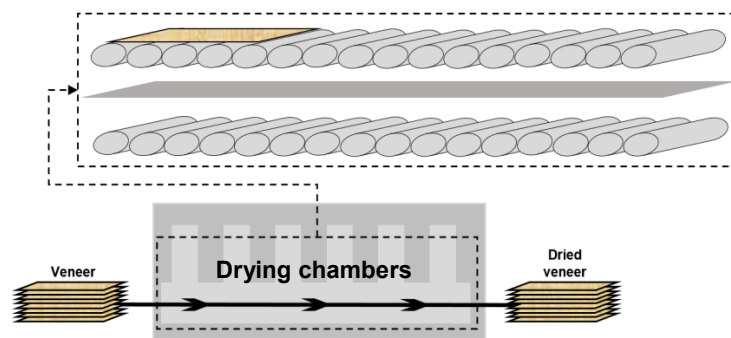
The sawn OPT will then go through a debarking process to remove the bark which is the outer layer covering the OPT's wood. The sawn OPT is debarked in the debarking machine using sharp-toothed grinding wheels while the log is rotated about its long axis.

#### **(iii) Peeling and cutting of OPT veneer**



The debarked OPT will then be transferred to the peeler where a knife blade peels a continuous sheet of veneer from the surface of the rotating OPT. The continuous sheet of veneer will then be cut into size.

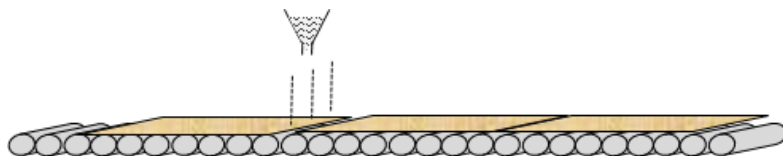
#### **(iv) Drying of OPT veneer sheets**



## 5. BUSINESS OVERVIEW (CONT'D)

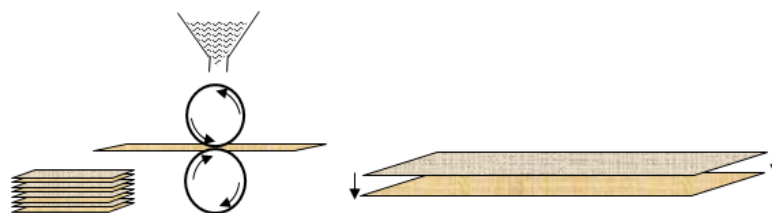
Prior to the actual drying processes, the OPT veneer sheets will be air dried to remove moisture. Subsequently, the press drying process removes veneer moisture content and flattens the OPT veneer sheets without causing defect to the fibres of the OPT veneer sheets. The press drying process also enables uniform moisture distribution throughout the OPT veneer sheets. Thereafter, the OPT veneer sheets will be further dried in the drying chambers of the drying ovens.

### (v) OPT veneer sheets composing



The dried OPT veneer sheets will then go through the composing process which is a process used to join the dried OPT veneer sheets to form a continuous sheet using adhesives, such as glue. Defective portions of the dried OPT veneer sheets will also be removed during the process. The continuous sheet of dried OPT veneer sheets will also be cut into size for easy handling in subsequent processes.

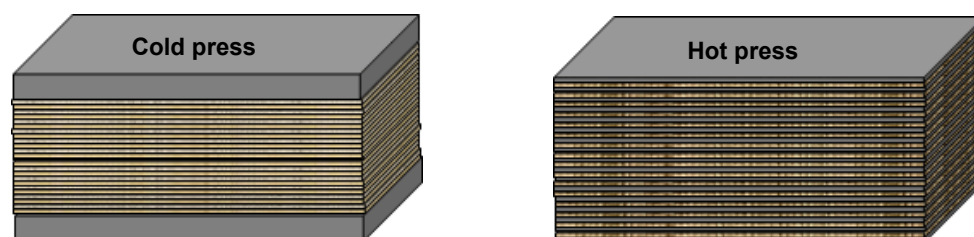
### (vi) Lay-up of OPT veneer sheets



The lay-up of OPT veneer sheets forms OPT products. Following the application of glue onto the surface of the veneer sheets, the required numbers of sheets are laid-up or stacked up to form the desired eventual thickness of the OPT products according to our customer's stipulated product requirements.

For OPT plywood, the OPT veneer sheets will be laid-up in alternating grain directions to enhance the properties of the plywood in terms of strength and tensile.

### (vii) Cold and hot press of OPT plywood



After formation of the OPT plywood, the OPT plywood will then go through a cold press process using hydraulic cold press machine. The cold press process is carried out to flatten the veneers and to ensure that the glue is distributed evenly across the laid-up OPT veneers.

Following the cold press process, the OPT plywood will then go through a hot press process using hydraulic hot press machine with separate heated plates where the OPT veneers are individually placed. The hot press process is carried out to achieve final bonding of the OPT veneer sheets to form OPT products.

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**5. BUSINESS OVERVIEW (CONT'D)**


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**(viii) Sizing of OPT plywood**

The OPT plywood will then be fed into the sizer to cut the plywood into precise sizes in accordance with our customer's stipulated product requirements and also to smoothen out the edges of the OPT plywood.

**(ix) Calibration and sanding of OPT plywood**

Before sanding of OPT plywood, the OPT plywood will be fed into a calibration machine to achieve the required thickness of OPT plywood and this process is vital to ensure uniform thickness of the OPT plywood. The OPT plywood will then be fed into the sander to smoothen the wide surface of the OPT plywood with rollers wrapped with sandpaper.

**(x) Lamination (if required)**

The OPT plywood will be laminated with a layer of tego film upon request from our customers based on their product specification.

**Packing, storage and delivery**

Upon completion of manufacturing, the OPT plywoods are packed based on our customers' packaging requirements. The OPT plywoods are stored in pallets in our warehouse prior to delivery.

**5.4 Competitive strengths**

We believe that our business sustainability and growth is built on the following competitive strengths:

**(i) We contribute to the preservation of the environment when we reuse biomass as feedstock and raw materials**

Biogas and OPT are forms of biomass, which are waste generated from agricultural activities as well as plantation activities such as oil palm plantations and palm oil mills.

Methane, one of the composition in biogas, is a greenhouse gas which is 21 times more potent than carbon dioxide in trapping heat, resulting in the palm oil industry often being perceived as damaging to the environment. Our biogas plants are able to capture methane released from biomass, reuse biomass as feedstock for electrical power generation, and effectively reduce greenhouse gases in the process.

In addition to methane, OPT is also generated as waste of oil palm plantations. According to the IMR Report, OPT is produced during the felling of oil palm trees at the end of their economic lifespan, which is approximately 25 to 30 years. Historically, the OPT has been left for natural decomposition after felling due to its high moisture content. The natural decomposition harbours insects and obstructs the replanting process.

Instead of leaving OPT to decompose as waste, it is used as raw materials for our OPT products. By using OPT to manufacture our OPT products, we are able to make available more area for the replanting process of more oil palm trees. Further, by reusing OPT as an alternative raw material for plywood, we are able to contribute to the preservation of forest logs and rubberwood which are depleting in supply.

Our Group is able to contribute to the preservation of the environment by reusing biomass as feedstock for our biogas plants and raw materials for our OPT products. With rising environmental concerns, we will continue to contribute to the preservation of the environment by growing our business and strengthening our market presence.

## 5. BUSINESS OVERVIEW (*CONT'D*)

### (ii) **We have leveraged on our engineering and technical expertise to transform organic waste or biomass to products and solutions with commercial values**

Biogas mainly comprises methane, carbon dioxide and small amount of hydrogen sulphide produced by the natural anaerobic degradation process of the feedstock. When burnt as fuel, untreated biogas will result in formation of weak sulphuric acid that will cause corrosion in the biogas engine. A biogas scrubber is used to treat the biogas by reducing or removing the hydrogen sulphide present in the biogas. The efficiency in removal of the hydrogen sulphide is dependent on the design of biogas scrubber. The size and shape of the biogas scrubber used will vary with the concentration of the emission of hydrogen sulphide from the biomass.

The design of the biogas plant will also be dependent on the type of feedstock. The feedstock can either be in liquid form such as POME or solid form such as animal manure, which both will require different designs of biogas plant. Our Group has successfully completed EPCC contracts with POME and has an on-going concession contract with animal manure as feedstock.

Our Group has the engineering and technical expertise to design biogas scrubbers to overcome the technical issue caused by hydrogen sulphide present in biogas as well as biogas plants that cater for various types of feedstock.

We also recognise the advantages of turning OPT into plywood, arising from the availability of OPT and the rising demands for alternative raw materials for plywood arising from the shortage of timber logs. With that, we have leveraged on our engineering and technical expertise to develop our OPT products to cater for the demand and requirements of the market.

Currently, the machinery used for the manufacturing of plywood in the market are generally designed to process timber logs. Timber logs are hardwood while OPTs are relatively more fibrous and moist, making OPT veneer sheets easily breakable during the manufacturing process of OPT products. Our Group has the engineering expertise to modify and enhance our machinery to reduce the OPT veneers' moisture content and prevent the OPT veneer sheets from breaking during the manufacturing process of our OPT products.

In addition, we (via Profina and Green Palm) also have been assigned the exclusive rights to use a patented process to achieve uniform thickness throughout the OPT products using the calibration machine.

Through our engineering and technical expertise, we are able to engineer products and solutions to overcome manufacturing difficulties and to meet the demands of the market, and this has fuelled our confidence to further invest time and resources towards expanding and enhancing our range of products.

### (iii) **We provide an integrated solution for design, construction, commissioning, management and maintenance of biogas plants**

We specialise in biogas plants and we design, construct and commission biogas plants for our customers in the palm oil industry. Further, we also offer management and maintenance services for the biogas plants that were constructed either by our Group or third parties.

Having an integrated solution provider for a biogas plant will reduce the number of suppliers for our customers as they will be able to obtain all the required services for the supply of a biogas plant via our Group, instead of from multiple suppliers.

In addition, by being an integrated solution provider, we are able to be more efficient in troubleshooting any technical problems with the biogas plant in the event of malfunctions or breakdowns as all components of the biogas plant are provided by us. This reduces the time required to identify and rectify the problem, thus reducing any downtime of the biogas plant.



## 5. BUSINESS OVERVIEW (*CONT'D*)

### (iv) We have an experienced and technically strong senior management team

We are led by an experienced and technically strong senior management team. Collectively, our key management personnel have exposure across a broad spectrum of business activities, including engineering, operations, sales and marketing, and finance.

Our Executive Chairman, Tan Tiam Aik, has more than 30 years of experience in the palm oil milling industry, wood processing plant, OPT plywood as well as machine design and fabrication. Our Executive Directors, Ma Eng Yau, has more than 25 years of experience in the palm oil industry and engineering services whereas Wee Lok Hain has over 35 years of experience in providing M&E services for power plants and related equipment.

Our Executive Chairman and Executive Directors are supported by a strong key management team, and the commitment and teamwork between them have provided impetus for the continuous growth of our Group. Refer to Sections 8.3.1 and 8.4 of this Information Memorandum for the profiles of our Directors and key management team.

Throughout the years, we have established our industry reputation through our Management's experience, technical know-how and industry knowledge. Our track records in delivering products that meet our customers' requirements and in providing reliable solutions, coupled with our consistent levels of dependable services, have been instrumental in attracting new customers and have enabled us to maintain our business relationships with our existing customers. We believe that the strength and experience of our Management will enable us to continue to further grow our business and expand our market presence.

### 5.5 Quality control

For our renewable energy segment, we conduct quality control and inspection throughout the construction process, including outsourced part fabrication process and in-house assembly process to ensure all components and parts of a biogas plant are in accordance with the system specifications and drawings. We also perform load testing on the biogas power generator prior to shipment to our customers. Additionally, our technical staffs also perform a final inspection, testing and commissioning jointly with our customer representatives prior to handover of biogas plants to our customers.

For our OPT products segment, we inspect the OPT logs whereby factors such as the surface appearances and moisture content of the OPT logs are closely monitored to ensure that it will not delay or affect the production line. We constantly undertake R&D to improve the efficiency of our machinery for drying of OPT veneer which are relatively more fibrous and moist. This, coupled with the quality control of the OPT logs, will reduce the number of broken OPT veneer sheets during the manufacturing process.

### 5.6 Sales and marketing

We believe that our sales and marketing strength is vital in the sustainability of our business. We possess the necessary business development skills in the promotion and marketing of our products and services to our customers. Our sales activities include:

#### (i) Corporate website

We have established corporate websites at [www.greenenergyresources.com.my](http://www.greenenergyresources.com.my) and [www.profinplywood.com](http://www.profinplywood.com) which provide immediate searchable information on our Group and details of our products and services.

**5. BUSINESS OVERVIEW (CONT'D)****(ii) Referrals from existing customers and business associates**

We leverage on our respective subsidiaries' network of palm oil industry contacts to promote, market and cross-sell our products and services to each other's customers. We secure new customers through referrals from our existing customers and business associates. In addition, we regularly obtain feedback from our customers to better understand market trends and customer preferences.

**(iii) Trade exhibitions and events**

To further enhance our profile and market awareness in the biogas plant and OPT products industries, we participate in local and international trade exhibitions and events organised by various industry-related organisations, including palm oil related industries, timber and plywood industries, and other plywood end-user industries.

Through this platform, we engage in targeted marketing programmes to highlight and reinforce the awareness of our Group, our products and services.

The major trade exhibitions and events that we have participated during past 2 FYEs 2017 and 2018 are as follows:

<b>Name of exhibition/ trade show/ event</b>	<b>Organiser</b>	<b>Location</b>
MPOB International Palm Oil Congress and Exhibition	MPOB	Kuala Lumpur, Malaysia
8 <sup>th</sup> Biomass Pellets Power & Trade Conference	Centre for Management Technology Pte Ltd	Tokyo, Japan

Currently, our Executive Chairman and Executive Directors spearhead the business development activities of our Group. They are supported by a team of dedicated staff to implement our sales and marketing activities.

**5.7 R&D**

We recognise the importance of R&D in ensuring our Group to remain competitive to sustain the continuous growth of our business.

Our R&D initiatives aim to improve the quality and expand the types of our products as well as to enhance our manufacturing capabilities. This will allow us to offer a wider range of products to our customers and enable us to serve a broader range of customers from various industries.

Currently, the machinery used for the manufacturing of plywood in the market are generally designed to process timber logs. Timber logs are hardwood while OPTs are relatively more fibrous and moist, making OPT veneer sheets easily breakable during the manufacturing of OPT products, especially during the drying processes. Resulting from our R&D efforts, we have successfully engineered and developed improvements to our OPT products manufacturing processes, including developing the methodology for drying of OPT veneer for preventing OPT veneer sheets from breaking during the drying process.

Our Group is also currently developing synthetic gas processing plant and/or power plant using synthetic gas as feedstock. Synthetic gas is produced through a gasification process from dry waste matters whereas biogas is produced through an anaerobic digestion process from wet waste matters. This development allows for diversification of end-user industries and geographical locations that we can serve. As an illustration, geographical locations where water is scarce or costly, the gasification process can be used to convert the dry waste matters (e.g. animal manure) into synthetic gas as feedstock for the power plant to generate electricity.

**5. BUSINESS OVERVIEW (CONT'D)**

Currently, our Executive Chairman and Executive Directors, with the support of the key management team, lead the R&D initiatives of our Group.

Our R&D expenditure includes expenditure on equipment, materials and consumables leading to the development of machinery for our OPT products manufacturing processes. Our R&D expenses during the past 2 FYEs 2017 and 2018 are set out below:

<b>FYE</b>	<b>R&amp;D expenditure on equipment, materials and consumables (RM)</b>	<b>R&amp;D expenditure over our Group's total revenue (%)</b>
2017	1,507,351	8.04
2018	1,243,624	4.63

**5.8 Production capacity and utilisation rate**Renewable energy segment

Due to the nature of contracts which we enter into for our renewable energy segment where no production activity is involved, production capacity and utilisation rate are not applicable.

OPT products segment

Our annual production capacity, actual output and utilisation rate for the past 2 FYEs 2017 and 2018 are as depicted below:

<b>FYE</b>	<b>Annual production capacity (m<sup>3</sup>)<sup>(1)</sup></b>	<b>Actual production output (m<sup>3</sup>)<sup>(2)</sup></b>	<b>Utilisation rate (%)</b>
2017	12,000	9,137	76.14
2018	20,100	13,105	65.20 <sup>(3)</sup>

Notes:

- (1) Annual production capacity is calculated based on 2 shifts per working day and 300 working days per annum.
- (2) Being the total quantity sold in FYEs 2017 and 2018 based on customers' purchase orders for our OPT products.
- (3) Lower utilisation rate for FYE 2018 as re-calibration of machineries and equipment of Profina at its new factory in Kluang, Johor has affected the production output.

**5.9 Technology used**

We use the following technology for our renewable energy segment:

<b>Technology used</b>	<b>Description</b>
Anaerobic digestion	A process of using biomass to make biogas. In the absence of oxygen, microorganisms break down the biomass to produce methane which is a combustible gas, as well as carbon dioxide and small amount of hydrogen sulphide.
Biogas digestion	Biogas digestion is used to remove hydrogen sulphide in the biogas as untreated biogas that is burnt as fuel in a biogas engine, the hydrogen sulphide will form a weak sulphuric acid that will contaminate the engine lubrication oil leading to corrosion in the biogas engine.

**5. BUSINESS OVERVIEW (CONT'D)**

<b>Technology used</b>	<b>Description</b>
Power generation (power plant)	Biogas is combusted in biogas engine to produce mechanical energy, which then activates the biogas power generator to produce the electrical power.
SCADA system	A system to automate, manage, monitor and control the biogas plant.

For our OPT products segment, we rely on automation for the manufacturing process. Refer to Section 5.3(ii) of this Information Memorandum for details on the manufacturing process of our OPT products.

**5.10 Interruption to business**

Our Group has not experienced any interruption to our business which had a significant impact to our operations during the past 12 months preceding the LPD.

**5.11 Seasonality**

We do not experience any material seasonality in our business.

**5.12 Order book**

Save for the contracts entered into under our renewable energy segment, generally, we do not enter into long term contract with our customers. The order for renewable energy segment may change at any particular point in time as a result of additions, deferral or rescheduling of our services. As such, our order book for renewable energy segment as at any particular point in time may not be fulfilled and recognised as revenue. As at the LPD, our order book (comprising of 12 on-going EPCC contracts for our renewable energy segment) stood at RM39.02 million, of which a major portion is expected to be fulfilled within a period of 12 months from the date of this Information Memorandum.

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**5. BUSINESS OVERVIEW (CONT'D)****5.13 Major customers**

Our top 5 customers for the past 2 FYEs 2017 and 2018 as well as 3M FPE 2019 are as follows:

Customers	FYE 2017		FYE 2018		3M FPE 2019		Length of business relationship (years)
	RM'000	% <sup>^</sup>	RM'000	% <sup>^</sup>	RM'000	% <sup>^</sup>	
Hiap Hock Leong (KL) Sdn Bhd	2,381	12.71	1,769	6.58	-	-	4
Sungai Sugut Palm Oil Mill Sdn Bhd	2,235	11.93	3,380	12.58	-	-	2
Ikta Sdn Bhd <sup>(1)</sup>	2,010	10.73	2,307	8.59	318	5.48	4
Combi Trading Sdn Bhd <sup>(1)</sup>	1,594	8.51	2,027	7.54	423	7.29	4
Kumpulan Kris Jati Sdn Bhd <sup>(2)</sup>	1,067	5.70	-	-	-	-	2
Libinc Oil Palm Inc	-	-	1,337	4.98	-	-	1
Syarikat Perusahaan Kelapa Sawit Sdn Bhd	-	-	-	-	735	12.67	1
Saremas Sdn Bhd	-	-	-	-	-	-	3
Sapi Plantations Sdn Bhd	-	-	-	-	428	7.38	3
Novall Furniture Sdn Bhd	-	-	-	-	439	7.57	1

Notes:

<sup>^</sup> Computed based on our Group's total revenue for the financial years/period under review.

(1) Being wholly-owned subsidiaries of Dominant Enterprise Berhad.

(2) Being a subsidiary of Tradewinds Plantation Berhad.

For renewable energy segment, our Board believes that our Group is not reliant on any of our major customers as revenue generated in each financial year/period is largely dependent on the stage of completion of each of the contract for various customers during the financial years/period under review. Most of our customers are subsidiaries of key players in the palm oil industry in Malaysia.

For our OPT products segment, our Board believes that our Group is not reliant on any of our major customers. We sell our OPT products to distributors and trading companies which then sell our products in bulk for their onward sales to end users.

**5. BUSINESS OVERVIEW (CONT'D)****5.14 Major suppliers**

Our top 5 suppliers for the past 2 FYEs 2017 and 2018 as well as 3M FPE 2019 are as follows:

Suppliers	FYE 2017		FYE 2018		3M FPE 2019		Products purchased	Length of business relationship (years)
	RM'000	% <sup>^</sup>	RM'000	% <sup>^</sup>	RM'000	% <sup>^</sup>		
Motortech GMBH	1,638	11.25	-	-	758	18.24	Biogas engine	5
CNPC Jichai Power Co. Ltd	1,377	9.46	1,520	7.53	347	8.35	Biogas engine	8
AICA Chemicals (M) Sdn Bhd	1,328	9.12	1,314	6.51	268	6.45	Glue	3
PMSB	842	5.78	1,155	5.72	-	-	Biogas scrubber	4
Quantumtech	737	5.06	-	-	694	16.70	SCADA	5
Lipp Engineering Sdn Bhd	-	-	1,440	7.14	-	-	Anaerobic digester tank	1
Pembalakan Permai Sdn Bhd	-	-	983	4.87	-	-	Veneer	2
Permata Upaya (M) Sdn Bhd	-	-	-	-	329	7.92	Veneer	1

Note:

<sup>^</sup> Computed based on our Group's total cost of sales for the financial years/period under review.

We are not materially dependent on any of our major suppliers as we are able to source similar products from other suppliers.

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**5. BUSINESS OVERVIEW (CONT'D)****5.15 Employees**

A summary of our Group's total permanent workforce as at 31 December 2018 and as at the LPD is set out below:

<b>Categories</b>	<b>Number of permanent employees</b>	
	<b>As at 31 December 2018</b>	<b>As at the LPD</b>
Executive Director <sup>(1)</sup>	4	4
Manager	3	3
Professional/ Executive	13	12
Clerical/Non-Executive	5	4
General Worker <sup>(2)</sup>	20	30
<b>Total</b>	<b>45</b>	<b>53</b>

*Notes:*

*(1) Inclusive of a foreign Executive Director as at 31 December 2018 and the LPD.*

*(2) Inclusive of 15 and 25 foreign workers as at 31 December 2018 and the LPD, respectively.*

Our subsidiary, Profina, engages a third party to source for local and foreign contractual workers. These foreign workers are from Indonesia and Bangladesh. As at the LPD, there has been no breach by our Group of any immigration laws.

None of our employees belongs to any labour union. As at the LPD, there has been no industrial dispute pertaining to our employees.

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**5. BUSINESS OVERVIEW (CONT'D)****5.16 Properties**

As at the LPD, we have rented the following properties for our Group's operations:

<b>Landlord</b>	<b>Tenant</b>	<b>Location</b>	<b>Description and existing use</b>	<b>Built-up area (sq. ft.)</b>	<b>Monthly rental (RM)</b>	<b>Rental period</b>
Mewajohor	Green Energy	Plot No.2 erected on the land held under H.S.(M) 5243 PTD 222198, Tempat Ban Foo, Mukim Plentong, Johor Bahru, Johor.  Postal address: No. 7, Jalan Sungai Tiram 1, 81800 Ulu Tiram, Johor	Single storey detached factory annexed with 3-storey office <sup>(1)(2)</sup>	22,950	26,400	1 March 2017 to 28 February 2020
PPSB	Profina	Lot 8028, Batu 4, Jalan Mengkibol, 86000 Kluang, Johor.	Single storey factory annexed with double-storey office <sup>(3)</sup>	143,774	30,000	1 December 2017 to 30 November 2020

Notes:

- (1) The landlord has obtained Certificate of Completion and Compliance for this property on 8 January 2018.
- (2) The landlord has, via its letters dated 1 February 2017 and 1 October 2017, given its consent to our subsidiary, Green Energy, to sub-let the property to ETSSB and V&M Mixtec. The details of the sub-let arrangements are as follows:

<b>Tenant</b>	<b>Monthly rental (RM)</b>	<b>Rental period</b>
ETSSB	500	1 March 2017 to 30 September 2018
V&M Mixtec	3,000	1 November 2017 to 31 October 2019

- (3) The landlord has obtained Certificate of Fitness for Occupation for this property on 13 May 2019.

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## 5. BUSINESS OVERVIEW (CONT'D)

## 5.17 Licences, permits and other certificates

As at the LPD, we hold the following licences, permits and other certificates in relation to our Group's operation:

**(i) Green Energy**

<b>Licence no. Reference no.</b>	<b>Issuing authority</b>	<b>Subject matter / purpose</b>	<b>Issue renewal date</b>	<b>Expiry date</b>	<b>Major conditions imposed</b>	<b>Status compliance</b>
Account no. L2018LI06628  Reference no. 2018/55/LI/C0041/2	Majlis Bandaraya Johor Bahru	Business and signboard licence	1 January 2019 (effective date)	31 December 2019	Nil	Not applicable
<u>Licence no.</u> A 021292  <u>Serial no.</u> A 036045	MITI	Manufacturing licence for machinery and equipment, related modules and parts for renewable energy industry	12 January 2018 (effective date)	-	(a) The site shall be at PTD222198, Jalan Sungai Tiram 1, 81800 Johor Bahru, Johor Darul Takzim (subject to the necessary approval from the state government and the Department of Environment, Malaysia);  (b) Any sales or disposal of shares of this company must be notified to MITI and MIDA;  (c) The licence holder shall train Malaysians in order for the transfer skills and technology to be circulated throughout every level of the workforce;	Complied.   Complied <sup>(1)</sup> .  Complied.
					(d) The licence holder shall comply with the requirements of Capital Investment per employee for at least RM140,000;	Complied.

**5. BUSINESS OVERVIEW (CONT'D)**

<b>Licence Reference no.</b>	<b>Issuing authority</b>	<b>Subject matter purpose</b>	<b>Issue renewal date</b>	<b>Expiry date</b>	<b>Major conditions imposed</b>	<b>Status compliance</b>	<b>of</b>
					(e) The permanent workforce of the licence holder shall consist of at least 80% of Malaysian population. Employments of foreign workers including those who are acquired through outsourcing are subject to the applicable policy from time to time;	Complied.	
					(f) The licence holder shall submit information on investment performance and project implementation under the Industrial Coordination Act 1975 and the Malaysian Investment Development Authority (Incorporation) Act 1965; and	Complied.	
					(g) The licence holder must undertake its projects in accordance with the rules and regulations in Malaysia.	Complied.	
<u>Registration No.</u> 0120180622- WP013403	CIDB	Registration as a contractor under Part VI of the CIDB Act*	25 June 2018	24 June 2020	(a) This certificate is non-transferrable.	Noted.	
					(b) CIDB has the right to review the contractor registration grade from time to time.	Noted.	
					(c) The contractor shall adhere to the provisions of the CIDB Act, the rules following it and any terms, conditions or restrictions as imposed by CIDB from time to time.	Noted.	

**5. BUSINESS OVERVIEW (CONT'D)**

Licence Reference no.	/	Issuing authority	Subject matter purpose	/	Issue renewal date	Expiry date	Major conditions imposed	Status compliance	of
							(d) The contractor shall not participate in any tender or perform any construction work after the expiry and until the renewal of this certificate.	Noted.	
							(e) The contractor shall not undertake to construct any construction project that exceeds the construction value as stated under the registration grade and shall not carry out any construction projects outside of its registered category.	Noted.	
							(f) The contractor shall submit information on any construction work or contract within 14 days upon the award or prior to the commencement of the construction work, whichever comes first.	Noted.	
							(g) The contractor shall submit any information as required by CIDB from time to time.	Noted.	
							(h) The contractor shall display the certificate as issued by CIDB or a copy of the certificate as certified by CIDB at the place of business.	Complied.	
							(i) The contractor shall display the registration number on a signboard at every construction site.	Noted.	

**5. BUSINESS OVERVIEW (CONT'D)**

Licence Reference no.	/	Issuing authority	Subject purpose	/	Issue renewal date	Expiry date	Major conditions imposed	Status compliance	of
							(j) The contractor shall apply for the renewal of the CIDB registration within 60 days before the expiry as stated in the certificate.  (k) The contractor shall adhere to the requirements and regulations in the Contractors' Code of Ethics.  (l) The contractor shall appoint skilled construction workers and site supervisors that has been accredited and certified by CIDB.  (m) All employees at the construction site shall possess a valid Building Personnel card.	Noted.  Noted.  To be complied.  To be complied.	
Reference SEDA/SE/FIT- FOC/LM-FS(1)	no:	SEDA Malaysia	Recognition as a local gas engine manufacturer or assembler under Renewable Energy (Feed-in Approval and Feed-in Tariff Rate) Rules 2011 (P.U. (A) 385/2011)		8 June 2018 (effective date)	-	(a) To notify SEDA Malaysia the Factory Acceptance Test ("FAT") activity at least 14 days in advance.  (b) To provide a copy of the FAT procedure.  (c) FAT activity must be operated at the worksite registered under manufacturing licence.	Noted.  Noted.  Noted.	

Notes:

\* Pursuant to the requirements in the CIDB Contractor Handbook (version 02 dated 4 January 2018), a local contractor who has more than 30% foreign equity or more than 51% foreign equity from countries in the Association of Southeast Asian Nations (ASEAN) or more than the prescribed limit for selected countries which have entered into free trade agreements with Malaysia, is not qualified to hold this certificate. However, a "foreign contractor" can apply for the Foreign Contractor Certificate of Provisional Registration and the Foreign Contractor Certificate of Registration with CIDB.

(1) Green Energy had on 13 May 2019 submitted letters to notify MITI and MIDA on the Acquisition of Green Energy.

**5. BUSINESS OVERVIEW (CONT'D)****(ii) Profina**

<b>Licence no. / Reference no.</b>	<b>Issuing authority</b>	<b>Subject matter / purpose</b>	<b>Issue / renewal date</b>	<b>Expiry date</b>	<b>Major conditions imposed</b>	<b>Status of compliance</b>
-	MIDA	Pioneer status under the Malaysia Promotion of Investments Act 1986 and 70% tax exemption for a period of 5 years on revenue associated with manufacturing 'plywood and veneer from palm biomass'.*	5 August 2016	4 August 2021	<p>(a) Value added for 'plywood' shall achieve at least 44% whereas value added for 'veneer' shall achieve at least 55% as proposed;</p> <p>(b) Total staff at management, technical and supervisory levels shall be at least 34% of the total workforce of the company;</p> <p>(c) The total amount of fulltime workforce of the licence holder should consist of at least 80% Malaysians. Employment of any foreign employees including employees hired on an outsource basis shall be in accordance to any current and existing governmental policies;</p> <p>(d) The licence holder shall carry out its project using locally sourced palm oil waste; and</p>	<p>Complied.</p> <p>Complied.</p> <p>To be complied<sup>(1)</sup>.</p> <p>Complied.</p>

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**5. BUSINESS OVERVIEW (CONT'D)**

Licence no. / Reference no.	Issuing authority	Subject matter / purpose	Issue / renewal date	Expiry date	Major conditions imposed	Status of compliance
					(e) The company shall apply for pioneer status certification within 24 months from the date of the pioneer status approval (5 August 2016). In the event the company is not able to submit the application for pioneer status certification within the specified period, the company can apply for an extension from the Licensing & Incentive Compliance and Monitoring Section of MIDA. A notice of withdrawal of the pioneer status may be issued if the company does not submit the application within the specified period.	To be complied <sup>(2)</sup> .
Account no. L01Z4403207703  Bill no. JNL201910742	MPK	Business and signboard licence	January 2019	December 2019	This licence must be displayed.	Complied.
Licence no. A 021430  Serial no. A 036259	MITI	Manufacturing licence for plywood and veneer from palm biomass	3 July 2018 (effective date)	-	(a) The site shall be at No. 8028, Batu 4, Jalan Mengkibol, 86000 Kluang, Johor Darul Takzim (subject to the necessary approval from the state government);  (b) Any sales or disposal of shares of this company must be notified to MITI and MIDA;	Complied.  Complied <sup>(3)</sup> .

**5. BUSINESS OVERVIEW (CONT'D)**

Licence no. / Reference no.	Issuing authority	Subject matter / purpose	Issue / renewal date	Expiry date	Major conditions imposed	Status of compliance
Serial No. 5462	MTIB	Registration as exporter and supplier under Section 14 of the Malaysian Timber Board (Incorporation) Act 1973 and following the Rules of Timber Industry (Registration) 1991	4 October 2018	30 September 2019	<p>(c) The licence holder shall train Malaysians in order for the transfer skills and technology to be circulated throughout every level of the workforce; and</p> <p>(d) The licence holder shall implement project as approved and adhere to the conditions stipulated in this licence.</p>	<p>Complied.</p> <p>Complied.</p>
					Nil	Not applicable.

**Notes:**

- \* As at the LPD, Profina has not obtained pioneer status certification and is still in the midst of complying with certain conditions imposed (as disclosed in Notes 1 and 2 below), and therefore, it is not entitled to any tax exemption benefit pursuant to the pioneer status. Nevertheless, Profina currently utilises available unabsorbed capital allowances to offset its taxable income.
- (1) To mitigate the non-compliance of such condition, Profina intends to increase automation in Profina's manufacturing processes and improve its production efficiency by using portion of the listing proceeds to purchase new machineries and equipment (refer to Section 3.5 of this Information Memorandum). Our Management expects such automation initiative will reduce reliance on foreign workers and in turn, increase the percentage of local workers of Profina.
- (2) Profina had, on 29 August 2018, applied to MIDA for an extension of time for 1 year (i.e. until August 2019) to apply for pioneer status certification. As at the LPD, MIDA is still assessing such application.
- (3) Profina had on 13 May 2019 submitted letters to notify MITI and MIDA on the Acquisition of Profina.

## 5. BUSINESS OVERVIEW (CONT'D)

Profina currently operates its OPT plywood manufacturing business at a plywood mill located at Lot 8028, Batu 4, Jalan Mengkibol, 86000 Kuala Lumpur, Johor, wherein a forestry licence for sawmill (Class A)\* and a forestry licence for plywood mill were issued by JPNJ pursuant to the Wood-Based Industries Enactment 1986, to the previous owner who operated a sawmill\* and a plywood mill at the same location. As Profina is not the licensed holder of the Forestry Licences, it had submitted an application dated 4 June 2018 to PHDJT for the Transfer of Forestry Licences. Notwithstanding this, the forestry licence for the operation of plywood mill under the name of previous owner has been renewed by Profina since it commenced its OPT plywood manufacturing at the said location in January 2018, where the latest renewal is for a period of 1 year commencing from 1 January 2019 until 31 December 2019, without any conditions imposed by the authority.

As at the LPD, Profina had provided all relevant information pertaining to the Transfer of Forestry Licences to JPNJ which is still in the midst of compiling the relevant information and documents received from Profina and preparing its internal working paper for the processing of the Transfer of Forestry Licences. Refer to Section 6.2(i) of this Information Memorandum for further details on the risk on the Transfer of Forestry Licences.

*Note:*

\* *Profina does not rely on the forestry licence for sawmill (Class A) as it is not involved in the sawmilling of timber logs.*

### 5.18 Intellectual property

ESS has, via the Deed of Assignment<sup>(1)</sup>, assigned all its rights, title and interests in the following utility innovation to Green Palm. Additionally, Green Palm has, via the Licence Agreement, granted licence to Profina for the usage of the said utility innovation.

Patent application no. / Grant No.	Details of intellectual property / Title of invention	Grant date	Expiry date	Country of registration	Name of inventor
Patent application no. UI 20063858  Grant no. MY-147198-A	A method to manufacture plywood	14 November 2012	10 August 2021	Malaysia	Chuah Keng Kooi <sup>(2)</sup>

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**5. BUSINESS OVERVIEW (CONT'D)**

ESS is the owner of the utility innovation, “A method to manufacture plywood”. It is principally involved in the trading of equipment and machinery. The Directors and shareholders of ESS as at the LPD are as follows:

Name	Designation	Direct		Indirect	
		No. of shares held	%	No. of shares held	%
Tan Tiam Aik	Director	51,000	51.00	14,000 <sup>(3)</sup>	14.00
Ma Eng Yau	Director	25,000	25.00	-	-
Tan Ng Wee Chin	Director	14,000	14.00	-	-
Chuah Xiang Yue	-	10,000	10.00	-	-

Notes:

(1) *The Deed of Assignment is to globally assign ESS' rights, title and interests in and over the utility innovation to Green Palm. There is no specific timeframe stipulated under the Deed of Assignment. However, the utility innovation provides a protection duration for an initial period of 10 years which may be extended for another two 5-year terms. The first extension has been granted for an additional period of 5 years from 10 August 2016 and 10 August 2021. The salient terms of the Deed of Assignment are as follows:*

(a) Assignment

*In consideration of the mutual agreement between the parties and the payment of RM10.00 by Green Palm to ESS as consideration, ESS unconditionally and irrevocably undertakes to globally assign all its rights, title and interests in and over the utility innovation to Green Palm, and this assignment shall take effect from the date of execution of the Deed of Assignment.*

(b) ESS' obligations

*ESS agrees with Green Palm:*

- (i) *to execute all documents, and do all acts and things necessary for the vesting of all the rights, title and interests in and over the utility innovation to Green Palm absolutely;*
- (ii) *to ensure the registration and validity of the utility innovation so as to secure the broadest monopoly reasonably obtainable, and maintain the utility innovation in full force for its full term;*
- (iii) *to inform Green Palm of all the technical information concerning the utility innovation;*
- (iv) *to supply to Green Palm with any documents, drawings or information relevant and related to the utility innovation; and*
- (v) *that Green Palm shall be entitled to the full and exclusive benefit of all improvements and further inventions relating to the utility innovation made or discovered by ESS, whether patentable or otherwise.*

**5. BUSINESS OVERVIEW (CONT'D)**

(c) ESS' warranties and indemnity

ESS warrants, represents and undertakes that:

- (i) ESS has not permitted the utility innovation to be subjected to any charge, mortgage or other encumbrance; and
- (ii) ESS will keep Green Palm fully indemnified against all actions, claims, proceedings, costs and damages (including Green Palm's legal fees and costs) and other expenses arising out of any breach of the above warranties or arising out of any claim by a third party based on any facts which if substantiated would constitute such breach.

(d) Assignment of the Deed of Assignment

- (i) The parties agree that ESS is not allowed to assign, in whole or in part, the Deed of Assignment without the written consent of Green Palm. Any such assignment without such consent from Green Palm is deemed null and void.
- (ii) Green Palm is allowed to assign the Deed of Assignment to such other party without the written consent of ESS.

(e) Relationship of the parties

Nothing in the Deed of Assignment is to be construed as creating an agency relationship, a partnership or a joint venture between the parties.

There is no termination provision in the Deed of Assignment.

(2) Chuah Keng Kooi is the father of our shareholder, Chuah Xiang Yue.

(3) Deemed interested by virtue of his child's interest in the company pursuant to Section 8 of the Act.

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## 5. BUSINESS OVERVIEW (CONT'D)

### 5.19 Future plans

#### (i) We intend to expand our range of OPT products

Over the years of R&D, we have developed a range of OPT products as an alternative to timber-based plywood. The demand for our OPT products has been increasing over the last 2 FYEs 2017 and 2018, supported by our OPT products revenue growth from RM8.57 million in FYE 2017 to RM11.44 million in FYE 2018. Our latest OPT plywood product is the tego film OPT plywood which is more water-resistant and has smoother surfaces as compared to commercial OPT plywood. We intend to increase the sales of tego film OPT plywood for FYE 2019.

Our current product line-up caters to a wide range of industries such as furniture and fixture, construction, warehousing and transportation industries. To continue growing our market presence and cater for wider applications for our OPT products, we intend to continue our on-going R&D efforts to develop OPT products with various characteristics in terms of tensile, water resistance and weight, to serve new market applications.

We intend to include OPT LVL, recycled wood plastic composition OPT plywood, decorative OPT plywood and cross-grain floor-based OPT plywood in our product offerings. The development of new OPT products will broaden our product portfolio, thus enabling us to serve an even wider market. This will be crucial to the future growth of our Group, as we aim to increase our competitiveness in the industry by growing our market presence and market share.

Thus, we intend to purchase 7 machines to cater for the plan to increase our range of OPT products. These machines are 1 unit of veneer separator, 4 units of veneer feeders, 1 unit of rotary drying system and 1 unit of boiler pre-heater system. These machineries are expected to increase the efficiency in manufacturing our OPT products as these automated machineries are intended to reduce resources in terms of manpower and time.

The total cost of acquiring these 7 machines will be approximately RM1.00 million, which we intend to fund via our proceeds from our Proposed Listing. Refer to Section 3.5 of this Information Memorandum for further details on the utilisation of proceeds from our Proposed Listing.

#### (ii) We intend to increase our export sales and expand overseas markets

In order to grow our business further, we intend to increase the export sales of our OPT products to Indonesia, Singapore, Taiwan and Europe. We intend to undertake the following initiatives to promote and sell our OPT products in the overseas markets:

- (a) participate in all events and Business Matching Missions organised by MTIB and Malaysian Timber Council;
- (b) cooperate with local distributors and international trading houses; and
- (c) participate in and visit trade shows, exhibitions and conferences, both locally and internationally. We have identified the following trade exhibitions to participate in over the next 2 years:

Year	Name of exhibition/ trade show/ event	Organiser	Location
2019	MPOB International Palm Oil Congress and Exhibition	MPOB	Kuala Lumpur, Malaysia
2020	Malaysian International Furniture Fair	UBM plc	Kuala Lumpur, Malaysia

## 5. BUSINESS OVERVIEW (*CONT'D*)

### (iii) We intend to expand our source of revenue by selling electricity generated from our biogas plants to the National Grid

We intend to venture into a build-operate-own model where we will operate and own biogas plants that we build to generate electricity for the consumption of the palm oil mill and for sales to the National Grid. We intend to become a renewable energy power producer under the FiT mechanism introduced by SEDA Malaysia.

According to the IMR Report, the introduction of the FiT mechanism by SEDA Malaysia has enabled producers of renewable energy with feed-in approval certificates to invest in renewable energy with an arrangement in place for the purchase of generated electricity by the National Grid at predetermined rates.

We believe that this eases concerns that renewable energy power producers may have with regard to the viability of renewable energy in the longer term. The FiT mechanism presents renewable energy power producers with the option for the capture of biogas for power generation to generate revenue when sold to the National Grid.

We intend to apply to become a renewable energy power producer under the FiT mechanism and seek joint-venture partners within 24 months upon our listing on the LEAP Market of Bursa Securities. This will be beneficial to the future of our Group as we will be able to expand our revenue stream as well as generate recurring income for our Group.

### (iv) We intend to strengthen our business by leveraging on the growth in the palm oil industry

We intend to leverage on the growth in the palm oil industry to continue to grow our renewable energy and OPT products segments, which use organic wastes produced from the palm oil industry to serve as feedstock and raw materials for our business.

The production of crude palm oil generates large volumes of POME that can be effectively treated and processed to harness biogas for producing electricity. Crude palm oil production in Malaysia grew at a CAGR of 3.32% from 10.84 million MT in 2000 to 19.51 million MT in 2018, and as such, Malaysia is well-positioned to utilise POME as the main feedstock for biogas installations. (*Source: IMR Report*)

Further, according to the IMR Report, as at December 2018, the number of palm oil mills equipped with biogas plants increased from 28 units in 2010 to 104 units in 2018, out of a total of 451 palm oil mills in Malaysia. There are 32 biogas plants under construction and 93 biogas plants under various planning stages. This indicates that 222 palm oil mills in Malaysia have yet to begin planning to construct a biogas plant. We can leverage on the availability of POME as feedstock for our biogas plant and the number of palm oil mills in Malaysia that have yet to install biogas plants as our potential customers.

Between 2015 and 2032, the estimated oil palm area that is expected to reach the end of their economic lifespan ranges from 63.00 thousand hectares to 235.00 thousand hectares per year, will result in a large supply of OPT for further processing. The abundance of OPT supply ranging from 8.90 million units to 32.90 million units per year between 2015 and 2032 will be available from oil palm replanting areas (*Source: IMR Report*). This supply of OPT will be available as raw materials for our OPT products segment.

We also intend to leverage on our existing network of palm oil industry contacts from our OPT products segment to cross sell our products and services in our renewable energy segment. Our palm oil industry contacts from our OPT products segment comprise oil palm plantations and palm oil mills which supply OPT for our OPT products segment. We are able to leverage on our palm oil mill contacts to cross sell our products and services under renewable energy segment.

## 5. BUSINESS OVERVIEW (*CONT'D*)

With our track record and market reputation in the renewable energy and OPT products industries in Malaysia, we are well-equipped to continue growing our market presence and increase our overall market share. We will remain focused in our commitment on product quality and customer service, as well as continuously improvise our manufacturing processes and our range of products. To achieve this, we will increase our sales and marketing efforts, as outlined in Section 5.6 of this Information Memorandum. Further, we will increase frequency of visits to existing customers to help us secure repeat orders, as well as to potential customers to secure new sales.

Our continued growth and success will further strengthen our Group's financial position and will provide the platform for our Group to expand into other markets in the future.

(v) **We intend to expand our renewable energy segment by using various types of biomass as feedstock to produce renewable energy**

Currently, our biogas plants use POME (a type of biomass) to produce renewable energy. Our Group has been developing our biogas plant to cater for various types of biomass as feedstock to generate renewable energy wherein our current on-going development of synthetic gas processing plant and/or power plant using synthetic gas as feedstock from dry waste matters (e.g. animal manure) (refer to Section 5.7 of this Information Memorandum for further details on the development of synthetic gas). With our experienced senior management team who has the engineering and technical expertise in the biogas industry, our Group also intends to develop biogas plant which uses various types of biomass such as food waste as feedstock to generate renewable energy. Such development enables us to offer wider range of products to our customers (apart from palm oil industry) as well as to tap into wider market, thus allow us to further grow our business and expand our revenue stream.

The usage of various types of biomass as feedstock is an alternate way to generate electricity towards better environment preservation. For instance, the amount of food waste has become a global environmental concern, thus with such food waste recycling efforts, it can be a solution to reduce the environmental problem. Further, it also in line with our Group's objective to contribute to the preservation of environment with better waste management system. Our Board believes that with such green technology available in the market, it can expand our Group's presence in the market and thereby enhance our Group's financial performance.

### 5.20 Prospects of our Group

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

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

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

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

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**5. BUSINESS OVERVIEW (CONT'D)**


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

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

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

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

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

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

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

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

*(Source: Our management)*

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## 6. RISK FACTORS

**NOTWITHSTANDING THE PROSPECTS OF OUR GROUP AS OUTLINED IN THIS INFORMATION MEMORANDUM, YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS (WHICH MAY NOT BE EXHAUSTIVE) THAT MAY HAVE A SIGNIFICANT IMPACT ON OUR FUTURE PERFORMANCE, IN ADDITION TO OTHER INFORMATION CONTAINED ELSEWHERE IN THIS INFORMATION MEMORANDUM.**

### 6.1 Risks relating to our industry

#### (i) We face inherent business risk associated with palm oil industry

Our Group is subject to risks inherent to the palm oil industry as our revenue and projects are reliant on the performance and continued output of POME from the palm oil mills and OPT from the oil palm plantations, respectively. We are exposed to any impact on the commerciality of palm oil production and plantations that could cause palm oil mills and plantations to reduce their output of POME and OPT. These risks include outbreaks of oil palm plantation diseases; damages from pests, fire or other natural disasters; adverse climate conditions (such as El Niño); changes in law and tax regulations affecting palm oil industry; increases in labour or other production costs and any impact on the commerciality of palm oil production; as well as availability of palm oil substitutes. Any of these circumstances could adversely impact upon our Group, our business, development, financial condition, operating results or prospects.

#### (ii) We face competition from existing competitors and new entrants

Our Group is expected to continue facing competition from current and future competitors which include companies with substantially greater resources than our Group. We generally compete with our competitors on market reputation, technical competence, quality control and customer services. There is no assurance that competitors will not succeed in developing products and technologies that are more effective and economical for users of renewable energy and end users of OPT products. Such competition could result in reduced gross margins and loss of market share, any of which could materially and adversely affect our Group's future business, operating results and financial position.

We believe that our Group would be able to stay competitive based on, amongst others, our track record in using biomass to produce renewable energy and OPT products, our technical competence as supported by our experienced Management, as well as our understanding and ability to respond to demands for renewable energy and OPT products. Our Board believes that we will remain competitive and be able to grow our business due to our competitive strengths as set out in Section 5.4 of this Information Memorandum.

Nevertheless, there can be no assurance that we will be able to remain competitive in the future and our financial performance will not be adversely affected by market competition.

#### (iii) We may be adversely affected by factors beyond our control, which include political, economic and government policies

Like all other business entities, adverse developments in political, economic and government policies in Malaysia and other countries (in which our Group derives revenue from) may materially and adversely affect the results and business prospects of our Group. Amongst the political, economic and government policies are changes in inflation rates, tax rates and/or policies, interest rates, war, terrorism activities, riots, expropriations, changes in political leadership and unfavourable changes in the government policies such as licensing and environmental regulations, as well as perception towards the sustainability of palm oil production.

Thus far, there has been continued support from Malaysian government and government bodies / agencies such as MPOB and MTIB in terms of R&D, marketing and promotion activities as well as incentives given to oil palm biomass industry to spur its growth.

## 6. RISK FACTORS (CONT'D)

### 6.2 Risks relating to our business and operations

**(i) We have yet to receive approval for the transfer of forestry licence for our OPT plywood manufacturing business and face risk of non-renewal or revocation of licences, permits and certificates**

Profina currently operates its OPT plywood manufacturing business at a plywood mill located at Lot 8028, Batu 4, Jalan Mengkibol, 86000 Kluang, Johor, wherein the Forestry Licences were issued by JPNJ pursuant to the Wood-Based Industries Enactment 1986, to the previous owner who operated a sawmill and a plywood mill at the same location. As Profina is not the licensed holder of the Forestry Licences, it had submitted an application dated 4 June 2018 to PHDJT for the Transfer of Forestry Licences and a decision from the authority is pending as at the LPD (refer to Section 5.17(ii) of this Information Memorandum for further details on the application). Upon the request of Profina, JPNJ had vide its letter dated 24 February 2019, confirmed the following matters:

- it has not received any negative feedback from relevant agency in relation to the Transfer of Forestry Licences;
- it is aware that Profina is currently operating at Lot 8028, Batu 4, Jalan Mengkibol, 86000 Kluang, Johor, despite not being the licensed holder for the Forestry Licences; and
- while awaiting for JPNJ's decision on the Transfer of Forestry Licences, it allows Profina to continue with its current operation at Lot 8028, Batu 4, Jalan Mengkibol, 86000 Kluang, Johor as long as the Forestry Licences are valid.

The forestry licence for plywood mill located at Lot 8028, Batu 4, Jalan Mengkibol, 86000 Kluang, Johor under the name of previous owner has been renewed by Profina for a period of 1 year commencing from 1 January 2019 to 31 December 2019, without any conditions imposed by the authority. While we have used our best endeavours to obtain approval for the Transfer of Forestry Licences, there is no assurance that such approval will be granted in time in spite of no negative feedback from authority in relation to the application as stated above. In the event we fail to obtain such approval prior to the expiry date of the licences, Profina will still need to apply for the renewal of the forestry licence for plywood mill on a periodic basis, despite not being named as the license holder. Hence, there is no assurance that the renewal of forestry licence for plywood mill will be granted and/or will not be subject to any variation, modifications or imposition of additional conditions by the regulatory authority in the future. If the forestry licence for plywood mill is not renewed, it will have an adverse impact on our business, results of operations and financial performance as the OPT products segment has contributed RM11.44 million (or 42.56%) and RM2.13 million (or 31.84%) to our Group's revenue and GP for the FYE 2018.

Apart from the Forestry Licences, we also face risk of non-renewal or revocation of other licences, permits and certificates from various governmental authorities to carry out our business operations (refer to Section 5.17 of this Information Memorandum for further details), which may interrupt our business operation and hence affect our financial performance.

**(ii) We rely on the continued services of our Management**

Our success depends to a significant extent upon the continued efforts, abilities, experience and networking of our Management. The loss of the services of any of these individuals may have a material adverse effect on us.

We recognise the importance of attracting and retaining our Management. Our Management also recognises the importance of succession planning for our business continuity as well as maintaining our competencies and competitiveness in the market. We train and groom the younger members of our management team to gradually take on more responsibilities. Besides, we constantly seek suitable and experienced personnel to enhance our existing management and technical teams.

We believe that by increasing our profile through our Proposed Listing, we will be able to attract capable and qualified personnel to play an active role in our growth. In addition, our Executive Chairman and Executive Directors are also our Promoters and substantial shareholders and this has provided added motivation and incentive for them to remain with us through equity participation.



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**6. RISK FACTORS (CONT'D)**


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**(iii) We do not have long term contracts with our customers**Renewable energy segment

As Green Energy is involved in the provision of EPCC services to design, construct and commission biogas plants which convert biomass into biogas used for the production of renewable energy, the duration of its services is dependent on the scale and complexity of the EPCC projects. There is no assurance that our customers will continue to engage Green Energy for its services upon completion of each type of contract for renewable energy segment, which may have material adverse effect on our future financial performance.

OPT products segment

Profina does not have any long term contract with customers for OPT plywood business as its sales are generated on an order-by-order basis. Thus, there is no assurance that Profina will be able to secure repeat orders from existing customers in the future or that new business relationships be successfully formed and Profina could be adversely affected by changes to such relationships.

Nevertheless, by leveraging on our engineering and technical expertise to transform biomass into green products and solutions with commercial values; our proven track record and quality assurance for our products and services, we have been able to secure repeat orders from existing customers and establish new business relationship despite absence of any long term contracts with our customers.

**(iv) Our engineering services are exposed to project risks**

We (via Green Energy) are involved in providing EPCC services to design, construct and commission biogas plants for our customers to generate electricity. There is a risk that these EPCC projects may be delayed or aborted which may materially affect our Group's financial condition. Delays in project completion may be caused by factors beyond our control such as delay in supply deliveries, delay in obtaining regulatory approvals by our customers, variation orders, delay in project kick off by our customer as well as internal factors such as project management issues, loss of key management as well as shortages of technical staffs.

We will conduct project studies on the complexity and the specification of each biogas plant projects in order to ensure smooth implementation and minimise cost overrun. We will also engage experienced sub-contractors who have been working together with our Group and place our technical staffs at our customers' sites throughout the installation of the biogas plants to mitigate the risk.

**(v) We are subject to operating risks**Renewable energy segment

The biogas plants which are built and managed by our Group, or in respect of which our Group will provide maintenance services, may be affected by various factors, including failure to achieve the predicted yield for production of biogas and electricity; operational and technical difficulties encountered in scaling up production; failure to achieve agreed specifications of the biogas plant; difficulties in commissioning and maintaining plant and equipment; mechanical failure; unanticipated problems to the biogas plants which may affect the performance of the plants; industrial and environmental accidents; and unexpected shortages or increases in the costs of spare parts, plant and equipment. Our Group may therefore be exposed to certain technical risks in the additional work required to ensure smooth operation and functionality of biogas plants.

**6. RISK FACTORS (CONT'D)**OPT products segment

Profina is subject to risks inherent in manufacturing industry which include, amongst others, fire hazards, disruption to electricity supply and other causes which may disrupt the manufacturing process. Profina has taken precautionary steps to mitigate this risk via installation of fire fighting equipment at its factory; provision of training to its employees for the use of these equipment; and purchase of insurance coverage against any potential damages on property, plant and equipment and inventory.

**(vi) We are affected by fluctuations in foreign currency exchange rates**

We are exposed to foreign currency risk as our revenue from overseas' projects or orders are invoiced in USD and SGD; while our purchases of components and equipment are made in RM, USD, SGD and EUR. For the past 2 FYEs 2017 and 2018, 2.50% and 7.29% of our Group's revenues are from foreign sales, respectively. As such, our Group is exposed to the risk that any adverse exchange rate movements against RM will cause our revenues to decrease or cost to increase, resulting in reduced profitability.

Our Group mitigates the foreign exchange risk through a natural hedge via operating a foreign currency account using payment received from our export sales to pay imported purchases. In addition, we adopt prudent costing measure whereby our management would have considered a margin over the prevailing foreign exchange rate in our sales quotation to our customers.

However, there can be no assurance that any increase in costs resulting from unfavourable future fluctuation in the foreign currency exchange rates will not have an adverse impact on our financial performance.

**(vii) We are subject to credit risk and default payment by customers**

We are exposed to the risk of non-payment as we generally require our customers to pay within 30 to 60 days from the date of billing. If there is a default in payment from our customer(s), our operating cash flows, financial conditions and results of operations may be adversely affected. Close monitoring of collection of accounts are being carried out.

However, there can be no guarantee that our customers will be able to fulfil their payment obligations and that we will not encounter any collection problems in the future. In the event that there is any default or delay in the collection or payment, it will lead to impairment losses on trade receivables or bad debts which may have material adverse impact on our financial performance.

**(viii) Non-realisation of benefits from our R&D efforts**

Currently, the machinery used for the manufacturing of plywood in the market are generally designed to process timber logs. Timber logs are hardwood while OPTs are relatively more fibrous and moist, making OPT veneer easily breakable during the manufacturing process of OPT plywood. If our Group is unable to procure suitable and compatible machinery for manufacturing of OPT plywood, our Group will face difficulty in meeting customers' orders and producing OPT products with acceptable quality, resulting in increased manufacturing cost and reduced profitability.

While our Group has the engineering expertise to modify and enhance our machinery to accommodate drying requirement for OPT veneer sheets to reduce the OPT veneers' moisture content and prevent them from breaking during the manufacturing process of OPT plywood and improve production efficiency, there is no assurance that these R&D efforts will be able to demonstrate the expected benefits or research which may be viable for commercial purposes.

## 6. RISK FACTORS (CONT'D)

### (ix) We are subject to business expansion risk

Expansion of the business of our Group may place additional demands on our Management, administrative and technological resources and marketing capabilities, and may require additional capital expenditures. If our Group is unable to manage such expansion effectively, it may impact the business, development, financial condition, results of operations and prospects of our Group.

### (x) Our existing tenancies may be terminated and we may not successfully renew our existing tenancies

Presently, our Group's factories in Johor Bahru and Kluang are rented from related parties (in which Tan Tiam Aik and Ma Eng Yau are the controlling shareholders of these related parties) with tenancy terms of up to 3 years and will be expiring on 28 February 2020 and 30 November 2020, respectively.

During the negotiations of renewing the existing tenancies with the respective landlords, the landlords will have the absolute right to review and revise the terms and conditions of the tenancy agreements. If the tenancies are terminated or not renewed, our Group may have to relocate to other location and incur relocation cost (such as expenses for civil work for new factory as well as mechanical and electrical installation of facilities, machines and equipment at new location). Further, if we are not able to secure new alternative tenancies at reasonable rates and strategic locations, our business operations would be disrupted and our profitability or financial results may be adversely affected.

### (xi) We may face regulations on policies for foreign investment, taxation and profit repatriation

Profits from Acropower will be subject to foreign investment policies of the Government of Singapore. Any change (including a change in interpretation) in foreign investment policies or tax legislation, including the imposition of new taxes or increases in tax rates in Singapore may have an adverse impact on the repatriation of profits.

Notwithstanding the above, currently, there are no foreign exchange control restrictions relating to the ability of Green Energy to repatriate the profits of Acropower. There are also no restrictions as to the timeframe in which any profits are to be repatriated.

## 6.3 Risks relating to investment in our Shares

### (i) We may not be able to proceed with our Proposed Listing or our Proposed Listing may be delayed

Bursa Securities may not grant an approval-in-principle for our Proposed Listing or if granted, we may not be able to proceed with or experience a delay in our Proposed Listing due to amongst others, the following reasons:

- (a) the identified Sophisticated Investors fail to subscribe for the portions of the Issue Shares allotted to them; or
- (b) the occurrence of any force majeure events, which are beyond our control, before our Proposed Listing.

Nevertheless, we will endeavour to ensure compliance with the LEAP Market Listing Requirements for our successful listing on the LEAP Market of Bursa Securities.

If our Proposed Listing does not take place within 6 months from the date of the approval-in-principle from Bursa Securities (or such further extension of time as Bursa Securities may allow) or we abort our Proposed Listing, Sophisticated Investors will not receive any Shares and we will return in full, without interest, all monies paid in respect of any application for our Issue Shares within 14 days. If we fail to do so, our Directors shall be jointly and severally liable to repay the monies with interest at the rate of 10% per annum or such other rate as may be prescribed by Bursa Securities upon expiration of that period until full refund is made.

**6. RISK FACTORS (CONT'D)**

If our Proposed Listing is aborted and/or terminated, and our Issue Shares have been issued and allotted to the Sophisticated Investors, the return of monies could only be achieved via cancellation of share capital as provided under the Act and its related rules. Such cancellation can be implemented by either (a) the sanction of our shareholders by special resolution in a general meeting, consent of our creditors (unless dispensation with such consent has been granted by the High Court of Malaya) and the confirmation of the High Court of Malaya, in which case there can be no assurance that such monies can be recovered within a short period of time or at all in such circumstances, or (b) the sanction of our shareholders by special resolution in a general meeting supported by a solvency statement from our Directors.

**(ii) No prior trading for our Shares**

There was no public trading market for our Shares prior to our Proposed Listing. The listing of and quotation for our Shares on the LEAP Market of Bursa Securities does not guarantee that an active market for the trading of our Shares will develop.

There can be no assurance that the Issue Price will correspond to the price at which our Shares will be traded on the LEAP Market of Bursa Securities upon or subsequent to our Proposed Listing. Sophisticated Investors may find it difficult to sell our Shares at an acceptable price. Further, there can be no assurance that an active trading market for our Shares will develop or if such a market develops, that it will be sustained.

If an active trading market does not develop or is not maintained, the liquidity and trading price of our Shares could be adversely affected and investors may have difficulty in realising their investment in our Shares. Any investment in our Shares should be viewed as long-term investment.

**(iii) Trading and performance of our Shares**

Upon our listing, the trading price of our Shares could be subject to significant fluctuation due to factors specific to our Group or industries in which our Group is operating. These factors include, but not limited to, the variations in the results of our operations due to restrictions by the Malaysian government, changes in analysts' recommendations or projections or changes in general market conditions and broad market fluctuations.

In addition, the performance of securities listed on the regional and global equity market could be affected by external factors such as the performance of the regional and world bourses, the investors' sentiments and the inflow or outflow of foreign funds, which in turn are highly driven by the regulatory, economic and political conditions of the country as well as the growth potential of the various sectors of the economy. These factors invariably contribute to the volatility of trading volumes and prices of securities on Bursa Securities, thus adding risks to the market price of our Shares.

Furthermore, the LEAP Market of Bursa Securities is limited to Sophisticated Investors only, which in turn limits the potential liquidity level in the market. It may be more difficult for the Sophisticated Investors to realise their investment on the LEAP Market of Bursa Securities than to realise an investment in a company whose shares are quoted on the Main Market or ACE Market of Bursa Securities.

**(iv) Our Promoters can exercise significant control over our Group**

Upon listing, our Promoters will collectively hold approximately 73.65% of our enlarged issued share capital. As a result, they will be able to, in the foreseeable future, effectively control the business direction and management of our Group as well as influence the outcome of certain matters requiring the voting of our shareholders, unless our Promoters are required to abstain from voting by law and/ or by the relevant guidelines or regulations.

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**6. RISK FACTORS (CONT'D)**

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**(v) We may not be able to pay dividends**

Our Company, being an investment holding company, derives income mainly from dividends received from our subsidiaries. Hence, our ability to pay dividends in the future are largely dependent on the performance of our subsidiaries. In determining the size of any dividend recommendation, we will also take into consideration a number of factors, including but not limited to our financial performance, cash flow requirements, debt servicing and financing commitments, future expansion plans, loan covenants and compliance with regulatory requirements.

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**7. INDEPENDENT MARKET RESEARCH REPORT**

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SMITH ZANDER

**Date:** 01 AUG 2019

The Board of Directors

GPP Resources Berhad  
Level 33A, Menara 1MK, Kompleks 1 Mont Kiara  
No. 1, Jalan Kiara, Mont Kiara  
50480 Kuala Lumpur

Dear Sirs/ Madams,

**Independent Market Research ("IMR") Report on the Plywood Market and Biogas Industry in Malaysia ("IMR Report")**

This IMR Report of the Plywood Market and Biogas Industry in Malaysia has been prepared by SMITH ZANDER INTERNATIONAL SDN BHD ("SMITH ZANDER") for inclusion in the Information Memorandum in conjunction with the proposed listing of GPP Resources Berhad on the LEAP Market of Bursa Malaysia Securities Berhad.

The research process for this study has been undertaken through secondary or desktop research, as well as detailed primary research when required, which involves discussing the status of the industry with leading industry participants and industry experts. Quantitative market information could be sourced from interviews by way of primary research and therefore, the information is subject to fluctuations due to possible changes in business, industry and economic conditions.

SMITH ZANDER has prepared this IMR Report in an independent and objective manner and has taken adequate care to ensure the accuracy and completeness of the report. We believe that this IMR Report presents a balance view of the industry within the limitations of, among others, secondary statistics and primary research, and does not purport to be exhaustive. Our research has been conducted with an "overall industry" perspective and may not necessarily reflect the performance of individual companies in this IMR Report. SMITH ZANDER shall not be held responsible for the decisions and/or actions of the readers of this report. This report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies as mentioned in this report or otherwise.

For and on behalf of SMITH ZANDER:

  
\_\_\_\_\_  
DENNIS TAN  
MANAGING PARTNER

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7. **INDEPENDENT MARKET RESEARCH REPORT (CONT'D)**

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## SMITH ZANDER

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The research for this IMR Report was completed on 15 July 2019.

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### **About SMITH ZANDER INTERNATIONAL SDN BHD**

*SMITH ZANDER is a professional independent market research company based in Kuala Lumpur, Malaysia, offering market research, industry intelligence and strategy consulting solutions. SMITH ZANDER is involved in the preparation of independent market research reports for capital market exercises, including initial public offerings, reverse takeovers, mergers and acquisitions, and other fund-raising and corporate exercises.*

### **Profile of the signing partner, Dennis Tan Tze Wen**

*Dennis Tan is the Managing Partner of SMITH ZANDER. Dennis Tan has 21 years of experience in market research and strategy consulting, including over 16 years in independent market research and due diligence studies for capital markets throughout the Asia Pacific region. Dennis Tan has a Bachelor of Science (major in Computer Science and minor in Business Administration) from Memorial University of Newfoundland, Canada.*

## 1 INTRODUCTION

### Objective of the study

This IMR Report has been prepared in conjunction with the proposed listing of GPP Resources Berhad ("GPP") on the LEAP Market of Bursa Malaysia Securities Berhad.

The objective of this IMR Report is to provide an independent view of the industry and market(s) in which GPP and its subsidiaries ("GPP Group") operate in and to offer a clear understanding of the industry and market dynamics.

### Rationale and scope of work

GPP is the holding company for Profina Plywood Sdn Bhd ("Profina Plywood"), Green Energy Resources (M) Sdn Bhd ("Green Energy Resources"), and Green Palm Products Sdn Bhd ("Green Palm Products"). Profina Plywood is principally involved in the manufacturing and sale of oil palm trunk ("OPT") plywood, while Green Energy Resources is principally involved in the engineering, procurement, construction and commissioning ("EPCC") services, management and maintenance of biogas plants which convert biomass into biogas used for the production of renewable energy. Both Profina Plywood and Green Energy Resources utilise oil palm biomass as key raw materials and feedstock respectively for their businesses. Green Palm Products is the patent-holding company for the patent, "A method to manufacture plywood".

The scope of work for this IMR Report will thus address the following areas:

1. Oil palm biomass as the key supply for Profina Plywood and Green Energy Resources;
2. Plywood market in Malaysia in relation to the manufacturing and sale of OPT plywood by Profina Plywood; and
3. Biogas industry in Malaysia in relation to the EPCC services, management and maintenance of biogas plants undertaken by Green Energy Resources, where the biogas plant is used to convert biomass into biogas used for the production of renewable energy.

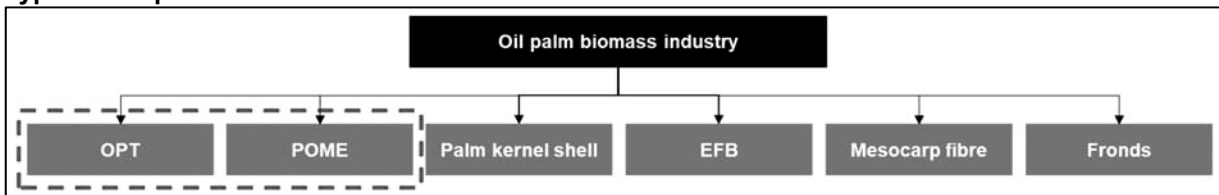
## 2 OIL PALM BIOMASS

### Oil Palm Biomass

Biomass is the biological matter derived from living, or recently living organisms, and typically refers to plants or plant-derived materials. Biomass can be used directly via combustion to produce heat, or indirectly after converting it to various forms of biofuels. The conversion of biomass to biofuels is possible through thermal, chemical, and biochemical methods.

Oil palm biomass refers to biological matter derived from oil palm. Oil palm biomass can be generated from both the oil palm plantations and the palm oil mills. Trunks and fronds are biomass from the oil palm plantation. The OPTs are available during replanting after the economic lifespan of 25 to 30 years of the oil palm when the trees are felled, while fronds are obtained during the pruning activity. Biomass from the mills are produced daily during the milling process, and includes empty fruit bunches ("EFB"), mesocarp fibre, palm kernel shell and palm oil mill effluent ("POME").

### Types of oil palm biomass



Note: [ ] denotes key raw materials and feedstock for GPP Group

Source: SMITH ZANDER



**7. INDEPENDENT MARKET RESEARCH REPORT (CONT'D)****SMITH ZANDER****Description and uses of oil palm biomass**

Biomass	Description	Uses
OPT	Oil palm tree trunk which will be felled during oil palm replanting every 25 to 30 years	Used as raw material for plywood, medium density fibreboard, particle board and fibre-reinforced plastic composites
POME	Oily liquid waste that is a by-product of the palm oil milling process	Used for producing electricity after treatment and process to harness methane from the POME
Palm kernel shell	Fibrous shell fractions left subsequent to the removal of palm oil kernel nut after crushing	Used as fuel for steam production and power generation in palm oil mills
EFB	Remains of the fresh fruit bunch ("FFB") after the fruit has been removed for processing	Used as fuel for steam production and power generation in palm oil mills; and used as fertiliser and soil conditioning agent
Mesocarp fibre	Remains of the palm fruits after palm oil extraction	Used as fuel for steam production and power generation in palm oil mills; and raw material for fibre composites to manufacture furniture, mattress, erosion control material, paper, sofa, and car seat
Fronds	Leaf-like part of the oil palm which will be obtained during pruning activity	Used as fuel for steam production and power generation in palm oil mills; fertiliser in oil palm plantations and roughage source for ruminants

Note:  denotes key raw materials and feedstock for GPP Group

The palm oil industry is a key supply industry to the manufacture of oil palm timber-based products and also the production of biogas for the purpose of renewable energy generation in Malaysia. The manufacture of oil palm timber-based products uses OPT as raw materials while the renewable energy generation from oil palm biogas uses POME as feedstock to power gas engines that produce electricity. The supplies of OPT and POME depend on the oil palm replanting cycles and crude palm oil ("CPO") production respectively.

**Palm oil industry as the key supply industry**

According to the Performance Management & Delivery Unit in the 10<sup>th</sup> Malaysian Plan, the palm oil industry is the nation's fourth largest economic contributor and accounted for a gross national income of RM53.0 billion. In 2018, the palm oil industry formed 3.60% of Malaysia's gross domestic product. Palm oil and palm oil-based products are the largest export income generator in the agricultural products segment. In 2018, the exports of palm oil and palm kernel oil totalled an estimated RM45.14 billion.

The palm oil industry in Malaysia has performed positively over the years between 2000 and 2018. Total planted area in Malaysia, comprising both mature and immature planted areas<sup>1</sup>, grew at a compound annual growth rate ("CAGR") of 3.10% between 2000 and 2018. In 2018, total planted area in Malaysia was 5.85 million hectares ("Ha."). As at end December 2018, Malaysia had a total of 5.19 million Ha. of mature oil palm plantations, of which 2.41 million Ha. were located in Peninsular Malaysia.

<sup>1</sup> Mature planted areas typically refer to areas planted with crops aged between three (3) years to twenty five (25) years, while immature planted areas typically refer to areas planted with crops aged below three (3) years.

### 3 PLYWOOD MARKET IN MALAYSIA

#### Overview

Plywood is a type of engineered wood which consists of three or more sheets of wood glued and pressed, with wood grains of successive sheets are at 90 degrees to one another. The middle of the plywood sheet is called the core, and plywood is formed by an odd number of sheets or plies. The angled sheets reduce warping as they compensate shrinkage and give the panel greater strength.

Generally, plywood is used as furniture components for general use. It is also used in the construction sector as building materials for both interior and exterior applications such as partitions, floors, walls, roofs, wind bracing panels, concrete shuttering panels and fencing, as well as interior fixtures such as doors, built in wardrobes and shelving units. Other applications of plywood include packaging materials and wooden pallets. Each type of wood species has different tensile strengths, densities and workability, therefore, there are many varieties of plywood with different intrinsic properties for the intended final product.

The major varieties of plywood are as follows:

Types of plywood	Description
Softwood plywood	Plywood manufactured from spruce, douglas fir, cedar, pines, fir or redwood. Used as, among others, building materials and internal body work of vehicles.
Hardwood plywood	Plywood manufactured from red meranti, yellow meranti and keruing. Used as, among others, building materials for heavy duty factories and buildings, scaffolding materials and panels in concrete form work systems.
Tropical plywood	Plywood manufactured from mixed species of tropical wood. Used as, among others, concrete and structure panels, container flooring, floor base, laminated board and laminated veneer lumber.
Rubber plywood	Plywood manufactured from rubberwood. Used as furniture components, building materials and interior fixtures.
OPT plywood	Plywood manufactured from oil palm tree trunk. Used as furniture components, building materials, interior fixtures, packaging material and wooden pallet.

#### Market performance, size and growth

This section will cover the following:

1. The performance of the plywood market in Malaysia;
2. The depleting source of timber as raw material for plywood; and
3. OPT as an alternative raw material for plywood.

#### The performance of the plywood market in Malaysia

Demand for plywood in Malaysia, represented by the consumption of plywood, fluctuated year on year from 2014 to 2018. In 2014, the consumption of plywood stood at 0.78 million cubic metre ("cu. metre") and it decreased to 0.59 million cu. metre in 2015. In 2016, the consumption of plywood increased to 1.00 million cu. metre or 69.49% from 2015 and dropped to 0.44 million cu. metre in 2017. In 2018, the consumption of plywood increased to 1.21 million cu. metre. The demand for plywood is closely linked to the construction industry cycle, save for 2018. This was due to the increase in imports of plywood from Indonesia and Vietnam in 2018, as a result of lower import prices from these countries as compared to the price of plywood manufactured in Malaysia. Due to the lower import prices, the imported plywood may have been purchased by end users to stock up on inventory for future use, as the level of construction activity which declined in 2018 does not substantiate a rise in the consumption of plywood in 2018.

## 7. INDEPENDENT MARKET RESEARCH REPORT (CONT'D)

## SMITH ZANDER

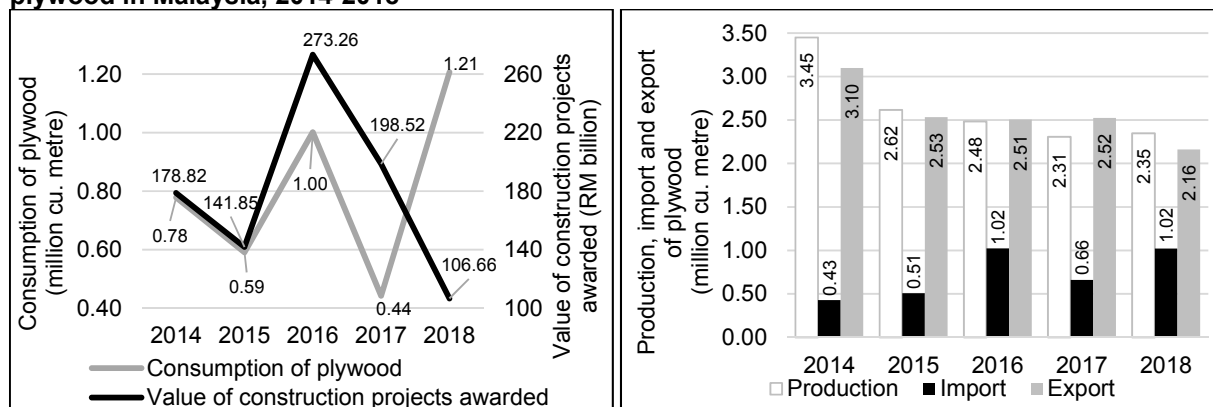
The rising consumption of plywood in Malaysia has been fulfilled largely by imports of plywood. The import of plywood increased from 0.43 million cu. metre in 2014 to 1.02 million cu. metre in 2018 at a CAGR of 24.10% to cater for the increasing consumption and decreasing production of plywood in Malaysia.

Production of plywood decreased from 3.45 million cu. metre in 2014 to 2.35 million cu. metre in 2018 at a CAGR of -9.15%. This decrease in production was due to the depletion of conventional raw materials for plywood (i.e. forest logs and rubberwood). Consequently, the decrease in production has caused the export of plywood to decrease from 3.10 million cu. metre in 2014 to 2.16 million cu. metre in 2018 at a CAGR of -8.64%, as the export market is one of the main markets for plywood in Malaysia.

The drop is also attributed to the implementation of Government policies that encourage the development of downstream value-added manufacturing activities to produce and export timber-based products such as, among others, furniture, builders' joinery and carpentry through the Third Industrial Master Plans ("IMP3"), resulting in a decrease of timber supply for the production of plywood.

Malaysia's production of plywood is mainly to supply the export market. With the decrease in the production of plywood, import has increased in order to cater for local demand which is closely linked to the construction industry cycle in Malaysia.

#### Value of construction projects awarded and consumption, production, import and export of plywood in Malaysia, 2014-2018

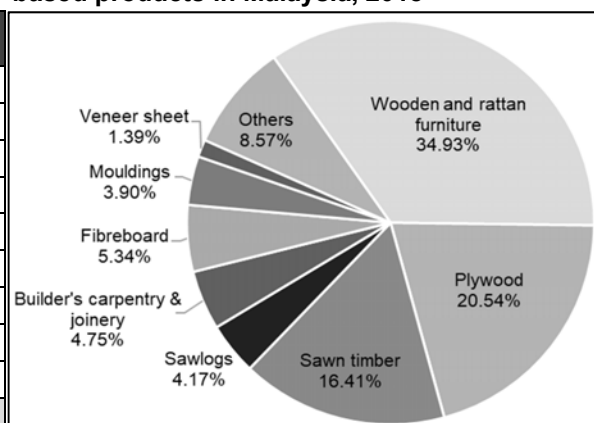


Sources: Department of Statistics Malaysia ("DOSM"), Malaysian Timber Industry Board ("MTIB"), Construction Industry Development Board ("CIDB")

#### The depleting source of timber as raw material for plywood

##### Export value and percentage of timber and timber-based products in Malaysia, 2018

Types of timber and timber-based products	Export value (RM billion)
Wooden and rattan furniture	7.79
<b>Plywood</b>	<b>4.58</b>
Sawn timber	3.66
Sawlogs	0.93
Builder's carpentry & joinery	1.06
Fibreboard	1.19
Mouldings	0.87
Veneer sheet	0.31
Others	1.91
<b>Total</b>	<b>22.30</b>



Sources: DOSM, MTIB

The timber industry in Malaysia is a major revenue contributor to the country's economy, comprising timber and timber-based products such as sawn logs, sawn timber, fibreboard, plywood, builders' carpentry and joinery, mouldings, wooden and rattan furniture and veneer sheets. In 2018, an estimated RM22.30 billion

## 7. INDEPENDENT MARKET RESEARCH REPORT (CONT'D)

## SMITH ZANDER

worth of timber and timber-based products were exported from Malaysia, in which plywood exports accounted for the second largest portion at RM4.58 billion.

Due to depleting supply of forest logs and the restriction on logging activities in the natural forest by the Malaysian Government, in the mid-1980s, rubberwood that were felled after the end of their latex-producing cycle emerged as an alternative raw material for timber and timber-based products in Malaysia. From being a waste-wood, rubberwood became a major feedstock for the manufacture of timber and timber-based products in Malaysia.

Nevertheless, the supply of rubberwood has been decreasing due to the decline in rubber cultivation areas as estate owners and smallholdings replanted their lands with oil palm. The total rubber plantation area in Malaysia decreased from 1.43 million Ha. in 2000 to 1.08 million Ha. in 2017 at a CAGR of -1.64%. Further, the supply of forest logs has not been stable, represented by the forest area licensed for harvesting in Peninsular Malaysia that has fluctuated between 0.08 million Ha. and 0.11 million Ha. from 2010 to 2017. These factors have contributed to the decrease in the availability of raw materials for the production of timber and timber-based products.

In addition, export of sawn timber manufactured from forest logs experienced an increase from 0.84 million cu. metre in 2010 to 1.29 million cu. metre in 2018 at a CAGR of 5.51%. For the same period, the export of sawn timber manufactured from rubberwood increased from 0.04 million cu. metre to 0.12 million cu. metre at a CAGR of 14.72%.

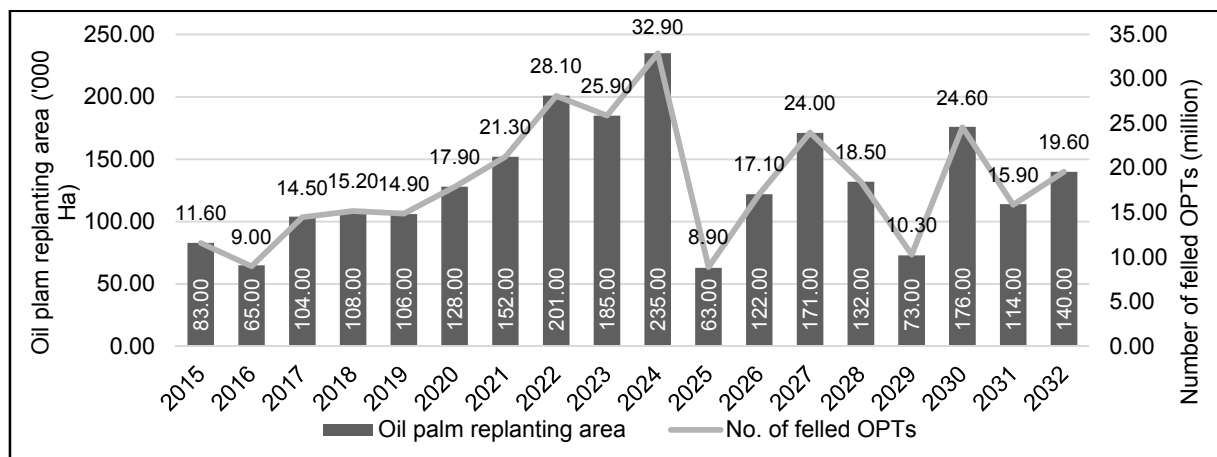
With the increasing export of sawn timber coupled with the decreasing and uncertain supply of forest logs and rubberwood, there has been insufficient supply of forest logs and rubberwood for plywood production. These factors have triggered the need for new alternative raw materials for plywood.

#### OPT as an alternative raw material for plywood

The continuous search for alternative raw materials for plywood has opened new opportunities for OPT to become an alternative raw material in the manufacture of plywood. OPT is produced during the felling of oil palm trees at the end of their economic lifespan, which is approximately 25 to 30 years. Historically, the OPT has been left for natural decomposition after felling due to its high moisture content. The natural decomposition harbours insects and obstructs the replanting process.

Instead of leaving OPT to decompose as waste, it can be processed and manufactured into plywood, medium density fibreboard, particle board and fibre-reinforced plastic composites. Between 2015 and 2032, the estimated oil palm area that is expected to reach the end of their economic lifespan ranges from 63.00 thousand Ha. to 235.00 thousand Ha. per year, will result in a large supply of OPT for further processing. The abundance of OPT supply ranging from 8.90 million units to 32.90 million units per year between 2015 and 2032 will be available from oil palm replanting areas.

#### Estimated oil palm replanting area and number of felled OPTs in Malaysia, 2015-2032



Sources: DOSM, MTIB

**7. INDEPENDENT MARKET RESEARCH REPORT (CONT'D)****SMITH ZANDER**

The current and future availability of OPT, coupled with the depleting supply of forest logs and rubberwood, has spurred the utilisation of OPT in the manufacturing of plywood in Malaysia.

The Government, through the MTIB has introduced fiscal incentives to promote the utilisation of OPT to produce value-added products such as particleboard, medium density fibreboard, plywood, pulp, and paper. These incentives include:

- Pioneer status that provides income tax exemptions for ten (10) years; and
- Investment tax allowance that allows for the qualifying capital expenditure income to be utilised against statutory income for five (5) years.

The Fibre and Biocomposite Centre ("FIDEC") was established in 2006 by the MTIB as a focal point for information on pre-commercialisation activities and to spearhead the research and development ("R&D") of fibre and biocomposite products. The initiatives of FIDEC that promote the utilisation of OPT include:

- Development of high-grade OPT plywood for building construction and export market;
- Development of method and technique in enhancing the rate of drying of OPT veneer;
- Development of sawn timber from OPT;
- Development of palm lumber through a pilot study; and
- R&D for hybrid technique to produce moulded furniture components using OPT laminated veneer.

The Ministry of Plantation Industries and Commodities implemented the National Timber Industry Policy ("NATIP") to address the concerns regarding the market, technology, raw materials, human capital and other factors that are crucial for the continued viability of the wood-based sector. NATIP also introduced approaches to address the concerns with regard to the development of OPT plywood. These approaches are to:

- Increase the utilisation of small diameter logs such as OPT in the manufacture of OPT plywood by urging the restructure and reform of the plywood industry;
- Encourage the use of biomass such as OPT as a supplementary resource of fibre for oil palm timber-based products;
- Undertake R&D activities on OPT that develop new products and improve the quality of existing products to conform to international standards with supports provided by the research institutions for the fuller utilisation of OPT;
- Develop customised and specialised machineries to process OPT for the production of oil palm timber-based products; and
- Intensify marketing and promotional efforts of oil palm timber-based products to gain market acceptance and recognition.

To further support the growth of oil palm timber-based products, a National OPT Development Plan is currently being formulated by the Ministry of Plantation Industries and Commodities that will focus on the use of OPT as a new source of raw material. A National OPT Task Force led by the Ministry of Plantation Industries and Commodities was established in 2017 to promote the sustainable use of OPT in the production of primary processed wood products such as plywood and high value-added timber products such as furniture.

### **Competitive Overview**

The plywood market in Malaysia is competitive, due to the fragmented nature and large pool of industry players that compete in this industry. Industry players comprise manufacturers that only produce plywood, as well as manufacturers that produce plywood and various timber and timber-based products. Raw materials used to manufacture plywood in Malaysia are mostly forest logs and rubberwood.

Profina Plywood competes with all industry players who are involved in the manufacture of plywood despite the usage of only OPT in the manufacture of plywood, as the end usage of OPT plywood is the same as plywood of conventional materials.

The plywood industry in general is fragmented, with many industry players using forest logs and rubberwood as raw material. There are a selected number of industry players using OPT as raw material

**7. INDEPENDENT MARKET RESEARCH REPORT (CONT'D)****SMITH ZANDER**

for plywood, mainly due to the different techniques required for the manufacturing of plywood using OPT. The list of identified OPT plywood manufacturers in Malaysia are as follows:

Company name	Location of plant	Principal activity	Products
Advance Fibre Sdn Bhd	Johor	Manufacture of OPT plywood	OPT plywood
IK Panel (M) Sdn Bhd	Pulau Pinang	Manufacture of OPT plywood	OPT core and OPT plywood
Plus Intervest Sdn Bhd	Negeri Sembilan	Manufacture of OPT plywood	Tego film OPT plywood
Profina Plywood Sdn Bhd	Johor	Manufacture of OPT plywood	Commercial OPT plywood and tego film OPT plywood

Notes:

- The identified industry players include all industry players that were identified by SMITH ZANDER based on sources available, such as the internet, published documents and industry directories. However, there may be companies that have no online and/or published media presence, or are operating with minimal public advertisement, and hence SMITH ZANDER is unable to state conclusively that the list of industry players is exhaustive.
- The above list was arranged in alphabetical order.

Source: SMITH ZANDER

**Market drivers****► Government initiatives in the development of OPT plywood**

The increasing demand for plywood in Malaysia urges the demand for raw materials. Due to the depletion of conventional raw materials for plywood (i.e. forest logs and rubberwood), OPT with the support of the abundance of supply became an alternative raw material in the manufacture of plywood. The development of OPT plywood has been supported by Government initiatives including, the introduction of fiscal initiatives, the establishment of FIDEC, the implementation of NATIP, the establishment of a National OPT Task Force and the intention to formulate a National OPT Development Plan.

The Government also practices sound and responsible environment and forest management given the rise of environmental awareness for the usage of sustainable timber and environmentally friendly products. These practices induced growth in the demand for raw materials that are legal and sustainable, and led to the demand for alternative raw materials for timber and timber-based products. Instead of leaving OPT to decompose as waste, OPT can be used as raw materials for the production of plywood.

**► Demand for plywood from construction activities**

For construction of buildings and infrastructure, plywood is used as ceilings, roofs, floors, walls, partitions, wind bracing panels, concrete shuttering panels, fencing, scaffolding materials and panels in concrete form work systems, as well as interior fixtures such as doors, built in wardrobes and shelving units. Plywood made from OPT in particular is used as ceilings, roofs, floors, walls, partitions, wind bracing panels, concrete shuttering panels and fencing, as well as interior fixtures such as doors, built in wardrobes and shelving units.

The growth in construction activities will result in a corresponding increase in demand for plywood. Although the total construction projects awarded reduced from RM178.10 billion in 2014 to RM106.66 billion in 2018 at CAGR of -12.03%, the total value of construction projects awarded in 2018 of RM106.66 billion indicates that there will still be demand for plywood to be used for the construction of buildings and infrastructure in the near future.

**► Export demand for furniture drives demand for plywood**

The export demand for furniture drives demand for plywood as the export of furniture accounted for 34.93% of the export of timber and timber-based products, including plywood, in 2018.

Over the last five (5) years, Malaysia's furniture export industry grew from RM8.29 billion in 2014 to RM10.19 billion in 2018, registering a CAGR of 5.29% during the period. The export market for furniture in 2018 was mainly United States of America, followed by Singapore, Japan, Australia and United Kingdom. These five (5) countries accounted for 60.75% of the total furniture export value of Malaysia in 2018.



## 7. INDEPENDENT MARKET RESEARCH REPORT (CONT'D)

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The export demand for furniture manufactured in Malaysia is driven by growing world population and a conducive economic environment which could lead to strengthening of consumer spending power, causing potential increase in property transactions and home renovation or refurbishment activities. Government initiatives and incentives, particularly on furniture manufacturing, also encourage exports of furniture.

## 4 BIOGAS INDUSTRY IN MALAYSIA

### Overview

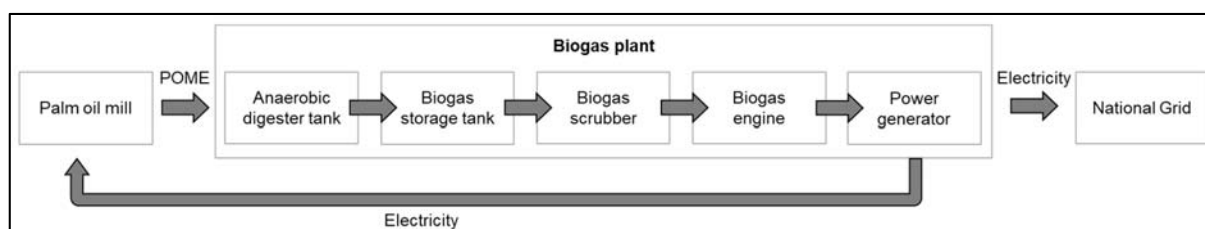
Biogas is defined as a mixture of different gases produced from the breakdown of organic matter in the absence of oxygen. Biogas can be produced from anaerobic digestion or fermentation of indigenous organic matter by anaerobic bacteria within a closed system under suitable conditions, including but not limited to, raw materials such as agricultural waste (e.g. plant material and manure), sewage sludge, municipal solid waste, food waste, and other biodegradable waste. Biogas primarily consists of methane and carbon dioxide, and may contain nitrogen and trace amounts of hydrogen sulphide, water vapour, and siloxanes.

The milling process of palm oil generates large quantities of POME, an oily liquid waste by-product, that needs to be effectively treated and processed in order for it to be sustainably managed and disposed of. The treatment of POME produces methane, a form of greenhouse gas that causes environmental pollution. Methane produced from the treatment of POME can be managed and treated either through the methane capture method or the methane avoidance method. The former involves the capture of methane produced from anaerobic digestion of POME which is then scrubbed of its impurities and funnelled into a gas engine within the biogas plant. Combustion of methane within the gas engine then results in the generation of electricity which can then be sold to the National Grid or used to power the mill. The sale of electricity will be in accordance with the terms stipulated under the feed-in approval certificate administered by the Sustainable Energy Development Authority ("SEDA") Malaysia. Methane avoidance method is the treatment of POME that produces minimal levels of methane.

Conventionally, POME is channelled into open lagoons where anaerobic bacteria consume the organic matter in POME and convert it into methane, carbon dioxide and sludge. This practice is done to meet regulations enforced by Malaysia's Department of Environment where POME must be treated before it is discharged into rivers. This ponding system is an industry standard, with a majority of mills in Malaysia adopting this method as it is relatively economical in terms of capital investments and operating costs. However, the process of treating POME in an open lagoon is time-consuming as POME has to be retained in the anaerobic, facultative and aerobic ponds for a hydraulic retention time of approximately 90 days before it is safe to be released into waterways. At the same time, these ponds take up substantial land space as well as emit bad odours and significant volumes of greenhouse gases such as methane and carbon dioxide into the atmosphere.

The biogases which are produced during treatment of POME are methane (62.5% of biogas composition) and carbon dioxide (37.0% of biogas composition). In Malaysia, palm oil mills are the second largest generator of methane (38.0%), after landfills (53.0%).<sup>2</sup> Methane is a greenhouse gas which is 21 times more potent than carbon dioxide in trapping heat, resulting in the palm oil industry often being perceived as damaging to the environment. As such, the Government of Malaysia is actively taking measures to improve the reputation of the palm oil industry by reducing the emission of greenhouse gases into the atmosphere.

### Process flow of electricity generation in a typical biogas plant



Source: SMITH ZANDER

<sup>2</sup> Source: *International Journal of Science, Environment and Technology*

**7. INDEPENDENT MARKET RESEARCH REPORT (CONT'D)****SMITH ZANDER**

One of the measures that the Government has taken is encouraging palm oil mills to build biogas plants which are treatment facilities designed to trap biogas released from POME and harness it to generate renewable energy. In a biogas plant, POME is treated in a covered pond or a closed tank to facilitate anaerobic digestion and the biogas that is produced is trapped in a storage tank. The biogas is channelled into a gas scrubber to enhance the content and quality of methane and then channelled into the gas engine for combustion to produce electricity. This electricity can be used to power the mill, or be sold to the National Grid as renewable energy.

Biogas technology refers to the systems designed to turn organic waste products into usable source of energy. The primary fractions of biogas, namely methane and carbon dioxide, make biogas a combustible fuel. Biogas is produced by biogas plants that are supplied with feedstock comprising waste from energy crops (such as POME), municipal solid waste and biodegradable organic matter, and stored in an airtight tank containing specific anaerobic microbes that facilitate the production of methane and carbon dioxide. Biogas is a clean form of fuel with properties comparable to that of natural gas when treated and scrubbed of its impurities. Biogas is seen as a promising renewable biofuel source as greenhouse gases released from decomposing organic matter are used as fuel.

**Market performance, size and growth**

This section will cover the installed capacity and the annual power generation under Feed-in Tariff ("FiT") mechanism.

**Installed capacity and annual power generation under FiT mechanism**

Total installed capacity for renewable energy is a measure of total supply of renewable power. Total installed capacity for commissioned renewable energy installations under the FiT mechanism increased from 94.20 megawatt ("MW") in 2012 to 602.92 MW in 2018 at a strong CAGR of 36.26%. Commissioned biogas installations grew from 5.16 MW in 2012 to 67.95 MW in 2018 at an impressive CAGR of 53.67%. Other renewable energy installations combined grew from 89.04 MW in 2012 to 534.98 MW in 2018 at a CAGR of 34.83%. Biogas installations increased to 11.27% in 2018 of total installed capacity for renewable energy installations, from 5.48% in 2012.

**Installed capacity for commissioned biogas installations under FiT mechanism in Malaysia, 2012-2019**

Year	Biogas		Other renewable energy <sup>a</sup>	
	Installed capacity (MW)	Contribution (%)	Installed capacity (MW)	Contribution (%)
2012	5.16	5.48	89.04	94.52
2013	11.74	5.65	195.98	94.35
2014	12.84	4.53	270.36	95.47
2015	18.24	4.85	358.09	95.15
2016	33.70	6.72	467.43	93.28
2017	56.24	10.00	506.08	90.00
2018	67.95	11.27	534.98	88.73
2019 <sup>b</sup>	69.45	11.49	534.99	88.51
<b>CAGR (2012-2018)</b>	53.67%	Not applicable	34.83%	Not applicable

Notes:

<sup>a</sup> Other renewable energy including solar photovoltaic, biomass and small hydropower

<sup>b</sup> Data as at 15 July 2019

Sources: SEDA Malaysia, SMITH ZANDER

More notably, the annual power generation for commissioned biogas installations increased from 7.56 gigawatt hour ("GWh") in 2012 to 182.48 GWh in 2018 at a CAGR of 70.00%. Comparatively, power generation from other renewable energy sources increased from 135.49 GWh in 2012 to 609.43 GWh in 2018 at a CAGR of 28.48%. In terms of contribution to total annual power generation for commissioned renewable energy installations, the annual power generation for commissioned biogas installations rose



**7. INDEPENDENT MARKET RESEARCH REPORT (CONT'D)****SMITH ZANDER**

from 5.29% in 2012 to 23.04% in 2018, in tandem with the increase in commissioned biogas installations, reflecting the increasing prospects of biogas as a source of renewable energy.

**Annual power generation for commissioned biogas installations under FiT mechanism in Malaysia, 2012-2018**

Year	Biogas		Other renewable energy <sup>a</sup>	
	Annual power generation (GWh)	Contribution (%)	Annual power generation (GWh)	Contribution (%)
2012	7.56	5.29	135.49	94.71
2013	22.77	6.10	350.39	93.90
2014	51.62	9.67	482.40	90.33
2015	58.11	9.89	529.74	90.11
2016	87.63	13.68	552.90	86.32
2017	215.31	21.88	768.51	78.12
2018	182.48	23.04	609.43	76.96
<b>CAGR (2012-2018)</b>	<b>70.00%</b>	<b>Not applicable</b>	<b>28.48%</b>	<b>Not applicable</b>

Notes:

<sup>a</sup> Other renewable energy including solar photovoltaic, biomass and small hydropower

Sources: SEDA Malaysia, SMITH ZANDER

According to the Malaysian Palm Oil Board ("MPOB"), as at December 2018, the number of palm oil mills equipped with biogas plants increased from 28 units in 2010 to 104 units in 2018, out of 451 palm oil mills in Malaysia. There are 32 biogas plants under construction and 93 biogas plants under various planning stages. This indicates that 222 palm oil mills in Malaysia have yet to begin planning to construct a biogas plant.

**Number of palm oil mills equipped with biogas plant in Malaysia <sup>a</sup>**

Palm oil mills equipped with biogas plant	Year	
	2010	2018
Grid-connected mills	1	Not available
Non-grid connected mills	27	Not available
<b>Total</b>	<b>28</b>	<b>104</b>

Notes:

<sup>a</sup> Latest available data as at 15 July 2019

Sources: MPOB, SMITH ZANDER

SMITH ZANDER notes that not all biogas plants at palm oil mills are grid-connected facilities that fall under SEDA Malaysia's FiT mechanism; a number of such non-grid-connected mills employ the capture of biogas for captive use (i.e. generating power for internal palm oil mill) or flare the trapped gas for efficient disposal. The data on the installed capacities of the non-grid-connected mills are not publicly available.

**Competitive Overview**

In the biogas industry, industry players construct biogas plants for customers to generate electricity for the customers' own use or to sell to the National Grid. There are also industry players who manage and maintain the biogas plants for their customers, and in such cases, they receive payment for the electricity produced or may have a revenue sharing arrangement with their customers if the electricity is sold to a third party including to the National Grid.

As Green Energy Resources is involved in the EPCC services, management and maintenance of biogas plants which convert biomass into biogas used for the production of renewable energy predominantly for palm oil mills, the key industry players in the table below are identified on the basis that these companies are also involved in the EPCC services, management and maintenance of biogas plants for palm oil mills, amongst other industry segments and business activities:

## 7. INDEPENDENT MARKET RESEARCH REPORT (CONT'D)

SMITH ZANDER

Company name	Location of business	Activities/ services for the biogas industry	Project coverage
Biogas Environmental Engineering Sdn Bhd	Kuala Lumpur	Design, construction and installation of biogas system	Palm oil mill, cattle farm, kitchen disposal, alcohol processing plant, sewerage treatment plant
Biotech International Asia Sdn Bhd	Selangor	Design, engineering, procurement, construction, commissioning, operation and maintenance of biogas plants	Palm oil mill and other plantations
Cenergi SEA Sdn Bhd	Kuala Lumpur	Construct and operate biogas plants	Palm oil mill
Choon Hin Environmental Sdn Bhd	Johor	Design, fabrication and construction of effluent treatment and polishing system	Palm oil mill, chemical plant
Climate Energy Sdn Bhd	Selangor	Provide solution of equipment and system for the biogas industry	Palm oil mill
Green & Smart Sdn Bhd	Kuala Lumpur	Engineering, procurement, construction and commissioning of biogas plants	Palm oil mill
Green Energy Resources (M) Sdn Bhd	Johor	EPCC services, management and maintenance of biogas plants which convert biomass into biogas used for the production of renewable energy	Palm oil mill, farm
Green Lagoon Technology Sdn Bhd	Selangor	Engineering, design, construction and management, maintenance, monitoring, and operation of clean development mechanism projects	Palm oil mill, waste water treatment plant
Konzen Clean Energy Sdn Bhd	Selangor	Design, installation, maintenance and technical support of biogas plants	Palm oil mill
Multico Enviro (M) Sdn Bhd	Selangor	Engineering, procurement, construction and commissioning service for energy solutions and plant systems	Palm oil mill, water treatment plant, landfill, farm
Mvance Engineering Sdn Bhd	Melaka	Construction of plants, including biomass power plants and biogas plants	Palm oil mill, coconut oil mill
Novaviro Technology Sdn Bhd	Selangor	Design, supply, installation and commissioning of biogas system	Palm oil mill
Periforce Sdn Bhd	Selangor	Design, engineering, procurement and construction supervision, and the commissioning of anaerobic wastewater treatment plants, specialising in industrial wastewater treatment plant and biogas plant turnkey	Palm oil mill, food and beverage processing plant, sugar processing plant, wastewater treatment plant
SP Energy Sdn Bhd	Selangor	Supply and commissioning of power generation plant	Palm oil mill, oil rigs, sewerage treatment plant
Watermech Engineering Sdn Bhd	Selangor	Design, engineering, manufacturing and project management of biogas plants	Palm oil mill, water treatment plant

**7. INDEPENDENT MARKET RESEARCH REPORT (CONT'D)****SMITH ZANDER**

Company name	Location of business	Activities/ services for the biogas industry	Project coverage
Weidasar Engineering (M) Sdn Bhd	Selangor	Design, manufacturing, construction, installation, commissioning, and project management of renewable energy plants	Palm oil mill, farm, sewerage treatment plant

**Notes:**

- The identified industry players include all industry players that were identified by SMITH ZANDER based on sources available, such as the internet, published documents and industry directories. However, there may be companies that have no online and/or published media presence, or are operating with minimal public advertisement, and hence SMITH ZANDER is unable to state conclusively that the list of industry players is exhaustive.
- The above list was arranged in alphabetical order.

Source: SMITH ZANDER

**Key industry drivers****► Availability of biogas feedstock from the palm oil industry**

The palm oil industry is an important component in the renewable energy sector where a significant amount of biogas in Malaysia is produced by the palm oil industry, as POME produced during the production of CPO from FFBs provide feedstock for biogas generation. Given that Malaysia is the world's second largest producer of palm oil<sup>3</sup>, the palm oil industry provides a reliable supply of feedstock for the generation of biogas which can be in turn optimised for power production.

The production of CPO generates large volumes of POME that can be effectively treated and processed to harness biogas for producing electricity. CPO production in Malaysia grew at a CAGR of 3.32% from 10.84 million metric tonne ("MT") in 2000 to 19.51 million MT in 2018, and as such, Malaysia is well-positioned to utilise POME as the main feedstock for biogas installations.

**► Greater marketability of Malaysia's palm oil upon the implementation of biogas capture facilities**

Refined palm oil has been adopted for various uses including edible oils, palm biodiesel and oleochemicals. The relative lower cost of CPO and its high oxidative stability makes it an attractive option compared to other alternative edible oils. The negative environmental effects associated with the production and processing of palm oil, however, has created a negative perception associated with the consumption of palm oil in its various forms globally.

Methane in biogas emitted into the atmosphere is a pollutant and contributes to the global warming phenomenon. Combined with carbon dioxide, water vapour and nitrogen oxide, methane traps heat within the globe's atmosphere, thereby causing temperatures to rise. As a result, methane released from POME has negative effects on the environment, leading to a negative image for the palm oil industry and its products. Certain countries that import palm oil products have imposed sustainability standards to address the concerns surrounding the sustainability aspects of the processing of palm oil and its negative environmental effects.

Biogas capture reduces the negative effects caused by the release of methane from POME. By harnessing biogas from POME, palm oil products may become favourable for the export market with regard to certain developed markets that have imposed stringent environmental emissions criteria on the importation of goods, thereby further expanding the global footprint of palm oil products.

**► Government mandate drives the development of biogas as a renewable energy source**

The Malaysian Government has put measures in place to improve the sustainability of the palm oil industry and to further promote renewable energy, including utilising biogas generated from POME for power generation.

As part of a wider effort to reduce carbon emissions generated by the palm oil industry, the Government, through the MPOB, the agency responsible for the promotion and development of the palm oil industry in

<sup>3</sup> Source: Malaysian Palm Oil Council

## 7. INDEPENDENT MARKET RESEARCH REPORT (CONT'D)

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Malaysia, has imposed a new license condition effective 1 January 2014 that makes it mandatory for all applicants for new palm oil mills as well as those applying for throughput expansion for existing mills to have plans that involve the installation of a biogas capture or methane avoidance facility for the treatment of POME. The granting of this licence is subject to the installation of an operational biogas capture or methane avoidance facility in the biogas plant before the commencement of production under the new licence.

The Government has also introduced fiscal incentives to promote the harnessing of biogas from POME in the palm oil industry. These incentives include:

- Pioneer status that provides income tax exemptions for ten (10) years;
- Investment tax allowance that allows for the qualifying capital expenditure income to be utilised against statutory income; and
- Import duty and sales tax exemption on imported machinery, equipment, materials, spare parts, and consumables used directly in the generation process as well as exemption of tax on revenue from sale of certified emission reductions.

► **Attractive FiT rates for biogas power generators promote the adoption of biogas capture facilities in the palm oil industry in Malaysia**

The introduction of FiT mechanism by SEDA Malaysia has enabled producers of renewable energy with feed-in approval certificates, known as renewable energy power producers, to invest in renewable energy with an arrangement in place for the purchase of generated electricity by the National Grid at predetermined rates.

The growth in biogas installations is largely driven by attractive FiT rates, guaranteed captive demand for generated electricity by the National Grid over a period of 16 years and stringent licensing requirements for palm oil mills. This arrangement provides a secured revenue stream for renewable energy power producers that encourages the development and increases the attractiveness of biogas ventures. Biogas is divided into two categories for regulatory purposes by SEDA Malaysia, namely biogas from landfill or agriculture waste which consists of biogas captured from landfill and agricultural waste processing systems, and a general biogas category which encompasses all other forms of biogas capture.

**FiT rates for biogas installations in Malaysia <sup>a</sup>**

Description of qualifying biogas installations		FiT rates (RM per kilowatt hour)	
		Biogas (landfill/ agriculture waste), as at 28 January 2019	Other biogas, as at 1 January 2019
<b>Basic FiT rates having installed capacity of biogas (landfill/ agriculture waste) of:</b>			
i	up to and including 5 MW	0.2210 – 0.2814	Not applicable
<b>Basic FiT rates having installed capacity of other biogas of:</b>			
i	up to and including 4 MW	Not applicable	0.3184
ii	above 4 MW and up to and including 10 MW	Not applicable	0.2985
iii	above 10 MW and up to and including 30 MW	Not applicable	0.2786
<b>b) Bonus FiT rates having met the following criteria (one or more)</b>			
i	use of gas engine technology with electrical efficiency of 40% and above	+0.0199	+0.0199
ii	use of locally manufactured or assembled gas engine technology	+0.0500	+0.0500
iii	use of landfill, sewage gas or agricultural waste including animal waste as fuel source (includes POME)	+0.0786	Not applicable

Note:

<sup>a</sup> Latest available data as at 15 July 2019

Sources: SEDA Malaysia, SMITH ZANDER

## 8. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT

### 8.1 Promoters

The profiles of our Promoters are as follows:

**(i) Tan Tiam Aik**

*Promoter, substantial shareholder, Executive Chairman, key management*

Tan Tiam Aik, aged 61, a Malaysian, is our Executive Chairman. He was appointed to our Board on 24 May 2019 and is responsible for overseeing our Group's strategic business planning and direction.

He has more than 30 years of experience across various fields of palm oil milling, wood processing plant, OPT plywood as well as machine design and fabrication.

He began his career in 1974 as an apprentice in an engineering, steel fabrication and manufacturing company. In 1978, he continued his career as a foreman at Dunlop Estate Limited (a palm oil milling company) located in Kluang, Johor and was responsible for maintenance of machinery. He was subsequently promoted to company technical supervisor in 1983, being responsible for maintenance of machinery and oversaw the production processes of the palm oil mill. He left the company in 1989 to start his own business.

In 1990, he founded PTSB, a company principally involved in pressure vessels fabrication and boiler repair.

In 2004, he joined Exposure Stars (now known as Green Energy) as a shareholder and was responsible for its venture into development of biogas plants. In the same year, he established ETSB which is involved in turn-key project for oil extraction plant using solvent technology (the patent of which was applied in 2003 and granted in 2009). In 2007, he ventured into palm oil plantations in Kota Marudu, Sabah as a Director of Bright Sight Sdn Bhd and was responsible in managing the plantation.

In 2014, he was appointed as the Director of Green Palm. Subsequently in July 2015, he joined Kang Sem (now known as Profina) as a shareholder, where he plays a key role in Profina's R&D initiatives to recalibrate and modify manufacturing machinery to accommodate OPT plywood specifications and oversees Profina's business growth direction and product diversification. Further, he is a member to a technical committee on wood-based panels (established by MTIB) to, amongst others, assess the application and commercialisation of OPT plywood as well as develop, prepare and review standards for manufacturing of OPT plywood in Malaysia.

**(ii) Ma Eng Yau**

*Promoter, substantial shareholder, Executive Director, key management*

Ma Eng Yau, aged 63, a Malaysian, is our Executive Director. He was appointed to our Board on 24 May 2019 and is responsible for overseeing the business development and treasury functions for Green Energy.

He graduated from National Taiwan University in 1979 with a Bachelor of Science (Mechanical Engineering). He has amassed more than 25 years of experience across various fields of palm oil milling and engineering services.

He started his career in 1979 as a sales engineer of Inco Engineering Sdn Bhd and was responsible for sales and services. After internal transfers, he was then promoted to regional sales manager in 1982 and left in 1985 to start his own businesses.

In 1985, he founded V&M Industrial Services Sdn Bhd as sealing technology solutions provider for palm oil mills, refineries and oleochemicals plant. From 2000 onwards, he ventured into business dealing with mechanical seals, pumps and mixers via V&M Mixtec and Mixtec Asia Pacific Sdn Bhd, both companies which were founded by him.

## 8. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

In 2004, he joined Exposure Stars (now known as Green Energy) as a shareholder and was responsible for its venture into development of biogas plants. In the same year, he established ETSB which is involved in turn-key project for oil extraction plant using solvent technology (the patent of which was applied in 2003 and granted in 2009). In 2014, he was appointed as a Director of Green Palm. He was also appointed as a Director of Profina in 2017.

### (iii) Wee Lok Hain

*Promoter, substantial shareholder, Executive Director, key management*

Wee Lok Hain, aged 64, a Singaporean, is our Executive Director. He was appointed to our Board on 24 May 2019 and is responsible for overseeing the business developments and project management for Green Energy.

He graduated from Singapore Polytechnic in 1979 with a Technician Diploma in Product Engineering. He has amassed over 35 years of experience of providing M&E services for power plants and related equipment.

While he was studying, he worked in Rotary Engineering Limited in 1978 as a maintenance specialist providing mechanical, electrical and instrumentation support for refinery complex. He left the company in 1980 to join Durametallic Asia Pte Ltd in 1981 as Sales and Marketing Manager overseeing the sales and marketing activities of the company. He resigned from the company in 1989 to set up his own business, CPA Asia Pte Ltd and was subsequently disposed of in 1995. In the same year, he set up another company, Integrated Energy Industries Pte Ltd whereby he was responsible for business and technical development of the company. He remains as a Director of Integrated Energy Industries Pte Ltd as at the LPD.

In 1991, he assumed the role of Technical Director of Optima Asia Pacific Sdn Bhd (which is involved in the manufacturing of fixtures and toolings for semiconductors industry); and assumed Chief Executive Officer of the company from 2000 to 2011. In 1996, he joined Petsin Pte Ltd as a consultant cum freelance commission agent, providing consultancy services.

In 2011, he joined Green Energy as a shareholder and Director where he leveraged on his technical expertise in the biogas industry, particularly in the design and construction of biogas plants, to spur the growth of Green Energy in the renewable energy segment.

### (iv) Tan Ng Wee Chin

*Promoter, substantial shareholder, Alternate Director to Tan Tiam Aik, key management (General Manager of our Group)*

Tan Ng Wee Chin, aged 37, a Malaysian, is the Alternate Director to Tan Tiam Aik (our Executive Chairman) and the General Manager of our Group. He was appointed to our Board on 24 May 2019 and is responsible to oversee our Group's daily operation.

He graduated from University of Melbourne with a Bachelor of Commerce and from Monash University with a Master of Applied Finance in 2004 and 2006, respectively.

He started his career in 2007 as an audit associate in BKR Peter Chong & Co and was responsible in providing statutory audit services. In the same year, he left the company to join Public Bank Berhad as a Finance Executive, being responsible to prepare and generate compliance reports to Bank Negara Malaysia. He was then promoted to Senior Officer in 2008 with the same level of responsibilities. He resigned in 2009 to join PTSB as a project manager and was responsible for sales and project management. In 2010, he was promoted to Head of Operation to oversee the business development and project management of the company. He then left the company in 2016 to join Profina as an Executive Director, being responsible in overseeing Profina's daily operation and treasury function.

He is the son of Tan Tiam Aik.



## 8. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

(v) **Team Au**  
*Promoter, substantial shareholder*

Team Au was incorporated in Malaysia on 22 May 2018 under the Act as a private limited company. It is an investment holding company.

As at the LPD, the issued share capital of Team Au is RM10,000 comprising 10,000 ordinary shares. The Directors and shareholders of Team Au as at the LPD are as follows:

Name	Nationality	Direct		Indirect	
		No. of shares	%	No. of shares	%
Tan Tiam Aik	Malaysian	6,667	66.67	-	-
Ma Eng Yau	Malaysian	3,333	33.33	-	-

### 8.2 Substantial shareholders

The profiles of our substantial shareholders are as follows:

(i) **Tan Tiam Aik**

The profile of Tan Tiam Aik is set out in Section 8.1(i) of this Information Memorandum.

(ii) **Ma Eng Yau**

The profile of Ma Eng Yau is set out in Section 8.1(ii) of this Information Memorandum.

(iii) **Wee Lok Hain**

The profile of Wee Lok Hain is set out in Section 8.1(iii) of this Information Memorandum.

(iv) **Tan Ng Wee Chin**

The profile of Tan Ng Wee Chin is set out in Section 8.1(iv) of this Information Memorandum.

(v) **Team Au**

The profile of Team Au is set out in Section 8.1(v) of this Information Memorandum.

(vi) **Anthony Chai Gao Wei**  
*Substantial shareholder*

Anthony Chai Gao Wei, aged 31, a Singaporean, is our substantial shareholder.

He graduated from Singapore Management University in 2013 with a Degree in Business Management.

He started his career in 2013 as a research analyst in Goldman Sachs in Singapore and was responsible in providing research reports of potential investments. He left the company in 2015 to join Eastern Holdings Pte Ltd as an Investment Manager, whereby he is responsible to manage portfolio and investments.

## 8. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

### 8.3 Directors

#### 8.3.1 Profile

The profiles of our Directors are as follows:

**(i) Tan Tiam Aik**

The profile of Tan Tiam Aik is set out in Section 8.1(i) of this Information Memorandum.

**(ii) Ma Eng Yau**

The profile of Ma Eng Yau is set out in Section 8.1(ii) of this Information Memorandum.

**(iii) Wee Lok Hain**

The profile of Wee Lok Hain is set out in Section 8.1(iii) of this Information Memorandum.

**(iv) Tan Ng Wee Chin**

The profile of Tan Ng Wee Chin is set out in Section 8.1(iv) of this Information Memorandum.

**(v) Ma Lik Heng**

*Alternate Director to Ma Eng Yau, key management (Financial Controller of our Group)*

Ma Lik Heng, aged 32, a Malaysian, is the Alternate Director to Ma Eng Yau (our Executive Director) and the Financial Controller of our Group. He was appointed to our Board on 24 May 2019 and is responsible to oversee the accounting and finance functions of our Group.

He graduated from Royal Melbourne Institute of Technology University in 2008 with a Bachelor of Business (Accounting).

He started his career in 2008 as an audit associate with Deloitte Kassim Chan & Co and was responsible in providing audit services. In 2010, he left the company to set up his own business, Jaben Audio (M) Sdn Bhd and is responsible to spearhead the finance department of the company. He presently remains as the Executive Director in Jaben Audio (M) Sdn Bhd. In 2017, he joined Green Energy as an accountant overseeing the accounting, taxation and finance related matters of the company.

He is the son of Ma Eng Yau.

**(vi) Law Lee Yen**

*Independent Non-Executive Director*

Law Lee Yen, aged 34, a Malaysian, is our Independent Non-Executive Director. She was appointed to our Board on 24 May 2019.

She graduated from the University of Melbourne in 2006 with a Bachelor of Commerce. She is a member of the Malaysian Institute of Accountants, Chartered Tax Institute of Malaysia and Certified Practising Accountant, Australia. She is an audit licence holder with a valid practising certificate.



## 8. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

She started her career in 2007 as an audit associate with Neo & Associates before joining KPMG LLP Singapore in the same year as an audit associate and was responsible in providing audit services. In 2010, she left KPMG LLP Singapore to join another accounting firm, Terry Law & Co, as a manager, being responsible for tax advisory. Thereafter, she was promoted to partner of the company in 2011 whereby she was responsible for taxation and goods and services tax advisory. She left the company in 2017 to start her own firm, LY Law & Associates, as a partner and is responsible for audit and tax advisory. She presently remains as a partner in LY Law & Associates.

**(vii) Tan Tiam Poh**

*Non-Independent Non-Executive Director*

Tan Tiam Poh, aged 54, a Malaysian, is our Non-Independent Non-Executive Director. He was appointed to our Board on 24 May 2019.

He graduated from the University of Otago in 1989 with a Bachelor of Commerce.

He started his career in 1990 as an accountant in Sang Choy Investment Pte Ltd, responsible in bookkeeping and was later promoted to Financial Controller whereby he oversaw finance and accounting functions. He left the company in 1992 to join PTSB as a Director. He was responsible in the business development as well as the financial and operations affairs of the company. In 1999, he was appointed as a Director of PMSB and was responsible in the business development as well as the financial and operations affairs of the company. He left both companies in 2000 and 2010, respectively. Currently, he is the Managing Director of Bandar Utama Gua Musang Sdn Bhd, a housing development company.

He is the brother of Tan Tiam Aik.

### 8.3.2 Further information on our Directors

None of our Directors:

- (i) are undischarged bankrupts nor are they subject to any proceedings under bankruptcy laws;
- (ii) have ever been charged with, convicted for or compounded for any offence under securities laws, corporation laws or any other laws involving fraud or dishonesty in a court of law;
- (iii) have ever had any action taken against them for any breach for the listing requirements or rules issued by Bursa Securities, for the past 5 years; and
- (iv) have been subjected to any inquiry or investigation by any government or regulatory authority or body for the past 5 years.

## 8.4 Key management

The profiles of our key management are as follows:

**(i) Tan Tiam Aik**

*Executive Chairman*

The profile of Tan Tiam Aik is set out in Section 8.1(i) of this Information Memorandum.

**(ii) Ma Eng Yau**

*Executive Director*

The profile of Ma Eng Yau is set out in Section 8.1(ii) of this Information Memorandum.

## 8. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

**(iii) Wee Lok Hain**  
*Executive Director*

The profile of Wee Lok Hain is set out in Section 8.1(iii) of this Information Memorandum.

**(iv) Tan Ng Wee Chin**  
*Alternate Director to Tan Tiam Aik, General Manager of our Group, Executive Director of Profina*

The profile of Tan Ng Wee Chin is set out in Section 8.1(iv) of this Information Memorandum.

**(v) Ma Lik Heng**  
*Alternate Director to Ma Eng Yau, Financial Controller of our Group*

The profile of Ma Lik Heng is set out in Section 8.3.1(v) of this Information Memorandum.

**(vi) Tan Ng Wee Tak**  
*Plant manager of Profina*

Tan Ng Wee Tak, aged 29, a Malaysian, is the plant manager of Profina.

He graduated from Royal Melbourne Institute of Technology in 2013 with a Bachelor of Information Technology (Web Systems).

He started his career in 2013 as a project and logistic coordinator in Perfect Mining Sdn Bhd and was responsible in managing daily logistic for projects. In 2014, he left the company to join PTSB as a project manager whereby he was responsible in sales and project management. He resigned in 2017 to join Profina as plant manager and is responsible in overseeing daily operations of the plant.

He is the son of Tan Tiam Aik and brother of Tan Ng Wee Chin.

**(vii) Lim Shize Chin**  
*General Manager – Project of Green Energy*

Lim Shize Chin, aged 34, a Malaysian, is the General Manager - Project of Green Energy.

He graduated from Multimedia University in 2008 with a Bachelor of Engineering (Honours) Electronic majoring in Robotics and Automation.

He started his career in 2008 as a quality assurance engineer in Venture Technocom Sdn Bhd and was responsible on quality test assurance. In 2009, he was promoted to process engineer to oversee production line and product quality. He left the company in 2011 to join Green Energy as a contract engineer, being responsible in executing contracts with clients before promoted to his current position as a General Manager – Project in Green Energy. He is responsible for customer relationship management and project management.

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**8. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)****8.5 Shareholdings of Promoters, substantial shareholders, Directors and key management**

The shareholdings of Promoters, substantial shareholders, Directors and key management in our Company, before and after our Proposed Listing, is set out in the table below:

		Before Proposed Listing			After Proposed Listing		
		Direct	Indirect		Direct	Indirect	
		No. of Shares	%	No. of Shares	%	No. of Shares	%
Tan Tiam Aik	Promoter, substantial shareholder, Executive Chairman and key management	3,436,664	2.46	86,591,487 <sup>(1)</sup>	62.06	3,436,664	2.22
Ma Eng Yau	Promoter, substantial shareholder, Executive Director and key management	1,074,598	0.77	77,714,206 <sup>(2)</sup>	55.70	1,074,598	0.69
Wee Lok Hain	Promoter, substantial shareholder, Executive Director and key management	23,136,760	16.58	-	-	23,136,760	14.92
Tan Ng Wee Chin	Promoter, substantial shareholder, Alternate Director to Tan Tiam Aik and key management (General Manager of our Group)	8,877,281	6.36	-	-	8,877,281	5.72
Ma Lik Heng	Alternate Director to Ma Eng Yau and key management (Financial Controller of our Group)	-	-	-	-	-	-
Law Lee Yen	Independent Non-Executive Director	-	-	-	-	-	-
Tan Tiam Poh	Non-Independent Non-Executive Director	-	-	-	-	-	-
Tan Ng Wee Tak	Key management (Plant manager of Profina)	-	-	-	-	-	-
Lim Shize Chin	Key management (General Manager – Project of Green Energy)	3,836,750	2.75	-	-	3,836,750	2.47
Team Au	Promoter and substantial shareholder	77,714,206	55.70	-	-	77,714,206	50.10
Anthony Chai Gao Wei	Substantial shareholder	9,536,972	6.84	-	-	9,536,972	6.15

Notes:

- (1) Deemed interested by virtue of (i) his interest in Team Au; and (ii) his child's interest in our Company, pursuant to Section 8 of the Act.  
(2) Deemed interested by virtue of his interest in Team Au pursuant to Section 8 of the Act.

**8. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)****8.6 Interest outside our Group at present and past 3 years**

Save as disclosed below, our Promoters, substantial shareholders, Directors and key management do not have any other directorships in other corporations or interests in any principal business activities outside our Group for the past 3 years prior to the LPD:

**8.6.1 Tan Tiam Aik (Promoter, substantial shareholder, Executive Chairman, key management)**

Companies	Principal activities	Nature of involvement	Date of appointment	Date of resignation	Shareholdings	
					Direct (%)	Indirect (%)
BUGM Management Sdn Bhd	Consultancy services and hotel management	Director and shareholder	25 July 2016	-	33.33	-
Power Mega Granite Stone Sdn Bhd	Dormant	Director and shareholder	17 December 2013	-	50.00	-
Jentat Advertising Sdn Bhd	Dormant	Director and shareholder	14 August 2012	-	50.00	50.00
PPSB	Investment holding	Director and shareholder	11 June 2003	-	45.00	5.00
Profigreen Sdn Bhd	Dormant	Director and shareholder	24 June 1997	-	25.00	-
PTSB	Trading and maintenance of equipment and machinery	Director and shareholder	7 October 1988	-	75.00	25.00
Golden Freesia Sdn Bhd	Dormant	Director and shareholder	20 September 2010	-	16.67	-
Team Au	Investment holding	Director and shareholder	22 May 2018	-	66.67	-
ESS	Trading of equipment and machinery	Director and shareholder	20 February 2018	-	51.00	14.00
Palm Diversity Sdn Bhd	Dormant	Shareholder	-	-	17.00	-
CHE Group Berhad	Investment holding and engineering, procurement and construction works on renewable energy power plants	Shareholder	-	-	0.10	-
Prominent Platform Sdn Bhd	Dormant	Shareholder	-	-	20.00	-

**8. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)**

Companies	Principal activities	Nature of involvement	Date of appointment	Date of resignation	Shareholdings	
					Direct (%)	Indirect (%)
ETSB	Supplying, designing, assembling and repairing of palm oil extraction plant, engineering and industrial hardware	Director and shareholder	5 February 2008	31 December 2017	50.00	-
Delfinger Malaysian Sdn Bhd	Dormant	Director and shareholder	15 October 2014	1 January 2018	- *	40.00
Marudu FFB Trading Sdn Bhd	Dealing in oil palm fruits and seedlings	Director and indirect shareholder	4 June 2014	1 March 2018	-	52.95
PMSB	Trading and maintenance of equipment and machinery	Director and indirect shareholder	30 March 2012	10 October 2017	-	100.00
Bright Sight Sdn Bhd	Owners, cultivators and merchants of agriculture products	Director and indirect shareholder	4 September 2007	3 January 2018	-	26.50
Pelanggi Lengkap Sdn Bhd	Cultivation and trading of oil palm and property investment	Director and indirect shareholder	1 March 2005	5 April 2018	-	26.50
Perfect Hallmark Sdn Bhd	Building construction	Director and indirect shareholder	9 July 2009	9 May 2018	-	3.85
Elemas Sdn Bhd	Winding-up	Shareholder	-	-	12.67	-

Note:

\* *Negligible.*

Tan Tiam Aik is not involved in the day-to-day operations of the abovementioned corporations and accordingly, his involvements in the abovementioned corporations do not affect his commitment and responsibilities to our Group or adversely impact his ability to act as our Executive Chairman.

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**8. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)****8.6.2 Ma Eng Yau (Promoter, substantial shareholder, Executive Director, key management)**

Companies	Principal activities	Nature of involvement	Date of appointment	Date of resignation	Shareholdings	
					Direct (%)	Indirect (%)
ESS	Trading of equipment and machinery	Director and shareholder	20 February 2018	-	25.00	-
Team Au	Investment holding	Director and shareholder	22 May 2018	-	33.33	-
Mixtec Asia Pacific Sdn Bhd	Manufacturing of mixing equipment and machinery	Director and indirect shareholder	21 March 2011	-	-	60.00
Integrated Energy Industries Pte Ltd	Wholesale of industrial machinery and equipment (e.g. industrial crane); wholesale on a fee or contract basis (e.g. commission agent)	Shareholder	-	-	15.00	-
Lizhen Holding Sdn Bhd	Investment holding	Director and shareholder	16 February 2012	1 April 2018	25.00	75.00
Prominent Platform Sdn Bhd	Dormant	Director and shareholder	7 November 2008	29 December 2017	20.00	8.00
ETSB	Supplying, designing, assembling and repairing of palm oil extraction plant, engineering and industrial hardware	Director and shareholder	5 February 2008	31 December 2017	50.00	-
Duolink Systems Sdn Bhd	Dormant	Director and shareholder	4 August 1995	20 December 2017	15.00	-
PES Technologies Sdn Bhd	Dealing in engineering products and investment holdings	Director and shareholder	25 January 2003	26 January 2018	17.00	-
Emporium Ramai Sdn Bhd	Investment holding and management services	Director and shareholder	1 September 2012	31 December 2017	4.23	-
Newport Estate Sdn Bhd	Investment holding	Director and shareholder	21 June 2011	1 January 2018	0.01	99.99
Mewajohor	Investment holding	Director and indirect shareholder	23 March 2012	1 January 2018	-	32.50
Marudu FFB Trading Sdn Bhd	Dealing in oil palm fruits and seedlings	Director and indirect shareholder	4 June 2014	1 March 2018	-	5.40

**8. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)**

<b>Companies</b>	<b>Principal activities</b>	<b>Nature of involvement</b>	<b>Date of appointment</b>	<b>Date of resignation</b>	<b>Shareholdings</b>	
					<b>Direct (%)</b>	<b>Indirect (%)</b>
Sungkit Enterprise Sdn Bhd	Processing and trading of palm kernel products	Director	14 September 2012	17 April 2018	-	-
Perfect Hallmark Sdn Bhd	Building construction	Director and indirect shareholder	9 July 2009	9 May 2018	-	2.38
Pelanggi Lengkap Sdn Bhd	Cultivation and trading of oil palm and property investment	Director and indirect shareholder	29 June 2007	5 April 2018	-	18.00
Eonlipids Nutrition Specialties Sdn Bhd	Manufacturing of all kinds of edible oil, fat products, foodstuffs and beverages	Director and indirect shareholder	5 May 2003	20 December 2017	-	5.55
Eonlipids Holdings Sdn Bhd	Dormant	Director	5 May 2003	20 December 2017	-	-
Eonlipids Sdn Bhd	Manufacturing and trading of edible fat products involving in non-dairy creamer, sweeteners, bakery mix for food and beverage	Director and indirect shareholder	12 April 2001	20 December 2017	-	5.54
De Bio Channel (M) Sdn Bhd	Dormant	Director	18 June 2008	20 December 2017	-	-
Natural Specialty Fats Sdn Bhd	Dormant	Director	31 January 2011	20 December 2017	-	-
Eonlipids Technology Sdn Bhd	Dormant	Director	22 September 2008	20 December 2017	-	-
Milk Nutrition Specialties Sdn Bhd	Dormant	Director	22 August 2008	20 December 2017	-	-
V&M Mixtec	Dealing in industrial hardware and engineering	Director and indirect shareholder	17 August 2000	31 December 2017	-	65.55
Srimultec	Provision of industrial machinery modification and maintenance engineering services	Director and indirect shareholder	29 April 2013	31 December 2017	-	15.00
V&M Asia Group Sdn Bhd	Investment holding	Director and indirect shareholder	21 February 2012	1 January 2018	-	61.66

**8. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)**

Companies	Principal activities	Nature of involvement	Date of appointment	Date of resignation	Shareholdings	
					Direct (%)	Indirect (%)
Bright Sight Sdn Bhd	Owners, cultivators and merchants of agriculture products	Director and indirect shareholder	28 March 2005	3 January 2018	-	18.00
V&M Chemfluid Sdn Bhd	Dealing in industrial equipments and spare parts	Director	1 January 2016	31 December 2017	-	-
Sunlife International Education Sdn Bhd	Education centre	Director	10 November 2016	29 December 2017	-	-
Sunlife Education Sdn Bhd	Education centre	Director	27 November 2013	29 December 2017	-	-
Purple Glory Food Industry Sdn Bhd	Trading of foodstuff, pastry and confectionery	Director and indirect shareholder	29 August 2006	24 December 2017	-	50.00
Sincere Acrylic Fixture (M) Sdn Bhd	Dissolved	Director and shareholder	27 October 2000	Company was deemed dissolved on 3 July 2018	52.18	-

Ma Eng Yau is not involved in the day-to-day operations of the abovementioned corporations and accordingly, his involvements in the abovementioned corporations do not affect his commitment and responsibilities to our Group or adversely impact his ability to act as our Executive Director.

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**8. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)****8.6.3 Wee Lok Hain (Promoter, substantial shareholder, Executive Director, key management)**

Companies	Principal activities	Nature of involvement	Date of appointment	Date of resignation	Shareholdings	
					Direct (%)	Indirect (%)
Sustainable System Solution Pte Ltd	Wholesale trade of a variety of goods without a dominant product; engineering design and consultancy services	Director and shareholder	12 August 2015	-	45.00	-
PES Technologies Sdn Bhd	Dealing in engineering products and investment holdings	Director and shareholder	2 November 2000	-	23.00	-
Integrated Energy Industries Pte Ltd	Wholesale of industrial machinery and equipment (e.g. industrial crane); wholesale on a fee or contract basis (e.g. commission agent)	Director and shareholder	30 September 1995	-	45.00	-
Acropower	Generation of electricity by other source (e.g. solar power, biofuels etc.); treatment and disposal of waste (including remediation activities).	Director and indirect shareholder	13 March 2018	-	-	20.00
Optima Asia Pacific Sdn Bhd	Fabrication and precision engineering, trading in industrial products, fabrication of sheet metal part	Director and indirect shareholder	21 February 1991	-	-	60.00

Wee Lok Hain is not involved in the day-to-day operations of the abovementioned corporations and accordingly, his involvements in the abovementioned corporations do not affect his commitment and responsibilities to our Group or adversely impact his ability to act as our Executive Director.

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**8. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)****8.6.4 Tan Ng Wee Chin (Promoter, substantial shareholder, Alternate Director to Tan Tiam Aik, key management (General Manager of our Group and Executive Director of Profina))**

Companies	Principal activities	Nature of involvement	Date of appointment	Date of resignation	Shareholdings	
					Direct (%)	Indirect (%)
ESS	Trading of equipment and machinery	Director and shareholder	20 February 2018	-	14.00	-
PTSB	Trading and maintenance of equipment and machinery	Director and shareholder	27 September 2010	-	25.00	-
PMSB	Trading and maintenance of equipment and machinery	Director and shareholder	28 April 2010	-	65.20	-
Pakatan Mashyur Sdn Bhd	Investment holding	Director and shareholder	23 June 2009	-	-*	-
Teguh Erasama Sdn Bhd	Investment holding	Director and shareholder	23 June 2009	-	-*	-
Palm Diversity Sdn Bhd	Dormant	Director	4 December 2017	-	-	-

Note:

\* Negligible

Tan Ng Wee Chin is not involved in the day-to-day operations of the abovementioned corporations and accordingly, his involvements in the abovementioned corporations do not affect his commitment and responsibilities to our Group or adversely impact his ability to act as the Alternate Director to Tan Tiam Aik, the General Manager of our Group and Executive Director of Profina.

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**8. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)****8.6.5 Ma Lik Heng (Alternate Director to Ma Eng Yau, key management (Financial Controller of our Group))**

Companies	Principal activities	Nature of involvement	Date of appointment	Date of resignation	Shareholdings	
					Direct (%)	Indirect (%)
Pretzon Pte Ltd	Wholesale of audio and video equipment except electrical and electronic components (e.g. radio and television sets, sound reproducing and recording equipment); manufacture of consumer electronics	Director and shareholder	23 February 2015	-	13.27	-
Delustig (M) Sdn Bhd	Sales and display of audio equipment and its related products	Director and shareholder	18 March 2010	-	50.00	-
Jaben Audio (M) Sdn Bhd	Sales and display of audio equipment and its related products	Director and shareholder	18 March 2010	-	1.00	58.00
Lizhen Holding Sdn Bhd	Investment holding	Director and shareholder	12 August 2014	1 April 2018	15.00	-
Peak Fusion AV Solution Sdn Bhd	Sales and display of audio and visual equipment and related products	Director and shareholder	2 August 2012	25 January 2018	30.00	-
Jaben Audio (Sarawak) Sdn Bhd	Trading in audio equipment	Director and indirect shareholder	23 July 2013	22 February 2018	-	51.00
Jaben Audio (PG) Sdn Bhd	Dealing in all kinds of headphone and related products	Director and indirect shareholder	25 March 2011	26 January 2018	-	51.00
Klingen & Erlesen Sdn Bhd	Trader of electrical and electronic equipment	Director and indirect shareholder	11 July 2013	24 January 2018	-	26.67
Newport Estate Sdn Bhd	Investment holding	Director	24 May 2017	1 January 2018	-	-
V&M Asia Group Sdn Bhd	Investment holding	Director	11 August 2014	1 January 2018	-	-

Ma Lik Heng is not involved in the day-to-day operations of the abovementioned corporations and accordingly, his involvements in the abovementioned corporations do not affect his commitment and responsibilities to our Group or adversely impact his ability to act as the Alternate Director to Ma Eng Yau and the Financial Controller of our Group.

**8. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)****8.6.6 Law Lee Yen (Independent Non-Executive Director)**

Companies	Principal activities	Nature of involvement	Date of appointment	Date of resignation	Shareholdings	
					Direct (%)	Indirect (%)
TLC Risks Management Sdn Bhd	Agent for general insurance	Director and shareholder	20 June 2018	-	100.00	-
Olive Hill Development Sdn Bhd	Dormant	Director and shareholder	23 April 2018	-	25.00	-
JS Jadi Sdn Bhd	Dormant	Director and shareholder	1 November 2016	-	50.00	50.00
Integro Risks Management Sdn Bhd	Agent for general insurance	Director and shareholder	28 May 2009	-	72.80	-
Lee Yen Agency	General insurance agent, life insurance agent	Sole proprietor/owner	19 February 2009	-	-	-
i-Stone Group Berhad	Investment holding	Director	1 October 2018	-	-	-
Integro Plantations Sdn Bhd	Oil palm cultivation and trading of fresh fruit bunches	Shareholder	-	-	20.00	-
Tong Seng Plantations Sdn Bhd	Trading of fresh fruit bunches	Shareholder	-	-	5.00	-
Tong Seng Plantations (BTU) Sdn Bhd	Oil palm plantation	Shareholder	-	-	4.05	-
TS Plantations Sdn Bhd	Oil palm cultivation and trading of fresh fruit bunches	Shareholder	-	-	4.50	-
LY Law & Associates	Audit firm	Partner	4 January 2017	-	-	-
Terry Law & Associates	Company secretarial services and tax advisory services	Partner	13 April 2011	31 May 2017	-	-
G7 Ubiquitous Tracking (Malaysia) Sdn Bhd	Dormant	Director	14 March 2016	16 September 2016	-	-
Duta Merina Sdn Bhd	Dissolved	Director and shareholder	15 October 2014	Company was struck off on 25 August 2016	50.00	-

**8. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)****8.6.7 Tan Tiam Poh (Non-Independent Non-Executive Director)**

Companies	Principal activities	Nature of involvement	Date of appointment	Date of resignation	Shareholdings	
					Direct (%)	Indirect (%)
Perfect Holding Sdn Bhd	Investment holding	Director and shareholder	26 February 2014	-	33.33	-
Idea Teguh Sdn Bhd	Investment holding	Director and shareholder	11 June 2012	-	23.30	-
PGM Plantation Sdn Bhd	Investment holding	Director and shareholder	2 November 2011	-	2.00	-
BUGM Management Sdn Bhd	Consultancy services and hotel management	Director and shareholder	14 February 2011	-	66.67	-
One Two Nine Cash (M) Sdn Bhd	Mining and plantation management	Director and shareholder	29 August 2010	-	20.00	-
Tanjung Krai Sdn Bhd	Oil palm cultivation	Director and shareholder	14 August 2009	-	5.00	-
Harta Aring Sdn Bhd	Investment holding	Director and shareholder	22 July 2009	-	33.33	-
Variety Success Sdn Bhd	Oil palm cultivation	Director and shareholder	20 July 2005	-	33.00	-
PPSB	Investment holding	Director and shareholder	11 June 2003	-	50.00	-
Profina Paramount Sdn Bhd	Dormant	Director and shareholder	11 June 2003	-	50.00	-
Profigreen Sdn Bhd	Dormant	Director and shareholder	24 June 1997	-	25.00	-
NSA Integrity Perfect Mining JV Sdn Bhd	Mining and plantation management	Director and indirect shareholder	30 September 2013	-	-	60.00
Everise Mining Sdn Bhd	Dormant	Director and indirect shareholder	3 March 2013	-	-	60.00
Bandar Utama Gua Musang Sdn Bhd	Housing development	Director and indirect shareholder	23 June 2009	-	-	28.50
Wenzhuan Sdn Bhd	Fruits cultivation	Director and indirect shareholder	8 June 2009	-	-	28.50

**8. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)**

Companies	Principal activities	Nature of involvement	Date of appointment	Date of resignation	Shareholdings	
					Direct (%)	Indirect (%)
Perfect Mining Sdn Bhd	Rental of machinery and crusher run production services	Director and indirect shareholder	9 September 2008	-	-	20.00
Cuffland Resources Sdn Bhd	Dormant	Director and indirect shareholder	25 June 2007	-	-	50.00
Tulip Oil Palm Sdn Bhd	Investment holding	Director and indirect shareholder	25 June 2007	-	-	21.00
Great Privilege Sdn Bhd	Dormant	Shareholder	-	-	20.00	-
Bandar Utama J-Mart Sdn Bhd	Dormant	Director	2 November 2009	6 September 2017	-	-

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**8. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)****8.6.8 Tan Ng Wee Tak (Key management (Plant Manager of Profina))**

Companies	Principal activities	Nature of involvement	Date of appointment	Date of resignation	Shareholdings	
					Direct (%)	Indirect (%)
Teguh Erasama Sdn Bhd	Investment holding	Director and shareholder	15 August 2014	-	-*	-
Jutratek Sdn Bhd	Investment holding, property trading and investment	Director	7 April 2015	1 January 2019	-	-
Borneo Cosmos Sdn Bhd	Dissolved	Director	29 September 2014	Company was struck off on 8 June 2018	-	-
Fusion Control System Sdn Bhd	Electrical installation	Director	7 January 2016	10 August 2017	-	-

Note:

\* *Negligible*

Tan Ng Wee Tak is not involved in the day-to-day operations of the abovementioned corporations and accordingly, his involvements in the abovementioned corporations do not affect his commitment and responsibilities to our Group.

**8.6.9 Lim Shize Chin (Key management (General Manager – Project of Green Energy))**

Company	Principal activity	Nature of involvement	Date of appointment	Date of resignation	Shareholdings	
					Direct (%)	Indirect (%)
Nexko Sdn Bhd	Restaurants	Shareholder	-	-	11.32	-

Lim Shize Chin is not involved in the day-to-day operations of the abovementioned corporation and accordingly, his involvement in the abovementioned corporation does not affect his commitment and responsibilities to our Group.

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**8. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)****8.7 Related party transactions**

Under the LEAP Market Listing Requirements, a 'related party transaction' is a transaction entered into by a listed corporation or its subsidiaries and a related party, other than a transaction of a revenue nature in the ordinary course of business. A 'related party' of a listed corporation is:

- (i) a director having the meaning given in Section 2(1) of the CMA and includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a director of the listed corporation, its subsidiary or holding company or a chief executive of the listed corporation, its subsidiary or holding company; or
- (ii) a major shareholder, means a person who has an interest or interests in 1 or more voting shares in a corporation and the nominal amount of that shares or the aggregate of the nominal amounts of those shares is: 10% of the aggregate of the number of all the voting shares in the corporation; and includes any person who is or was within the preceding 6 months of the date on which terms of the transaction were agreed upon, a major shareholder of the listed corporation or any other corporation which is its subsidiary or holding company; or
- (iii) a person connected with such director or major shareholder.

**8.7.1 Existing related party transactions**

Save as disclosed below, our Board confirms that there are no related party transactions entered into between our Group and our Directors, major shareholders and/or persons connected with them for the FYE 2018 and subsequent period up to the LPD:

Transacting subsidiary within our Group	Transacting related parties	Nature of relationship	Nature of transaction	Actual transaction value	
				FYE 2018 (RM)	1 January 2019 up to the LPD (RM)
Green Energy	V&M Mixtec	<ul style="list-style-type: none"> <li>Ma Eng Yau is our major shareholder and Executive Director.</li> </ul>	Rental received from V&M Mixtec for the sub-let of our property located at H.S.(M) 5243 PTD 222198, Tempat Ban Foo, Mukim Plentong, Johor Bahru, Johor.	36,000	9,000
		<ul style="list-style-type: none"> <li>Ma Eng Yau was a Director of V&amp;M Mixtec (<i>resigned on 31 December 2017</i>). He is a substantial shareholder of Lizhen Holding Sdn Bhd which is the holding company of V&amp;M Mixtec.</li> </ul>	Utilities charges received from V&M Mixtec for sub-let of our property located at H.S.(M) 5243 PTD 222198, Tempat Ban Foo, Mukim Plentong, Johor Bahru, Johor.	4,450	1,180
			Disposal of equity interest in Mewajohor by Green Energy to V&M Mixtec, which was completed on 5 March 2018.	225,000	-



**8. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)**

Transacting subsidiary within our Group	Transacting related parties	Nature of relationship	Nature of transaction	Actual transaction value	
				FYE 2018 (RM)	1 January 2019 up to the LPD (RM)
Green Energy	Srimultec	<ul style="list-style-type: none"> <li>Ma Eng Yau is our major shareholder and Executive Director.</li> <li>Ma Eng Yau was a Director of Srimultec <i>(resigned on 31 December 2017)</i>. He is a substantial shareholder of Lizhen Holding Sdn Bhd, which is the holding company of V&amp;M Asia Group Sdn Bhd (being a substantial shareholder of Srimultec).</li> </ul>	Disposal of equity interest in Mewajohor by Green Energy to Srimultec, which was completed on 5 March 2018.	60,000	-
Green Energy	Mewajohor	<ul style="list-style-type: none"> <li>Green Energy previously held 17% equity interest in Mewajohor <i>(disposed off on 5 March 2018)</i>.</li> <li>Ma Eng Yau and Tan Tiam Aik are our major shareholders, Executive Director and Executive Chairman, respectively. Tan Tiam Poh is our Non-Independent Non-Executive Director.</li> <li>Ma Eng Yau was a Director of Mewajohor <i>(resigned on 1 January 2018)</i>. He is deemed a substantial shareholder of Mewajohor via his indirect interest in Srimultec and indirect interest in V&amp;M Mixtec (being a substantial shareholder of Mewajohor).</li> </ul>	Rental paid to Mewajohor for rental of property located at H.S.(M) 5243 PTD 222198, Tempat Ban Foo, Mukim Plentong, Johor Bahru, Johor.	316,800	79,200

**8. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)**

Transacting subsidiary within our Group	Transacting related parties	Nature of relationship	Nature of transaction	Actual transaction value	
				FYE 2018 (RM)	1 January 2019 up to the LPD (RM)
		<ul style="list-style-type: none"> <li>Tan Tiam Aik has direct and indirect interests (via PTSB) in PPSB (being a substantial shareholder of Mewajohor)*.</li> <li>Tan Tiam Poh has direct interest in PPSB (being a substantial shareholder of Mewajohor)*.</li> </ul>			
Green Energy	ETSB	<ul style="list-style-type: none"> <li>Tan Tiam Aik is our major shareholder and Executive Chairman.</li> </ul>	Rental received from ETSB for the sub-let of our property located at H.S.(M) 5243 PTD 222198, Tempat Ban Foo, Mukim Plentong, Johor Bahru, Johor.	5,000 <sup>(1)</sup>	-
		<ul style="list-style-type: none"> <li>Ma Eng Yau is our major shareholder and Executive Director.</li> <li>Both Tan Tiam Aik and Ma Eng Yau are shareholders of ETSB.</li> </ul>	Utilities charges received from ETSB for sub-let of our property located at H.S.(M) 5243 PTD 222198, Tempat Ban Foo, Mukim Plentong, Johor Bahru, Johor.	1,635 <sup>(1)</sup>	-
Green Energy	PPSB	<ul style="list-style-type: none"> <li>Tan Tiam Aik is our major shareholder and Executive Chairman.</li> <li>Tan Tiam Poh is our Non-Independent Non-Executive Director.</li> <li>Both Tan Tiam Aik and Tan Tiam Poh are shareholders and Directors of PPSB.</li> </ul>	Disposal of equity interest in Mewajohor by Green Energy to PPSB, which was completed on 5 March 2018.	225,000	-

**8. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)**

Transacting subsidiary within our Group	Transacting related parties	Nature of relationship	Nature of transaction	Actual transaction value	
				FYE 2018 (RM)	1 January 2019 up to the LPD (RM)
Profina	PPSB	<ul style="list-style-type: none"> <li>Tan Tiam Aik is our major shareholder and Executive Chairman.</li> <li>Tan Tiam Poh is our Non-Independent Non-Executive Director.</li> <li>Both Tan Tiam Aik and Tan Tiam Poh are shareholders and Directors of PPSB.</li> </ul>	Rental paid to PPSB for property located at Lot 8028, Batu 4, Jalan Mengkibol, 86000 Kluang, Johor.	360,000	90,000
			Utilities charges paid to PPSB for property located at Lot 8028, Batu 4, Jalan Mengkibol, 86000 Kluang, Johor.	752,152	87,813
Profina	LY Law & Associates	<ul style="list-style-type: none"> <li>Law Lee Yen is our Independent Non-Executive Director.</li> <li>Law Lee Yen is the partner of LY Law &amp; Associates.</li> </ul>	Tax advisory fee paid to LY Law & Associates.	3,000	-

*Notes:*

\* Both Tan Tiam Aik and Tan Tiam Poh are related parties for transactions between our Group and Mewajohor during FYE 2018, i.e. after the acquisition of 7.50% equity interest in Mewajohor by PPSB on 5 March 2018.

(1) ETSB had on 30 September 2018 terminated the tenancy agreement.

Our Directors are of the opinion that all the above transactions were carried out on an arm's length basis, on normal commercial terms which are not more favourable to the related parties than those generally available to the public and not to the detriment to our minority shareholders.

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## 8. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

### 8.7.2 Interest in similar businesses and other conflict of interest

As at the LPD, save as disclosed below, none of our Promoters, substantial shareholders, Directors and key management has any interest, direct or indirect, in other businesses or corporations carrying on a trade similar to that of our Group, our customers and our suppliers:

Promoter/ substantial shareholder/ Director/ key management	Company	Nature of interest
Tan Tiam Aik and Tan Ng Wee Chin	PTSB is a supplier of biogas burners and biogas scrubbers to Green Energy; and plant and machinery to Profina.	Both are Directors and shareholders of PTSB.
Tan Tiam Aik and Tan Ng Wee Chin	PMSB is a supplier of biogas scrubbers to Green Energy; boilers parts and equipment to Profina; and a customer of Profina.	Tan Tiam Aik is an indirect shareholder of PMSB (via his children's interests in PMSB).  Tan Ng Wee Chin is a Director and shareholder of PMSB.
Wee Lok Hain	Sustainable System Solution Pte Ltd is a supplier of control equipment to Green Energy.	Wee Lok Hain is a Director and shareholder of Sustainable System Solution Pte Ltd.
Ma Eng Yau	V&M Mixtec is a supplier of pumps to Green Energy.	Ma Eng Yau is an indirect shareholder of V&M Mixtec (via Lizhen Holding Sdn Bhd).

Our Board confirms that all transactions entered into between the abovementioned companies and our Group are on arm's length basis and on commercial terms which are not more favourable to these companies than those generally available to third parties and which will not be detrimental to our minority shareholders.

Our Board is aware that the interests held by our Promoters, substantial shareholders, Directors and key management in other businesses or corporations that are suppliers and/or customers to our Group may give rise to conflict of interest situation. Post our Proposed Listing, we plan to adopt the following procedures to mitigate any potential conflict of interest situation:

- (i) Obtain at least 2 quotations from third parties for similar products or services and/or quantities for comparison purpose, to determine whether the price and terms offered by related parties are fair and reasonable and comparable to those offered by other unrelated parties;
- (ii) Establish selection criteria (e.g. level of service and expertise; reliability; lead time; product quality; and product pricing) which shall be used as basis for decision making;
- (iii) Our Independent Director shall oversee the selection process to ensure that the transactions are undertaken on an arm's length basis; and
- (iv) Maintain proper records and supporting documents for these transactions, for disclosure purpose when required.

## 8. PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

### 8.7.3 Other transaction

There are no transactions that are unusual in nature or conditions, involving goods, services, tangible or intangible assets, to which we were a party during the FYE 2018 up to the LPD.

There are no outstanding loans, including guarantees of any kind made by our Group to or for the benefit of related parties during the FYE 2018 up to the LPD.

## 8.8 Moratorium

In compliance with Rule 3.07 of the LEAP Market Listing Requirements, a moratorium will be imposed on the sale, transfer or assignment of Shares held by our Promoters as follows:

- (i) The moratorium applies to our Promoters' entire shareholdings for a period of 12 months from the date of our admission to the Official List; and
- (ii) Upon expiry of the 12 months period stated above, our Promoters' aggregate shareholdings amounting to at least 45% of the total number of issued Shares shall remain under moratorium for another 36 months.

Where the promoter is an unlisted corporation, all direct and indirect shareholders of the unlisted corporation (whether individuals or other unlisted corporations) up to the ultimate individual shareholders must give undertakings to Bursa Securities that they will not sell, transfer or assign their securities in the unlisted corporation for the period stipulated above.

In addition, our substantial shareholder, Anthony Chai Gao Wei, has volunteered to place his Shares amounting to 9,536,972 (representing 6.15% of the enlarged issued share capital of our Company upon our Proposed Listing) under moratorium for a period of 12 months from the date of our admission to the Official List, and accordingly has also provided written undertaking that he will not sell, transfer or assign his shareholdings under moratorium during such moratorium period.

The moratorium shall be imposed as follows:

	Shares under moratorium from the first 12 months upon listing		Shares under moratorium from the subsequent 36 months	
	No. of Shares	%	No. of Shares	%
<b><u>Promoters</u></b>				
Tan Tiam Aik	3,436,664	2.22	-	-
Ma Eng Yau	1,074,598	0.69	-	-
Wee Lok Hain	23,136,760	14.92	16,014,110	10.32
Tan Ng Wee Chin	8,877,281	5.72	-	-
Team Au	77,714,206	50.10	53,789,890	34.68
<b><u>Substantial shareholder</u></b>				
Anthony Chai Gao Wei	9,536,972	6.15	-	-
<b>Total</b>	<b>123,776,481</b>	<b>79.80</b>	<b>69,804,000</b>	<b>45.00</b>

The moratorium, which is fully acknowledged by our Promoters and Anthony Chai Gao Wei, is specifically endorsed on our share certificates representing their shareholdings to ensure that our share registrar will not register any sale, transfer or assignment that is not in compliance with the above moratorium.

**9. FINANCIAL INFORMATION****9.1 Statements of profit or loss and other comprehensive income**

The following table sets out our combined statements of profit or loss and other comprehensive income for the FYE 2017, FYE 2018 as well as the 3M FPE 2018 and 3M FPE 2019.

	<b>Audited</b>		<b>Unaudited</b>	
	<b>FYE 2017 RM'000</b>	<b>FYE 2018 RM'000</b>	<b>3M FPE 2018 RM'000</b>	<b>3M FPE 2019 RM'000</b>
Revenue	18,734	26,870	6,251	5,799
Cost of sales	(14,558)	(20,179)	(4,554)	(4,156)
GP	4,176	6,691	1,697	1,643
Other income	554	302	93	187
Administrative expenses	(1,979)	(3,495)	(598)	(506)
Other expenses	(213)	(543)	(341)	(311)
Profit from operations	2,538	2,955	851	1,013
Finance costs	(201)	(316)	(67)	(138)
Share of results of an associated company	-	(4)	-	(3)
PBT	2,337	2,635	784	872
Income tax expenses	(589)	(980)	(102)	(114)
<b>PAT, representing total comprehensive income for the year/period</b>	<b>1,748</b>	<b>1,655</b>	<b>682</b>	<b>758</b>
EBITDA	3,081	3,736	1,164	1,373
Basic EPS (sen) <sup>(1)</sup>	1.13	1.07	0.44	0.49
GP margin (%)	22.29	24.90	27.15	28.33
PBT margin (%)	12.47	9.81	12.54	15.04
PAT margin (%)	9.33	6.16	10.91	13.07
Effective tax rate (%)	25.20	37.19	13.01	13.07

Note:

(1) Computed based on PAT divided by our enlarged number of Shares after our Excluded Issue.

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**9. FINANCIAL INFORMATION (CONT'D)****9.2 Statements of financial position**

The following table sets out our combined statements of financial position as at 31 December 2017, 31 December 2018 as well as 31 March 2018 and 31 March 2019.

	<b>Audited</b>		<b>Unaudited</b>	
	<b>As at 31 December 2017 RM'000</b>	<b>As at 31 December 2018 RM'000</b>	<b>As at 31 March 2018 RM'000</b>	<b>As at 31 March 2019 RM'000</b>
<b>ASSETS</b>				
<b><u>Non-current assets</u></b>				
Plant and equipment	10,030	11,881	10,517	11,926
Right-of-use assets	-	-	1,336	769
Intangible asset	-	41	-	39
Investment in an associated company	-	26	-	23
Other investment	510	-	-	-
<b>Total non-current assets</b>	<b>10,540</b>	<b>11,948</b>	<b>11,853</b>	<b>12,757</b>
<b><u>Current assets</u></b>				
Inventories	1,687	2,943	2,101	2,889
Trade receivables	8,722	10,117	8,676	8,908
Contract assets	1,054	5,920	3,757	7,792
Other receivables, deposits and prepayments	1,960	1,552	1,446	1,346
Current tax assets	-	46	58	151
Deposits with a licensed bank	1,686	2,817	1,699	3,238
Cash and bank balances	876	96	134	543
<b>Total current assets</b>	<b>15,985</b>	<b>23,491</b>	<b>17,871</b>	<b>24,867</b>
<b>TOTAL ASSETS</b>	<b>26,525</b>	<b>35,439</b>	<b>29,724</b>	<b>37,624</b>
<b>EQUITY AND LIABILITIES</b>				
<b><u>Equity attributable to owners of the Company</u></b>				
Share capital	8,010	9,619	8,010	9,619
Retained profits	4,331	5,986	4,987*	6,691*
<b>Total equity</b>	<b>12,341</b>	<b>15,605</b>	<b>12,997</b>	<b>16,310</b>
<b><u>Non-current liabilities</u></b>				
Lease liabilities	-	-	964	377
Borrowings	181	1,697	341	1,526
Deferred tax liabilities	139	514	139	514
<b>Total non-current liabilities</b>	<b>320</b>	<b>2,211</b>	<b>1,444</b>	<b>2,417</b>

**9. FINANCIAL INFORMATION (CONT'D)**

	Audited		Unaudited	
	As at 31 December 2017 RM'000	As at 31 December 2018 RM'000	As at 31 March 2018 RM'000	As at 31 March 2019 RM'000
<b><u>Current liabilities</u></b>				
Trade payables	4,122	6,356	4,022	4,668
Contract liabilities	4,120	4,695	4,120	4,120
Other payables and accruals	3,077	2,720	3,325	2,290
Amount due to Directors	907	-	904	-
Lease liabilities	-	-	404	441
Borrowings	1,565	3,752	2,372	7,221
Current tax liabilities	73	100	136	157
<b>Total current liabilities</b>	<b>13,864</b>	<b>17,623</b>	<b>15,283</b>	<b>18,897</b>
<b>Total liabilities</b>	<b>14,184</b>	<b>19,834</b>	<b>16,727</b>	<b>21,314</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>26,525</b>	<b>35,439</b>	<b>29,724</b>	<b>37,624</b>
<b>No. of shares in issue ('000)</b>	8,010	9,619	8,010	9,619
<b>NA per ordinary share (RM)</b>	1.54	1.62	1.62	1.70

Note:

\* Inclusive of the following retrospective adjustments to the opening balance of retained profits of our Group for the financial periods under review pursuant to the adoption of MFRS 16 Leases (which was effective beginning on or after 1 January 2019):

- (i) A net decrease in retained profits as at 1 January 2018 of RM0.03 million, after incorporating reversal of factory rental expense (RM0.26 million) and recognition of lease interest (RM0.07 million) and depreciation (RM0.22 million); and
- (ii) A net decrease in retained profits as at 1 January 2019 of RM0.06 million, after incorporating reversal of factory rental expenses (RM0.94 million) and recognition of lease interest (RM0.21 million) and depreciation (RM0.79 million).

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**9. FINANCIAL INFORMATION (CONT'D)****9.3 Statements of cash flows**

The following table sets out our combined statements of cash flows for the FYE 2017, FYE 2018 as well as 3M FPE 2018 and 3M FPE 2019.

	Audited		Unaudited	
	FYE 2017 RM'000	FYE 2018 RM'000	3M FPE 2018 RM'000	3M FPE 2019 RM'000
<b>Cash flows from operating activities</b>				
PBT	2,337	2,635	784	872
<i>Adjustments for:</i>				
Amortisation for intangible assets	-	5	-	2
Depreciation	592	860	325	382
Gain on disposal of plant and equipment	-	(38)	-	-
Impairment losses on trade receivables	-	155	75	24
Interest expenses	201	316	67	138
Interest income	(49)	(81)	(13)	(21)
Loss / (Gain) on disposal of plant and equipment	-	34	-	(1)
Plant and equipment written off	1	-	-	-
Reversal of impairment loss on trade receivables	-	-	-	(13)
Share of loss of equity-accounted associates	-	4	-	3
Unrealised gain on foreign exchange	(60)	(18)	(35)	(90)
Unrealised loss on foreign exchange	24	36	55	24
<i>Operating profit before working capital changes</i>	<i>3,046</i>	<i>3,908</i>	<i>1,258</i>	<i>1,320</i>
(Increase) / Decrease in inventories	(622)	(1,255)	(414)	54
(Increase) / Decrease in trade receivables	(4,776)	(1,535)	(61)	1,226
Increase in contract assets	(478)	(4,867)	(2,703)	(1,872)
Decrease in other receivables, deposits and prepayments	428	408	514	207
Increase / (Decrease) in trade payables	286	2,202	(88)	(1,650)
Increase / (Decrease) in contract liabilities	2,774	575	-	(575)
Increase / (Decrease) in other payables and accruals	2,283	(357)	247	(429)
<i>Cash generated from / (used in) operations</i>	<i>2,941</i>	<i>(921)</i>	<i>(1,247)</i>	<i>(1,719)</i>
Interest paid	(201)	(316)	(67)	(138)
Tax paid	(274)	(647)	(95)	(163)
Tax refund	-	24	-	-
<b>Net cash from / (used in) operating activities</b>	<b>2,466</b>	<b>(1,860)</b>	<b>(1,409)</b>	<b>(2,020)</b>

**9. FINANCIAL INFORMATION (CONT'D)**

	<b>Audited</b>		<b>Unaudited</b>	
	<b>FYE 2017 RM'000</b>	<b>FYE 2018 RM'000</b>	<b>3M FPE 2018 RM'000</b>	<b>3M FPE 2019 RM'000</b>
<b><u>Cash flows from investing activities</u></b>				
Acquisition of an associated company	-	(30)	-	-
Interest received	49	81	13	21
Placement of deposits with a licensed bank	(718)	(1,131)	-	(421)
Proceeds from disposal of other investment	-	510	510	-
Proceeds from disposal of plant and equipment	-	186	-	42
Purchase of intangible asset	-	(46)	-	-
Purchase of plant and equipment	(6,388)	(2,894)	(671)	(327)
<b>Net cash used in investing activities</b>	<b>(7,057)</b>	<b>(3,324)</b>	<b>(148)</b>	<b>(685)</b>
<b><u>Cash flows from financing activities</u></b>				
Advances from / (Repayment to) Directors	251	(907)	(3)	-
Drawdown from bankers' acceptances	-	-	-	2,536
Drawdown from Islamic bank financing - Term financing-i	-	2,100	-	-
Proceeds from issue of shares	5,000	1,609	-	-
Repayment of finance lease / lease liabilities	(374)	(312)	(232)	(206)
Repayment of Islamic bank financing - Term financing-i	-	(168)	-	(96)
<b>Net cash from / (used in) financing activities</b>	<b>4,877</b>	<b>2,322</b>	<b>(235)</b>	<b>2,234</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>286</b>	<b>(2,862)</b>	<b>(1,792)</b>	<b>(471)</b>
Cash and cash equivalents at the beginning of the financial year / period	(586)	(300)	(300)	(3,162)
<b>Cash and cash equivalents at the end of the financial year / period</b>	<b>(300)</b>	<b>(3,162)</b>	<b>(2,092)</b>	<b>(3,633)</b>

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**9. FINANCIAL INFORMATION (CONT'D)****(a) Net cash flow generated from operating activities****FYE 2017**

Our operating profit before working capital changes was RM3.05 million. After adjusting for the following main items, our net cash flow generated from operating activities was RM2.47 million:

- (i) increase in inventories of RM0.62 million mainly due to purchases of tools and consumables to cater for services and maintenance contracts secured by Green Energy in 2017;
- (ii) increase in trade receivables of RM4.78 million mainly due to increase in billings for EPCC contracts towards year-end;
- (iii) increase in contract assets of RM0.48 million, due to on-going EPCC contracts with timing difference between recognition of revenue and issuance of invoices (i.e. EPCC contracts for which works have been performed by Green Energy but the corresponding billings have not been made to customers);
- (iv) decrease in other receivables, deposits and prepayments of RM0.43 million mainly due to collection from other debtors during the year;
- (v) increase in trade payables of RM0.29 million mainly due to increase in purchases of equipment (such as biogas engines and scrubbers) and spare parts for EPCC contracts commenced during the year;
- (vi) increase in contract liabilities of RM2.77 million, due to on-going EPCC contracts for which billings have been made/considerations have been received by Green Energy, but works have yet to be performed;
- (vii) increase in other payables and accruals of RM2.28 million mainly due to advances from related companies for Profina's working capital; and
- (viii) interest paid of RM0.20 million and tax paid of RM0.27 million.

**FYE 2018**

Our operating profit before working capital changes was RM3.91 million. After adjusting for the following main items, our net cash flow used in operating activities was RM1.86 million:

- (i) increase in inventories of RM1.26 million, mainly due to purchase of tools, consumables and OPT to accommodate the existing and anticipated sales orders for both renewable energy and OPT product segments; and increased stock level of OPT products (finished and work-in-progress) as a result of business expansion;
- (ii) increase in trade receivables of RM1.54 million due to higher billings for EPCC contracts;
- (iii) increase in contract assets of RM4.87 million, due to on-going EPCC contracts with timing difference between recognition of revenue and issuance of invoices (i.e. EPCC contracts for which works have been performed by Green Energy but the corresponding billings have not been made to customers);
- (iv) increase in trade payables of RM2.20 million mainly due to purchases made during FYE 2018 to cater for existing and anticipated sales orders for both renewable energy and OPT products segments;
- (v) increase in contract liabilities of RM0.58 million, due to on-going EPCC contracts for which billings have been made/considerations have been received by Green Energy, but works have yet to be performed;
- (vi) decrease in other payables and accruals of RM0.36 million mainly due to repayment via Profina Capitalisation (which was completed during FYE 2018); and
- (vii) interest paid of RM0.32 million and tax paid of RM0.65 million.

**9. FINANCIAL INFORMATION (CONT'D)****3M FPE 2019**

Our operating profit before working capital changes was RM1.32 million. After adjusting for the following main items, our net cash flow used in operating activities was RM2.02 million:

- (i) decrease in trade receivables of RM1.23 million mainly due to collection from a EPCC customer (i.e. Sungai Sugut Palm Oil Mill Sdn Bhd) during the financial period;
- (ii) increase in contract assets of RM1.87 million, due to on-going EPCC contracts with timing difference between recognition of revenue and issuance of invoices;
- (iii) decrease in trade payables of RM1.65 million due to payment to suppliers;
- (iv) decrease in contract liabilities of RM0.58 million, due to billings made for completion of stages of EPCC projects during the period;
- (v) decrease in other payables and accruals of RM0.43 million, mainly due to payment of staff-related expenses (e.g. staff bonus and claims, which were accrued in FYE 2018); and
- (vi) interest paid of RM0.14 million and tax paid of RM0.16 million.

**(b) Net cash flow generated from investing activities****FYE 2017**

Our Group recorded net cash used in investing activities of RM7.06 million, mainly attributed to the placement of deposits with the licenced bank of RM0.72 million and purchase of plant and equipment (such as roller heat dryers to remove moisture content in OPT plywood) to cater for Profina's new factory in Kluang, Johor of RM6.39 million.

**FYE 2018**

Our Group recorded net cash used in investing activities of RM3.32 million, mainly attributed to purchase of plant and equipment (such as steam boiler, single worm press machine to recycle waste from OPT manufacturing as feedstock for boilers, and fire alarm and hydrant) of RM2.89 million and the placement of deposits with the licenced bank of RM1.13 million (as pledged security for banking facilities from financial institutions). It was partially offset with proceeds received from the disposal of shares in Mewajohor by Green Energy of RM0.51 million and the disposal of plant and equipment by Profina of RM0.19 million.

**3M FPE 2019**

Our Group recorded net cash used in investing activities of RM0.69 million, mainly attributed to the placement of deposits with a licenced bank of RM0.42 million and purchase of plant and equipment (such as few units of boiler fuel pusher) of RM0.33 million.

**(c) Net cash flow generated from financing activities****FYE 2017**

Our Group recorded net cash generated from financing activities of RM4.88 million, mainly attributed to advances from our Directors of RM0.25 million for Profina's working capital, proceeds received from issuance of shares in Green Energy and Profina of RM5.00 million and repayment of finance lease of RM0.37 million.

**FYE 2018**

Our Group recorded net cash generated from financing activities of RM2.32 million, attributed to drawdown of Islamic term financing for our Group's working capital purpose and proceeds raised from issuance of Profina Shares as part of the Profina Capitalisation. This was partially offset with repayments to Directors (as part of Profina Capitalisation) and banking facilities during the financial year under review.

**3M FPE 2019**

Our Group recorded net cash generated from financing activities of RM2.23 million, attributed to drawdown of bankers' acceptances by Green Energy during the financial period under review for purchases of biogas engines.

**9. FINANCIAL INFORMATION (CONT'D)****9.4 Pro forma statement of financial position**

The pro forma statement of financial position of our Group as at 31 December 2018 has been prepared for illustrative purposes only and after making such adjustments as considered necessary (such as Acquisitions), assuming that our Group had been in existence on 31 December 2018, and our Excluded Issue and Proposed Listing are completed on that date.

	<b>As at 31 December 2018 RM'000</b>	<b>(I) Adjusted for subsequent event<sup>(1)</sup> RM'000</b>	<b>(II) After (I) and our Excluded Issue<sup>(3)</sup> RM'000</b>	<b>(III) After (II) and utilisation of proceeds<sup>(5)</sup> RM'000</b>
<b>ASSETS</b>				
<b><u>Non-current assets</u></b>				
Plant and equipment	-	11,881	11,881	12,881
Intangible asset	-	41	41	41
Investment in an associated company	-	26	26	26
<b>Total non-current assets</b>	<b>-</b>	<b>11,948</b>	<b>11,948</b>	<b>12,948</b>
<b><u>Current assets</u></b>				
Inventories	-	2,943	2,943	2,943
Trade receivables	-	10,117	10,117	10,117
Contract assets	-	5,920	5,920	5,920
Other receivables, deposits and prepayments	-	1,552	1,552	1,552
Current tax assets	-	46	46	46
Deposits with a licensed bank	-	2,817	2,817	2,817
Cash and bank balances	-*	96	4,464	2,205
<b>Total current assets</b>	<b>-*</b>	<b>23,491</b>	<b>27,859</b>	<b>25,600</b>
<b>TOTAL ASSETS</b>	<b>-*</b>	<b>35,439</b>	<b>39,807</b>	<b>38,548</b>
<b>EQUITY AND LIABILITIES</b>				
<b><u>Equity attributable to owners of the Company</u></b>				
Share capital	-*	13,952	18,320	17,642
Merger reserve	-	(4,333)	(4,333)	(4,333)
(Accumulated losses) / Retained profits	(686)^	5,986	5,986	6,091
<b>Total equity</b>	<b>(686)</b>	<b>15,605</b>	<b>19,973</b>	<b>19,400</b>
<b><u>Non-current liabilities</u></b>				
Borrowings	-	1,697	1,697	1,697
Deferred tax liabilities	-	514	514	514
<b>Total non-current liabilities</b>	<b>-</b>	<b>2,211</b>	<b>2,211</b>	<b>2,211</b>

**9. FINANCIAL INFORMATION (CONT'D)**

	As at 31 December 2018 RM'000	(I) Adjusted for subsequent event <sup>(1)</sup> RM'000	(II) After (I) and our Excluded Issue <sup>(3)</sup> RM'000	(III) After (II) and utilisation of proceeds <sup>(5)</sup> RM'000
<b><u>Current liabilities</u></b>				
Trade payables	-	6,356	6,356	6,356
Contract liabilities	-	4,695	4,695	4,695
Other payables and accruals	686	2,720	2,720	2,034
Borrowings	-	3,752	3,752	3,752
Current tax liabilities	-	100	100	100
<b>Total current liabilities</b>	<b>686</b>	<b>17,623</b>	<b>17,623</b>	<b>16,937</b>
<b>Total liabilities</b>	<b>686</b>	<b>19,834</b>	<b>19,834</b>	<b>19,148</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>-*</b>	<b>35,439</b>	<b>39,807</b>	<b>38,548</b>
<b>No. of Shares in issue</b>	2	139,518,172	155,118,172	155,118,172
<b>NA per Share (RM)</b>	(343,028)	0.11 <sup>(2)</sup>	0.13 <sup>(4)</sup>	0.12 <sup>(4)</sup>

Notes:

\* Negligible

^ Being expenses incurred for our Proposed Listing.

(1) Taking into consideration the completion of Acquisitions on 8 May 2019.

(2) Computed based on number of Shares in issue as at the LPD.

(3) After the issuance of 15,600,000 Shares pursuant to our Excluded Issue.

(4) Computed based on number of Shares in issue after our Excluded Issue.

(5) Refer to Section 3.5 of this Information Memorandum for further details on the proposed utilisation of proceeds.

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## 10. MANAGEMENT DISCUSSION AND ANALYSIS

The following discussion and analysis of our past financial condition and results of operations should be read in conjunction with the historical financial information as set out in Section 9 of this Information Memorandum.

This discussion and analysis contains data from our audited combined financial statements as well as forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from those projected in the forward-looking statements. Factors that may cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed below or elsewhere in this Information Memorandum, particularly in the section entitled “Risk Factors” set out in Section 6 of this Information Memorandum.

### 10.1 Overview

We are principally involved in businesses that are related to the use of biomass to produce renewable energy and OPT products. Our revenue streams are as set out below:

Business segment	Revenue stream
Renewable energy	<ul style="list-style-type: none"> <li>• EPCC / Construction contracts</li> <li>• Service and maintenance contracts</li> <li>• Concession contracts</li> </ul>
OPT products	Manufacturing and sales of OPT plywood

Refer to Section 5.1 of this Information Memorandum for further detail of our products and services.

For sales, the currencies used in invoicing are RM (for domestic sales), USD and SGD (both for overseas sales). Geographically, our revenues for the financial year/period under review are from Malaysia, Indonesia, Taiwan, Singapore, Turkey, Mexico, Japan, Liberia, Iraq and Iran.

### 10.2 Significant factors affecting our financial position and results of operations

Our Board has observed that based on the revenue and operations of our Group for the past financial years, the following trends may continue to affect our business:

#### (i) Competition

Our Group faces competition from current and future competitors which include companies with substantially greater resources than us. Our success and competitiveness largely depend on, amongst others, our engineering and technical expertise to transform biomass into products and solutions with commercial value; our ability to provide integrated solution for design, construction, commissioning, management and maintenance of biogas plants; as well as our planning and marketing strategies.

We believe that we will remain competitive and able to grow our business due to our competitive strengths as set out in Section 5.4 of this Information Memorandum. Nonetheless, there can be no assurance that we will be able to remain competitive in the future and our financial performance will not be adversely affected by market competition.

#### (ii) Credit risk

Our subsidiary, Green Energy’s financial performance is dependent, to a certain extent, on the creditworthiness of its customers. If circumstances arise that affect its customers’ ability to pay, Green Energy may experience payment delays or in more severe circumstances, it may not be able to collect payment from customers. Accordingly, it has to make allowance for doubtful debts or incur debt write-offs, which may have adverse impact on its profitability.

**10. MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)**

The abovementioned credit risk may be mitigated on the basis that its major customers are mainly reputable players in the palm oil industry in ASEAN region with strong financial standing and these customers have maintained good payment records in their past dealings with Green Energy. In addition, Green Energy closely monitors the outstanding balance and collection from trade receivables.

**(iii) Fluctuation in material cost and other costs**

For EPCC projects, Green Energy purchases materials such as generator sets, control systems and biogas scrubber systems. Any increase in the material cost would have an adverse impact on its profitability, if it is unable to pass on the increased costs to its customers in the form of higher prices.

In the past, Green Energy has not experienced any material fluctuations in the material costs. Generally, Green Energy will procure a quotation from its suppliers and lock-in the material cost with its customers upon obtaining project specification from customers. Hence, it is able to pass on the increase in material cost to its customers as it only places orders with material suppliers after securing projects and/or biogas plant specifications from its customers.

Further, any increase in other costs such as labour cost, maintenance of machinery and equipment, utilities and transportation cost may have an impact on its financial performance.

**(iv) Project risks**

Green Energy is exposed to the risk that its EPCC projects may be delayed or aborted which may materially affect our Group's financial condition. Delays in project completion may be caused by factors beyond its control such as, delay in supply deliveries, delay in obtaining regulatory approvals by our customers, variation orders, delay in project kick off by our customer, as well as internal factors such as project management issues, loss of key management as well as shortages of technical staffs.

Green Energy will conduct detailed project studies to ensure smooth implementation and minimise cost overrun. It also engages experienced sub-contractors who have been working together with it and places technical staffs at customers' sites throughout the installation of biogas plants to mitigate this risk.

**(v) Foreign exchange fluctuations**

Our import purchases of components and equipment mainly for biogas plants are denominated in USD, EUR and SGD, while our overseas revenue is denominated in USD and SGD. As such, any significant change in the foreign currency exchange rates may affect our Group's financial results favourably or unfavourably. Our management will closely monitor the foreign exchange rates.

The breakdown of our revenue and cost of sales denominated in RM, USD, EUR and SGD for the financial year/period under review are as follows:

	FYE		3M FPE	
	2017	2018	2018	2019
	%	%	%	%
<b>Revenue</b>				
RM	97.50	97.69	97.49	99.14
USD	2.42	2.31	2.51	0.86
SGD	0.08	-	-	-



**10. MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)**

	FYE		3M FPE	
	2017	2018	2018	2019
	%	%	%	%
<b>Cost of sales</b>				
RM	41.82	74.45	65.41	77.43
USD	29.29	16.19	28.07	11.26
EUR	24.51	5.37	1.08	9.65
SGD	4.38	3.99	5.44	1.66

**(vi) Production efficiency**

Profina's profitability, to a large extent, is driven by the customisation and optimisation of its machinery to process OPT which have different features and moisture content from timber logs. If it is unable to procure suitable and compatible machinery to process OPT or optimise the existing machinery, Profina will face difficulty in meeting customers' orders and producing OPT products with acceptable quality, resulting in increased manufacturing cost and reduced profitability.

**10.3 Revenue**

Our Group's revenue for the financial years/periods under review are analysed as follows:

**(i) By business segment**

	FYE				3M FPE			
	2017		2018		2018		2019	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
<b>Renewable energy</b>								
EPCC/ construction contracts	7,432	39.67	12,788	47.59	2,704	43.26	3,068	52.91
Service and maintenance contracts	2,292	12.23	2,213	8.24	520	8.32	540	9.31
Concession contracts	440	2.35	433	1.61	109	1.74	100	1.72
	<b>10,164</b>	<b>54.25</b>	<b>15,434</b>	<b>57.44</b>	<b>3,333</b>	<b>53.32</b>	<b>3,708</b>	<b>63.94</b>
<b>OPT products</b>	8,570	45.75	11,436	42.56	2,918	46.68	2,091	36.06
<b>Total</b>	<b>18,734</b>	<b>100.00</b>	<b>26,870</b>	<b>100.00</b>	<b>6,251</b>	<b>100.00</b>	<b>5,799</b>	<b>100.00</b>

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**10. MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)****(ii) By geographical market**

	FYE				3M FPE			
	2017		2018		2018		2019	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
<b>Malaysia</b>	18,266	97.50	24,912	92.71	6,094	97.49	4,287	73.93
<b>Overseas</b>								
Turkey	202	1.08	121	0.45	-	-	-	-
Mexico	136	0.73	-	-	-	-	-	-
Indonesia	73	0.39	-	-	-	-	-	-
Japan	30	0.16	-	-	-	-	50	0.86
Singapore	15	0.08	157	0.58	157	2.51	1,452	25.04
Taiwan	12	0.06	-	-	-	-	-	-
Liberia	-	-	1,337	4.98	-	-	10	0.17
Iraq	-	-	166	0.62	-	-	-	-
Iran	-	-	177	0.66	-	-	-	-
<b>Total</b>	<b>18,734</b>	<b>100.00</b>	<b>26,870</b>	<b>100.00</b>	<b>6,251</b>	<b>100.00</b>	<b>5,799</b>	<b>100.00</b>

It is further analysed by business segment, as set out below:

**(a) Renewable energy segment**

	FYE				3M FPE			
	2017		2018		2018		2019	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
<b>Malaysia</b>	10,079	99.16	13,940	90.32	3,176	95.29	2,246	60.57
<b>Overseas</b>								
Indonesia	73	0.72	-	-	-	-	-	-
Taiwan	12	0.12	-	-	-	-	-	-
Liberia	-	-	1,337	8.66	-	-	10	0.27
Singapore	-	-	157	1.02	157	4.71	1,452	39.16
<b>Total</b>	<b>10,164</b>	<b>100.00</b>	<b>15,434</b>	<b>100.00</b>	<b>3,333</b>	<b>100.00</b>	<b>3,708</b>	<b>100.00</b>

**(b) OPT products segment**

	FYE				3M FPE			
	2017		2018		2018		2019	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
<b>Malaysia</b>	8,187	95.53	10,972	95.94	2,918	100.00	2,041	97.61
<b>Overseas</b>								
Turkey	202	2.36	121	1.06	-	-	-	-
Mexico	136	1.59	-	-	-	-	-	-
Japan	30	0.35	-	-	-	-	50	2.39
Singapore	15	0.17	-	-	-	-	-	-
Iraq	-	-	166	1.45	-	-	-	-
Iran	-	-	177	1.55	-	-	-	-
<b>Total</b>	<b>8,570</b>	<b>100.00</b>	<b>11,436</b>	<b>100.00</b>	<b>2,918</b>	<b>100.00</b>	<b>2,091</b>	<b>100.00</b>

**10. MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)****FYE 2018 as compared to FYE 2017**

Our Group's revenue increased by RM8.14 million or 43.46% to RM26.87 million in FYE 2018 (FYE 2017: RM18.73 million), and both renewable energy and OPT products segments recorded year-on-year revenue growth. The increase in our revenue was mainly due to:

- (i) 6 new EPCC projects secured and commenced, and higher billings for on-going EPCC projects, during FYE 2018;
- (ii) expansion of OPT products segment in the local market as a result of increase in local demand and upward revision to the selling price of the OPT products; and
- (iii) expansion of OPT products segment into overseas markets, such as Iran and Iraq.

For FYE 2018, EPCC contracts remain as the main revenue contributor to Green Energy; and Malaysia remains as the principal market for our Group's products and services.

**3M FPE 2019 as compared to 3M FPE 2018**

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

**10.4 Cost of sales**

Our Group's overall cost of sales for the financial years/periods under review are analysed as follows:

**(i) By business segment**

	FYE				3M FPE			
	2017		2018		2018		2019	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
<b>Renewable energy</b>								
EPCC/ construction contracts	5,495	37.75	9,710	48.12	1,970	43.26	2,331	56.09
Service and maintenance contracts	1,059	7.27	848	4.20	206	4.52	208	5.00
Concession contracts	182	1.25	315	1.56	61	1.34	69	1.66
	<b>6,736</b>	<b>46.27</b>	<b>10,873</b>	<b>53.88</b>	<b>2,237</b>	<b>49.12</b>	<b>2,608</b>	<b>62.75</b>
<b>OPT products</b>	7,822	53.73	9,306	46.12	2,317	50.88	1,548	37.25
<b>Total</b>	<b>14,558</b>	<b>100.00</b>	<b>20,179</b>	<b>100.00</b>	<b>4,554</b>	<b>100.00</b>	<b>4,156</b>	<b>100.00</b>

**10. MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)**

Our cost of sales under our renewable energy segment consists primarily of the following:

Revenue stream	Major components of cost of sales
EPCC/ construction contracts	(a) cost of materials such as generator sets, tools, control systems and biogas scrubber systems; (b) sub-contractor cost; and (c) transport charges for product delivery to customers.
Service and maintenance contracts	(a) cost of materials such as accessories and spare parts (e.g. lubricant oils, spark plugs, oil filters, air filters and cylinder head repair kit); and (b) transport charges for delivery of services rendered on-site.
Concession contracts	(a) depreciation of plant and equipment of biogas power generators built and owned by Green Energy; (b) cost of materials such as accessories and spare parts (e.g. lubricant oils, spark plugs, oil filters, air filters and cylinder head repair kits); and (c) transport charges for product delivery to customers and delivery of services rendered on-site.

The cost of sales for renewable energy segment for the financial years/periods under review are further analysed as follows:

	FYE				3M FPE			
	2017		2018		2018		2019	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
<b>EPCC/ construction contracts</b>								
Cost of materials	4,950	73.49	8,805	80.98	1,871	83.64	2,138	81.98
Sub-contractor cost	353	5.24	512	4.71	39	1.74	88	3.37
Transport charges	114	1.69	311	2.86	57	2.55	104	3.99
Others <sup>(1)</sup>	78	1.16	82	0.75	3	0.13	1	0.03
	<b>5,495</b>	<b>81.58</b>	<b>9,710</b>	<b>89.30</b>	<b>1,970</b>	<b>88.06</b>	<b>2,331</b>	<b>89.37</b>
<b>Service and maintenance contracts</b>								
Cost of materials	929	13.79	681	6.26	184	8.23	199	7.63
Transport charges	75	1.11	96	0.88	10	0.44	7	0.27
Others <sup>(1)</sup>	55	0.82	71	0.66	12	0.54	2	0.08
	<b>1,059</b>	<b>15.72</b>	<b>848</b>	<b>7.80</b>	<b>206</b>	<b>9.21</b>	<b>208</b>	<b>7.98</b>
<b>Concession contracts</b>								
Depreciation of plant and equipment	182	2.70	182	1.67	45	2.01	45	1.73
Cost of materials	-	-	129	1.19	16	0.72	24	0.92
Transport charges	-	-	4	0.04	-	-	-	-
	<b>182</b>	<b>2.70</b>	<b>315</b>	<b>2.90</b>	<b>61</b>	<b>2.73</b>	<b>69</b>	<b>2.65</b>
<b>Total</b>	<b>6,736</b>	<b>100.00</b>	<b>10,873</b>	<b>100.00</b>	<b>2,237</b>	<b>100.00</b>	<b>2,608</b>	<b>100.00</b>

Notes:

\* Amount is negligible.

(1) Consists of consultancy fee, contract wages, customs duty as well as upkeep of factory equipment and machinery.

**10. MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)**

The cost of sales for OPT products segment primarily consists of the following:

- (a) raw material cost, primarily OPT, adhesives, veneer and firewood;
- (b) direct labour cost;
- (c) production overhead including depreciation, factory rental for Profina, utilities, upkeep of plant, equipment and factory, factory supplies (e.g. tools and implement, packing materials and spare parts) and hostel expenses; and
- (d) transport charges.

The cost of sales for OPT products segment for the financial years/periods under review are further analysed as follows:

	FYE				3M FPE			
	2017		2018		2018		2019	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Raw material cost	4,978	63.64	5,041	54.17	1,269	54.77	952	61.50
Direct labour cost	1,456	18.62	1,794	19.28	530	22.87	263	16.99
Production overhead	1,132	14.47	2,197	23.61	390	16.83	284	18.35
Transport charges <sup>(1)</sup>	256	3.27	274	2.94	128	5.53	49	3.16
<b>Total</b>	<b>7,822</b>	<b>100.00</b>	<b>9,306</b>	<b>100.00</b>	<b>2,317</b>	<b>100.00</b>	<b>1,548</b>	<b>100.00</b>

*Note:*

(1) Consists of carriage outwards and forwarding charges.

**FYE 2018 as compared to FYE 2017**

Our Group's cost of sales increased by RM5.62 million or 38.60% to RM20.18 million in FYE 2018 (FYE 2017: RM14.56 million), which is in line with the increase in our Group's revenue. The increase in cost of sales was mainly due to:

- (i) increase in cost of materials purchased for EPCC contracts due to new contracts secured and on-going EPCC projects during FYE 2018; and
- (ii) increase in overall cost of sales for OPT products segment, which is in line with increase in the segmental revenue.

**3M FPE 2019 as compared to 3M FPE 2018**

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

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**10. MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)****10.5 GP and GP margin**

Our Group's overall GP and GP margin for the financial years/periods under review are analysed as follows:

**(i) By business segment**

GP	FYE				3M FPE			
	2017		2018		2018		2019	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
<b>Renewable energy</b>								
EPCC/ construction contracts	1,937	46.38	3,078	46.00	734	43.25	737	44.86
Service and maintenance contracts	1,233	29.53	1,365	20.40	314	18.50	332	20.21
Concession contracts	258	6.18	118	1.76	48	2.83	31	1.88
	<b>3,428</b>	<b>82.09</b>	<b>4,561</b>	<b>68.16</b>	<b>1,096</b>	<b>64.58</b>	<b>1,100</b>	<b>66.95</b>
<b>OPT products</b>	748	17.91	2,130	31.84	601	35.42	543	33.05
<b>Total</b>	<b>4,176</b>	<b>100.00</b>	<b>6,691</b>	<b>100.00</b>	<b>1,697</b>	<b>100.00</b>	<b>1,643</b>	<b>100.00</b>

GP margin	FYE		3M FPE	
	2017	2018	2018	2019
	%	%	%	%
<b>Renewable energy</b>				
EPCC/ construction contracts	26.06	24.07	27.14	24.02
Service and maintenance contracts	53.80	61.68	60.38	61.48
Concession contracts	58.64	27.25	44.04	31.00
<b>OPT products</b>	8.73	18.63	20.60	25.97
<b>Total</b>	<b>22.29</b>	<b>24.90</b>	<b>27.15</b>	<b>28.33</b>

**FYE 2018 as compared to FYE 2017**

Our Group's GP increased by RM2.51 million or 60.05% to RM6.69 million in FYE 2018 (FYE 2017: RM4.18 million). Accordingly, our GP margin improved to 24.90% in FYE 2018 (FYE 2017: 22.29%). Such improvement in GP was mainly due to increase in revenue from OPT products segments as well as increase in selling price and production output of OPT products segment (as Profina had moved into a new factory in Kluang, Johor with larger built-up area).

Our Group recorded a higher GP margin for service and maintenance contracts for FYE 2018 of 61.68% (FYE 2017: 53.80%) due to lower cost of materials purchased. However, our Group recorded a lower GP margin for concession contracts for FYE 2018 of 27.25% (FYE 2017: 58.64%) due to higher cost of materials purchased.

**3M FPE 2019 as compared to 3M FPE 2018**

Our Group's GP decreased by approximately RM0.06 million or 3.53% to RM1.64 million in 3M FPE 2019 (3M FPE 2018: RM1.70 million). Despite this, our GP margin increased from 27.15% in 3M FPE 2018 to 28.33% in 3M FPE 2019, mainly due to higher selling price of OPT products in 2019.

The GP margin for EPCC/construction contracts decreased to 24.02% (3M FPE 2018: 27.14%) due to pricing strategy adopted by Green Energy, whereby lower profit margin was accorded for repeated customers for EPCC contracts. Our Group also recorded a lower GP margin for concession contracts for 3M FPE 2019 of 31.00% (3M FPE 2018: 44.04%) due to higher cost of materials purchased.

**10. MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)****10.6 Other income**

The table below sets forth the breakdown of our Group's other income for the financial years/periods under review:

	FYE				3M FPE			
	2017		2018		2018		2019	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Interest received	49	8.84	81	26.82	13	13.98	21	11.23
Realised gain on foreign exchange	74	13.36	56	18.54	32	34.41	20	10.70
Unrealised gain on foreign exchange	60	10.83	18	5.96	36	38.71	90	48.14
Rental received	11	1.99	41	13.58	11	11.83	9	4.81
Utilities charges received	1	0.18	6	1.99	1	1.07	1	0.53
Government grants	359	64.80	60	19.87	-	-	-	-
Sale of scrap material	-	-	2	0.66	-	-	32	17.11
Gain on disposal of plant and equipment	-	-	38	12.58	-	-	1	0.53
Reversal on impairment loss on trade receivables	-	-	-	-	-	-	13	6.95
<b>Total</b>	<b>554</b>	<b>100.00</b>	<b>302</b>	<b>100.00</b>	<b>93</b>	<b>100.00</b>	<b>187</b>	<b>100.00</b>

Note:

\* Amount is negligible as it is less than RM1,000.

**FYE 2018 as compared to FYE 2017**

Our Group's other income decreased by RM0.25 million or 45.45% to RM0.30 million in FYE 2018 (FYE 2017: RM0.55 million), mainly due to lower government grants for R&D purposes from a government body; which was utilised to purchase new machines to improve Profina's manufacturing process.

The abovementioned decrease is partially off-set mainly by the following:

- (i) increase in interest received as a result of placement of fixed deposits with a licenced bank; and
- (ii) increase in rental and utility charges received from tenants, ETSB and V&M Mixtec, which rented Green Energy's property in Tempat Ban Foo, Mukim Plentong, Johor since 1 March 2017 and 1 November 2017, respectively. ETSB had on 30 September 2018, terminated the tenancy agreement.

**3M FPE 2019 as compared to 3M FPE 2018**

Our Group's other income increased by RM0.10 million or 111.11% to RM0.19 million in 3M FPE 2019 (3M FPE 2018: RM0.09 million), mainly due to the following:

- (i) unrealised gain on foreign exchange arising from the strengthening of RM against EUR-denominated payables on reporting date;
- (ii) sale of scrap material during the period under review; and
- (iii) reversal of impairment loss on trade receivables due to collection from Profina's customers during the reporting period.

**10. MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)****10.7 Administrative expenses**

The table below sets forth the breakdown of our Group's administrative expenses for the financial years/periods under review:

	FYE				3M FPE			
	2017		2018		2018		2019	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Professional fees	73	3.70	804	23.00	39	6.52	24	4.74
Staff costs <sup>(1)</sup>	854	43.15	1,188	34.00	219	36.62	235	46.44
Directors' remuneration	24	1.21	158	4.52	39	6.52	58	11.46
Rental expenses	300	15.16	350	10.01	5	0.85	8	1.59
Upkeep expenses	65	3.28	90	2.58	20	3.34	11	2.17
Travelling expenses	289	14.60	380	10.87	93	15.55	39	7.71
Others <sup>(2)</sup>	374	18.90	525	15.02	183	30.60	131	25.89
<b>Total</b>	<b>1,979</b>	<b>100.00</b>	<b>3,495</b>	<b>100.00</b>	<b>598</b>	<b>100.00</b>	<b>506</b>	<b>100.00</b>

Notes:

- (1) Consists of salary, allowances, welfares, refreshments, sundry wages, bonus, and statutory contributions (e.g. employees' provident funds and social security organisation contributions).
- (2) Mainly consists of bank charges, accounting fee, auditors' remuneration, consultancy fees, courier charges, road tax and insurance, office-related expenses, exhibition expenses and miscellaneous expenses.

**FYE 2018 as compared to FYE 2017**

Our Group's administrative expenses increased by RM1.52 million or 76.77% to RM3.50 million in FYE 2018 (FYE 2017: RM1.98 million), mainly due to:

- (i) increase in professional fees incurred in relation to our Proposed Listing;
- (ii) increase in staff costs due to recruitment of additional staff to meet the project and production demand as well as upward adjustment to staff salary;
- (iii) increase in our Directors' fee and other emoluments as previously our Directors only received token sum of fees from our Group;
- (iv) increase in travelling expenses as a result of incidental travelling for the increase in projects during FYE 2018; and
- (v) increase in rental expenses due to recognition of full 12-months' rental for FYE 2018 for the factory rented and occupied by Green Energy (the tenancy only commenced from 1 March 2017).

**3M FPE 2019 as compared to 3M FPE 2018**

Our Group's administrative expenses decreased by RM0.09 million or 15.00% to RM0.51 million for 3M FPE 2019 (3M FPE 2018: RM0.60 million) mainly due to decrease in travelling expenses (as a result of less incidental travelling for project secured during the period under review). Such decrease is partially off-set by an increase in staff costs and Directors' remuneration (being spill-over effect from upward adjustments to staff salary and Directors' remuneration in FYE 2018).

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**10. MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)****10.8 Other expenses**

The table below sets forth the breakdown of our Group's other expenses for the financial years/periods under review:

	FYE				3M FPE			
	2017		2018		2018		2019	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Amortisation of intangible assets	-	-	5	0.92	-	-	2	0.64
Depreciation of plant and equipment	155	72.77	215	39.59	198	58.06	201	64.63
Impairment losses on trade receivables	-	-	155	28.55	75	21.99	24	7.72
Loss on disposal of plant and equipment	-	-	34	6.26	-	-	-	-
Loss on foreign exchange								
- Realised	34	15.96	98	18.05	13	3.82	60	19.29
- Unrealised	24	11.27	36	6.63	55	16.13	24	7.72
<b>Total</b>	<b>213</b>	<b>100.00</b>	<b>543</b>	<b>100.00</b>	<b>341</b>	<b>100.00</b>	<b>311</b>	<b>100.00</b>

**FYE 2018 as compared to FYE 2017**

Our Group's other expenses increased by RM0.33 million or 157.14% to RM0.54 million in FYE 2018 (FYE 2017: RM0.21 million) mainly due to:

- (i) impairment losses on trade receivables due to adoption of MFRS 9 Financial Instruments which requires our Group to record an allowance for expected credit losses for all trade receivables and contract assets, measured at based on shared credit risk characteristics and days past due with expected loss rates assessed based on our Group's historical credit loss experience as well as indicators such as changes in financial capability of the customers, default or significant delay in payments on a case-by-case basis;
- (ii) increase in realised and unrealised loss on foreign exchange arising from depreciation of RM in the FYE 2018; and
- (iii) loss on disposal of hot press machine and burner.

**3M FPE 2019 as compared to 3M FPE 2018**

Our Group recorded a decrease in other expenses to RM0.31 million for 3M FPE 2019, mainly due to decrease in impairment loss on trade receivable based on the assessment of recoverability of Green Energy's receivables as at the reporting date. Such decrease is partially off-set by an increase in realised loss on foreign exchange arising from depreciation of RM against USD.

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**10. MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)****10.9 Finance costs**

The table below sets forth the breakdown of our Group's finance expenses for the financial years/periods under review:

	FYE				3M FPE			
	2017		2018		2018		2019	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Bank guarantee charges	10	4.98	-	-	-	-	-	-
Bank commitment fee	1	0.50	1	0.31	-*	-	-*	-
Bank overdrafts interest	13	6.47	14	4.43	2	2.98	5	3.62
Bankers' acceptances interest	55	27.36	-	-	-	-	19	13.77
Finance leases / lease liability interest	59	29.35	29	9.18	38	56.72	25	18.12
Cash line financing-i interest	63	31.34	206	65.19	20	29.85	72	52.17
Islamic bank financing - Term financing-i interest	-	-	66	20.89	7	10.45	17	12.32
<b>Total</b>	<b>201</b>	<b>100.00</b>	<b>316</b>	<b>100.00</b>	<b>67</b>	<b>100.00</b>	<b>138</b>	<b>100.00</b>

*Note:*

\* Amount is negligible as it is less than RM1,000.

**FYE 2018 as compared to FYE 2017**

Our Group's finance costs increased by RM0.12 million or 60.00% to RM0.32 million in FYE 2018 (FYE 2017: RM0.20 million). During FYE 2018, our Group has increased the utilisation of Islamic banking facilities (and accordingly reduce usage of bankers' acceptances) to finance our Group's working capital purpose, and fully settled hire purchase for motor vehicles.

**3M FPE 2019 as compared to 3M FPE 2018**

Our Group recorded finance costs of RM0.14 million for 3M FPE 2019, due to the utilisation of Islamic banking facilities for our Group's working capital purpose.

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**10. MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)****10.10 Income tax expenses**

The table below sets forth the effective tax rate for the financial years/periods under review:

	FYE		3M FPE	
	2017	2018	2018	2019
Income tax expenses (RM'000)	589	980	102	114
Effective tax rate (%) <sup>(1)</sup>	25.20	37.19	13.01	13.07

*Note:*

(1) Computed based on income tax expenses divided by PBT of respective financial years/periods under review.

The effective tax rates for FYEs 2017 and 2018 were higher than statutory tax rate of 24% mainly due to recognition of expected credit loss arising from adoption of MFRS 9 during FYE 2018 and recognition of deferred tax liabilities. Despite this, our Group can utilise our unabsorbed capital allowances of RM1,600,000 to offset against taxable income of Profina, subject to the approval from Inland Revenue Board.

The effective tax rate for 3M FPE 2019 was lower than statutory tax rate of 24% mainly due to lower taxable income.

**10.11 PAT and PAT margin**

The table below sets forth our Group's PAT and PAT margin for the financial years/periods under review:

	FYE		3M FPE	
	2017	2018	2018	2019
PAT (RM'000)	1,748	1,655	682	758
PAT margin (%)	9.33	6.16	10.91	13.07

**FYE 2018 as compared to FYE 2017**

Despite higher revenue and GP, our Group's PAT decreased by RM0.10 million or 5.71% to RM1.65 million in FYE 2018 (FYE 2017: RM1.75 million) mainly due to the professional fees incurred during FYE 2018 of RM0.69 million in relation to our Proposed Listing.

**3M FPE 2019 as compared to 3M FPE 2018**

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

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**10. MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)****10.12 Key financial ratios**

The table below sets forth certain key financial ratios of our Group for the financial years/periods under review:

	FYE		3M FPE	
	2017	2018	2018	2019
Trade receivables turnover period (days)	181 <sup>(1)</sup>	177 <sup>(1)</sup>	314 <sup>(2)</sup>	N/A*
Trade payables turnover period (days) <sup>(3)</sup>	104	115	80	102
Inventory turnover period (days) <sup>(4)</sup>	43	54	42	63
Current ratio (times) <sup>(5)</sup>	1.15	1.33	1.17	1.32
Gearing ratio (times) <sup>(6)</sup>	0.14	0.35	0.21	0.54

Notes:

N/A Not applicable

\* Not applicable as the carried-forward contract assets as at the end of reporting period is higher than the revenue recognised during the same reporting period.

(1) Trade receivables turnover period =  $\frac{(\text{Closing trade receivables} - \text{allowance for impairment losses})}{(\text{Total revenue} - \text{contract assets}^*)} \times 365 \text{ days}$

(2) Trade receivables turnover period =  $\frac{(\text{Closing trade receivables} - \text{allowance for impairment losses})}{(\text{Total revenue} - \text{contract assets}^*)} \times 90 \text{ days}$

\* Being the gross unbilled amount for contract work performed for our EPCC projects (i.e. the amount of contract revenue recognised in Green Energy's book in proportion to the contract cost incurred). Upon meeting the billing milestone for an EPCC project, the billed amount will be deducted from the contract assets.

(3) Computed based on the closing trade payables divided by the total cost of sales for the respective financial years/periods under review, multiplied by the number of days in the financial years/periods under review.

(4) Computed based on the closing inventory divided by the total cost of sales for the respective financial years/ periods under review, multiplied by the number of days in the financial years/periods under review.

(5) Current ratio =  $\frac{\text{Total current assets}}{\text{Total current liabilities}}$

(6) Gearing ratio =  $\frac{\text{Total borrowings}}{\text{Shareholders' equity}}$

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**10. MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)****(i) Trade receivables**

A summary of our Group's trade receivables as well as contract assets for the financial years/period under review is as follows:

	<b>As at 31 December 2017 (RM'000)</b>	<b>As at 31 December 2018 (RM'000)</b>	<b>As at 31 March 2019 (RM'000)</b>
Trade receivables	8,935	10,272	9,074
Less: Allowance for impairment loss	(213)	(155)	(166)
<b>Net trade receivables</b>	<b>8,722</b>	<b>10,117</b>	<b>8,908</b>
Contract assets	1,054	5,920	7,792
<b>Total trade receivables and contract assets</b>	<b>9,776</b>	<b>16,037</b>	<b>16,700</b>
Revenue	18,734	26,870	5,799
<b>Trade receivables turnover period (days)</b>	<b>181</b>	<b>177</b>	<b>N/A</b>

*Note:*

*N/A Not applicable*

Each business segment of our Group has different credit policy as set out below:

- Renewable energy segment: credit term stipulated in invoices is 30 days. However, Green Energy generally allows its customers to pay within 60 days from the date of billing, and extending up to 120 days as an incentive for customers to continue business with our Group.
- OPT products segment: credit term stipulated in invoices is immediate payment. Profina generally allows its customers to pay within 30 days from the date of billing.

The abovesaid variation of our credit terms to our customers are assessed on a case-to-case basis after taking into consideration various factors such as our relationships with customers, customers' payment history, financial background, transaction volume and market reputation, as well as the reason for customers' inability to pay within the normal credit period.

In view of the abovesaid variation of credit terms granted to our customers, our Group's trade receivable turnover period for the financial years under review are higher than the normal credit term granted to our customers, which are mainly due to the following factors:

- due to the complexity of EPCC project, customer may take time to inspect and perform trial run on the biogas plant, which in turn, may lengthen the time for invoice verification and payment processing; and
- there was a delay in the commencement of an EPCC project (due to unavailability of customer's site) resulting in the customer delaying in its payment for deposit (which was billed as mobilisation fee prior to commencement of the project). The deposit of approximately RM5.19 million (excluding goods and service tax) which was billed in December 2017 remains outstanding as at the LPD. Without taking into consideration the abovesaid mobilisation fee, the trade receivable turnover period as at 31 December 2017 and 31 December 2018 will be 71 days and 86 days, respectively.

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**10. MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)**

The ageing analysis of our Group's net trade receivables (excluding contract assets) as at 31 March 2019 is as follows:

	Within credit period	Exceeding credit period				Total
		Not more than 30 days overdue	Between 31 – 60 days overdue	Between 61 – 90 days overdue	More than 90 days overdue	
		RM'000	RM'000	RM'000	RM'000	RM'000
Net trade receivables	476	1,304	266	300	6,562	8,908
% of net trade receivables	5.34	14.64	2.99	3.37	73.66	100.00
Subsequent collection as at the LPD	321	808	207	299	618	2,253
<b>Outstanding balance as at the LPD</b>	<b>155</b>	<b>496</b>	<b>59</b>	<b>1</b>	<b>5,944</b>	<b>6,655</b>
<b>% of net trade receivables net of subsequent collection</b>	<b>2.33</b>	<b>7.45</b>	<b>0.89</b>	<b>0.01</b>	<b>89.32</b>	<b>100.00</b>

As at the LPD, our Group has collected RM2.25 million, representing 25.29% of the net trade receivables as at 31 March 2019. We follow-up closely with our customers for payment of outstanding debts, via on-going negotiation with customers on their inspection / trial run results on our biogas plants and machineries, or on-going communication with customers on the status of their proposed EPCC projects. In view of this, our Board is of the opinion that the remaining amount of RM6.66 million is generally recoverable after considering our relationship with these customers and the customers' payment track record as well as their financial standing. We will continue to review the collectability of our trade receivables and make relevant provision for impairment for trade receivables that are in dispute, under legal action or where recoveries are considered to be doubtful.

For the financial years/periods under review, our Group has not encountered any major disputes with our debtors.

**(ii) Trade payables**

A summary of our Group's trade payables for the financial years/periods under review is as follows:

	As at 31 December 2017 (RM'000)	As at 31 December 2018 (RM'000)	As at 31 March 2019 (RM'000)
Trade payables	4,122	6,356	4,668
Cost of sales	14,558	20,179	4,156
<b>Trade payables turnover period (days)</b>	<b>104</b>	<b>115</b>	<b>102</b>

The credit term granted by our trade creditors is 30-60 days from date of billing. However, for renewable energy segment, our trade payables turnover period is generally longer than the stipulated credit period granted by suppliers due to our Group's back-to-back payment arrangement with our suppliers, wherein Green Energy will process payments to suppliers upon receiving collections from its customers.

**(iii) Inventory turnover period**

Over the financial years/period under review, our Group's inventory turnover period has increased, mainly due to higher level of stocks for OPT products (finished goods and work-in-progress) arising from expansion of product range offer and to cater for increase in demand for OPT products.

**10. MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)****(iv) Current ratio**

Our Group's current ratio has gradually improved from 1.15 times for FYE 2017 to 1.33 times for FYE 2018. Our Group recorded a current ratio of 1.32 times for 3M FPE 2019. Such current ratio levels are in line with the growth of our Group's revenue and PAT during the financial years/periods under review.

**(v) Gearing ratio**

Our Group's gearing ratio has gradually increased from 0.14 times in FYE 2017 to 0.35 times in FYE 2018 and 0.54 times in 3M FPE 2019, due to our Group's increased utilisation of banking facilities for our Group's working capital purposes.

**10.13 Working capital**

Our business is financed by combination of internal and external sources of funds. The internal sources of funds comprise of our share capital, cash and bank balances as well as cash generated from our operations. The external source of funds comprises of mainly from overdraft facilities, trade lines and finance lease. There are deposits with licensed bank which are pledged as security for the banking facilities granted to our Group and therefore, our Group recorded negative cash and cash equivalent at the end of the financial years/period under review.

As at the LPD, our cash and bank balances (excluding fixed deposits pledged with licenced banks of RM4.06 million) stood at RM0.18 million, while our bank borrowings and finance lease payments stood at RM12.30 million. The un-utilised overdraft facilities and trade lines granted to our Group for our working capital purpose, as at the LPD, stood at RM2.54 million.

Based on our past financial performance and future prospect, and after taking into consideration our cash and bank balances, the expected funds to be generated from our operating activities, the amounts available under our existing overdraft facilities and trade lines, the gross proceeds to be raised from our Excluded Issue of RM4.37 million, as well as our capacity to obtain further financing from financial institutions, our Board is of the view that we will have sufficient working capital to meet our existing business requirements for a period of 12 months from the date of this Information Memorandum.

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## 11. OTHER INFORMATION

### 11.1 Material contracts

Save as disclosed below, there are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered by our Group within the 2 years immediately preceding the date of this Information Memorandum:

- (i) Green Energy SSA dated 2 July 2018 between our Company and Vendors of Green Energy in relation to the Acquisition of Green Energy, which was completed on 8 May 2019;
- (ii) Green Palm SSA dated 2 July 2018 between our Company and Vendors of Green Palm in relation to the Acquisition of Green Palm, which was completed on 8 May 2019;
- (iii) Profina SSA dated 2 July 2018 between our Company and Vendors of Profina in relation to the Acquisition of Profina, which was completed on 8 May 2019;
- (iv) Deed of Assignment dated 18 June 2018 between ESS (“**Assignor**”) and Green Palm, whereby the Assignor assigns to Green Palm all its rights, title and interests in the utility innovation (with grant number MY-147198-A) and all future improvements made or discovered by the Assignor in connection with the said utility innovation, for a cash consideration of RM10. This assignment shall take effect from the date of the Deed of Assignment;
- (v) Licence Agreement dated 18 June 2018 between Green Palm and Profina, whereby Green Palm grants a licence to Profina to use the utility innovation (with grant number MY-147198-A) and any know-how, experience, data or any other technical or commercial information relating to the utility innovation; for a royalty fee of RM10,000 per annum. This licence to use shall take effect from the date of the Licence Agreement; and
- (vi) Disposal of 17% equity interest in Mewajohor by Green Energy to V&M Mixtec, PPSB and Srimultec for a total cash consideration of RM510,000, which was completed on 5 March 2018.

### 11.2 Material litigation

As at the LPD, we are not engaged in any material litigation, claims or arbitration either as plaintiff or defendant and our Board does not know of any proceeding pending or threatened or of any fact likely to give rise to any proceeding which might materially or adversely affect our position or business.

### 11.3 Contingent liabilities

As at the LPD, there is no contingent liability which, upon becoming enforceable, may have a material impact on our financial position and business.

### 11.4 Declaration by advisers

- (i) TA Securities confirms that there is no existing or potential conflict of interest in its capacity as the Approved Adviser, Continuing Adviser and Placement Agent pursuant to our Proposed Listing.
- (ii) Kreston John & Gan confirms that there is no existing or potential conflict of interests in its capacity as the Auditors and Reporting Accountants for our Proposed Listing.
- (iii) Wong Beh & Toh confirms that there is no existing or potential conflict of interest in its capacity as the Solicitors for our Proposed Listing.
- (iv) Smith Zander International Sdn Bhd confirms that there is no existing or potential conflict of interest in its capacity as the Independent Market Researcher for our Proposed Listing.



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**11. OTHER INFORMATION (CONT'D)**


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- (v) Qwantum Capital Sdn Bhd (*formerly known as Salihin Capital Sdn Bhd*) confirms that there is no existing or potential conflict of interest in its capacity as the Financial Adviser for our Proposed Listing, which includes:
- (a) conduct an analysis of the Proposed Listing in light of the LEAP Market Listing Requirements, the CMSA and the Act, where applicable;
  - (b) highlight key issues/concerns noted by the Financial Adviser as well as to provide recommendations in accordance with all the relevant rules and regulations;
  - (c) conduct an analysis of the business model of GPP Group;
  - (d) review the business and corporate structure of GPP Group;
  - (e) review the organisation chart including key management profile of GPP Group;
  - (f) assist on and review any documents in relation to submission to relevant authorities in relation to the Proposed Listing;
  - (g) working together with TA Securities, being the Approved Adviser, in devising a comprehensive scheme setting out the methods of offering, pricing, proceeds for utilisation etc. in accordance with the relevant guidelines;
  - (h) identify and recommend suitable professionals with regard to the implementation of the Proposed Listing and to liaise with them where necessary;
  - (i) give views on the terms of reference and scope of work of other advisers (where necessary) to be appointed;
  - (j) accompany the Management to attend all the meetings in relation to the Proposed Listing;
  - (k) assist the Management in attending to the requests for information by the Approved Adviser and other professionals involved in the Proposed Listing and manage all correspondences with the said parties;
  - (l) assist our Board in monitoring the progress of the Proposed Listing and ensure that the deadlines of each milestone relating to the Proposed Listing are strictly adhered to;
  - (m) facilitate the capital raising exercise that forms part of the Proposed Listing; and
  - (n) attend to any other matters in relation to the Proposed Listing.

**11.5 Responsibility statements**

Our Directors and our Promoters have seen and approved this Information Memorandum. They collectively and individually accept full responsibility for the accuracy of the information contained in this Information Memorandum. Having made all reasonable enquiries and to the best of their knowledge and belief, they confirm that there are no false or misleading statements or other facts which if omitted, would make any statement in this Information Memorandum false or misleading.

TA Securities, being the Approved Adviser, Continuing Adviser and Placement Agent acknowledge that, based on all available information and to the best of their knowledge and belief, this Information Memorandum constitutes a full and true disclosure of all material facts concerning our Proposed Listing.