



GPP RESOURCES BERHAD

(Registration No: 201801003761 (1265775-W))
(Incorporated in Malaysia under the Companies Act 2016)

**HALF YEARLY REPORT ON CONSOLIDATED RESULTS
FOR THE PERIOD ENDED 30 JUNE 2020**

**CHARACTERISTICS OF THE LEAP MARKET OF BURSA MALAYSIA SECURITIES BERHAD
("BURSA SECURITIES" OR THE "EXCHANGE")**

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 OR MAIN MARKET OF BURSA SECURITIES. IT IS A QUALIFIED MARKET WHICH IS MEANT MAINLY FOR SOPHISTICATED INVESTORS ONLY. ONLY EXISTING SECURITIES HOLDERS AND SOPHISTICATED INVESTORS ARE ALLOWED TO PARTICIPATE IN CORPORATE EXERCISES UNDERTAKEN BY GPP RESOURCES BERHAD ("GPP" OR THE "COMPANY"). SOPHISTICATED INVESTORS SHOULD BE AWARE OF THE POTENTIAL RISKS OF INVESTING IN SUCH CORPORATIONS AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER DUE AND CAREFUL CONSIDERATION.

GPP RESOURCES BERHAD

(Registration No. 201801003761 (1265775-W))

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 30 JUNE 2020 ⁽¹⁾

	(Unaudited)		(Unaudited)	
	Individual 6-months ended		Cumulative 6-months ended	
	30.6.2020 RM'000	30.6.2019 RM'000	30.6.2020 RM'000	30.6.2019 RM'000
Revenue	7,067	10,920	7,067	10,920
Cost of sales	(6,779)	(7,943)	(6,779)	(7,943)
Gross profit	288	2,977	288	2,977
Other income	411	202	411	202
Administrative expenses	(1,063)	(1,180)	(1,063)	(1,180)
Other expenses	(1,081)	(535)	(1,081)	(535)
(Loss) / Profit from operation	(1,445)	1,464	(1,445)	1,464
Finance costs	(541)	(306)	(541)	(306)
Share of results of an associated company	23	(5)	23	(5)
(Loss) / Profit before taxation	(1,963)	1,153	(1,963)	1,153
Income tax expenses	(125)	(120)	(125)	(120)
(Loss) / Profit after taxation	(2,088)	1,033	(2,088)	1,033
 (Loss) / Earnings per share (RM)				
- Basic	(0.0138)	0.1074	(0.0138)	0.1074

Note:

(1) *The basis of preparation of the unaudited condensed consolidated statements of profit or loss and other comprehensive income are detailed in Note A1 and should be read in conjunction with the audited financial statement of GPP and its subsidiaries (“Group”) for the financial year ended (“FYE”) 31 December 2019 (“Audited Financial Statements”) and the accompanying explanatory notes attached to this financial report.*

GPP RESOURCES BERHAD

(Registration No. 201801003761 (1265775-W))

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2020 ⁽¹⁾

	Unaudited as at 30.6.2020 RM'000	Audited as at 31.12.2019 RM'000
ASSETS		
<u>Non-current assets</u>		
Plant and equipment	17,565	13,706
Right-of-use assets	8,163	944
Intangible asset	15	23
Investment in an associated company	24	2
Total non-current assets	25,767	14,675
<u>Current assets</u>		
Inventories	5,713	3,472
Trade receivables	10,348	9,431
Contract assets	10,032	10,569
Other receivables, deposits and prepayments	4,644	5,271
Current tax assets	673	388
Deposits with licensed banks	4,196	4,137
Cash and bank balances	1,577	1,253
Total current assets	37,183	34,521
TOTAL ASSETS	62,950	49,196
EQUITY AND LIABILITIES		
<u>Equity attributable to owners of the Company</u>		
Share capital	17,785	17,785
Merger reserve	(4,333)	(4,333)
Retained profits	4,247	6,335
Total equity	17,699	19,787
<u>Non-current liabilities</u>		
Borrowings	2,154	2,305
Deferred tax liabilities	508	508
Lease liabilities	7,465	276
Total non-current liabilities	10,127	3,089
<u>Current liabilities</u>		
Trade payables	11,796	11,743
Contract liabilities	4,120	4,271
Other payables and accruals	9,498	2,997
Lease liabilities	634	547
Borrowings	8,852	6,761
Current tax liabilities	224	1
Total current liabilities	35,124	26,320
Total liabilities	45,251	29,409
TOTAL EQUITY AND LIABILITIES	62,950	49,196
Number of ordinary shares ("Shares") ('000)	139,518	139,518
Net assets per Share (RM) ⁽²⁾	0.13	0.14

Notes:

(1) *The basis of preparation of the unaudited condensed consolidated statements of financial position are detailed in Note A1 and should be read in conjunction with the Group's Audited Financial Statements and the accompanying explanatory notes attached to this interim financial report.*

(2) *Computed based on net assets over number of Shares in issue for the respective financial year / period under review.*

GPP RESOURCES BERHAD

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 30 JUNE 2020 ⁽¹⁾

	<u>Non-distributable</u>		<u>Distributable</u>	Total equity RM'000
	Share capital RM'000	Merger reserve RM'000	Retained profits RM'000	
As at 1.1.2020	17,785	(4,333)	6,335	19,787
Total loss for the period	-	-	(2,088)	(2,088)
As at 30.6.2020	17,785	(4,333)	4,247	17,699
As at 1.1.2019	9,619	-	5,986	15,605
Adjustments due to adoption of Malaysian Financial Reporting Standard (“MFRS”) 16 – Leases (“MFRS 16”)	-	-	(53)	(53)
Restated balance as at 1.1.2019	9,619	-	5,933	15,552
Effect of merger of subsidiaries ⁽²⁾	4,333	(4,333)	-	-
Total income for the period	-	-	1,033	1,033
As at 30.6.2019	13,952	(4,333)	6,966	16,585

Notes:

(1) *The basis of preparation of the unaudited condensed consolidated statements of changes in equity are detailed in Note A1 and should be read in conjunction with the Group’s Audited Financial Statements and the accompanying explanatory notes attached to this interim financial report.*

(2) *Arising from issuance of new Shares in relation to the acquisitions of subsidiaries (“Acquisitions”) (refer to Section 4.4(ii) of the Company’s Information Memorandum dated 5 August 2019 (“Information Memorandum”).*

GPP RESOURCES BERHAD

(Registration No. 201801003761 (1265775-W))

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE HALF-YEAR ENDED 30 JUNE 2020 ⁽¹⁾

	(Unaudited)	
	6-months ended	
	30.6.2020	30.6.2019
	RM'000	RM'000
<u>Cash flows from operating activities</u>		
(Loss) / Profit before taxation	(1,963)	1,153
<i>Adjustments for:</i>		
Amortisation	8	5
Depreciation	1,150	773
Impairment losses on trade receivables	98	2
Interest expenses	541	304
Interest income	(60)	(48)
Gain on disposal of plant and equipment	(12)	(1)
Reversal of impairment loss on trade receivables	(16)	-
Bad debt written off	159	-
Share of loss of equity-accounted associate	(23)	5
Unrealised gain on foreign exchange	(18)	(55)
Unrealised loss on foreign exchange	175	38
<i>Operating profit before changes in working capital</i>	39	2,176
(Increase) / Decrease in inventories	(2,241)	241
Increase in trade receivables	(1,140)	(1,651)
Decrease in contract assets	537	103
Decrease in other receivables, deposits and prepayments	628	125
Decrease in trade payables	(120)	(2,167)
Decrease in contract liabilities	(152)	(575)
Increase / (Decrease) in other payables and accruals	6,500	(447)
<i>Cash generated from / (used in) operations</i>	4,051	(2,195)
Interest paid	(541)	(304)
Tax paid	(186)	(276)
Net cash generated from / (used in) operating activities	3,324	(2,775)
<u>Cash flows from investing activities</u>		
Interest received	60	48
Placement of deposits with a licensed bank	(60)	(1,247)
Proceeds from disposal of other investment	-	-
Proceeds from disposal of plant and equipment	12	42
Purchase of plant and equipment	(4,567)	(552)
Net cash used in investing activities	(4,555)	(1,709)
<u>Cash flows from financing activities</u>		
Drawdown from bankers' acceptance	1,352	1,496
Drawdown from Islamic bank financing – Term financing-i	-	1,600
Repayment of finance lease / lease liabilities	(386)	(383)
Repayment of Islamic bank financing – Term financing-i	(181)	(194)
Net cash generated from financing activities	785	2,519
Net decrease in cash and cash equivalents	(446)	(1,965)
Cash and cash equivalents at the beginning of the period	(3,446)	(3,162)
Cash and cash equivalents at the end of the period	(3,892)	(5,127)

Note:

(1) The basis of preparation of the unaudited condensed consolidated statements of cash flows are detailed in Note A1 and should be read in conjunction with the Group's Audited Financial Statements and the accompanying explanatory notes attached to this interim financial report.

GPP RESOURCES BERHAD

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A. EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2020

A1. Basis of preparation

The unaudited interim financial statements of the Group have been prepared in accordance with MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board and should read in conjunction with the Group's Audited Financial Statements and the accompanying explanatory notes attached to this interim financial report.

This is the interim financial report on the Company's consolidated results for the 6-months period ended 30 June 2020 in compliance with Rule 6.12 and Appendix 6A of the LEAP Market Listing Requirements of Bursa Securities ("LEAP LR").

A2. Accounting policies

The accounting policies and presentations adopted by the Group in this interim report are consistent with those adopted in the Group's Audited Financial Statements, except for the adoption of the following new accounting standards, amendments and interpretations which are mandatory for financial periods beginning on or after 1 January 2020:

- Amendments to References to the Conceptual Framework in MFRS Standards
- Amendments to MFRS 3, Business Combinations – Definition of a Business
- Amendments to MFRS 101, Presentation of Financial Statements and MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material
- Amendments to MFRS 9, Financial Instruments, MFRS 139, Financial Instruments: Recognition and Measurement and MFRS 7, Financial Instruments: Disclosures – Interest Rate Benchmark Reform

The adoption of the above new accounting standards, amendments and interpretations has no significant impact on the financial statements of the Group.

A3. Seasonal or cyclical factors

The Group does not experience any material seasonality in its business.

A4. Unusual items due to their nature, size or incidence

Save as disclosed below, there were no unusual items affecting assets, liabilities, equity or cash flow of the Group during the current period under review:

- The coronavirus 2019 ("Covid-19") pandemic has resulted in unprecedented containment measures taken globally and domestically to contain the spread of Covid-19. The Malaysian government had imposed the unprecedented Movement Control Order ("MCO") beginning from 18 March 2020 which subsequently eased into a Conditional MCO ("CMCO") from 4 May 2020 to 9 June 2020 and a Recovery MCO from 10 June 2020 to 31 August 2020. The Group's operations, which were not considered as essential services, were suspended during MCO and resumed gradually during CMCO period. The economic lockdown has also affected the progress of the Group's ongoing engineering, procurement, construction and commissioning ("EPCC") projects and demand for its oil palm trunk ("OPT") products due to contraction of the economy.

A5. Material changes in accounting estimates

There were no material changes in accounting estimates during the current period under review.

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A. EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2020 (CONT'D)**A6. Debt and equity securities**

There was no issuance, cancellation, repurchase, resale and repayment of debts and equity securities for the current period under review.

A7. Segmental information**(i) Analysis of revenue by business segment**

	(Unaudited)			
	6-months period ended			
	30.6.2020		30.6.2019	
	RM'000	%	RM'000	%
Renewable energy				
EPCC/ construction contracts	1,230	17.40	4,711	43.14
Service and maintenance contracts	798	11.29	1,262	11.56
Concession contracts	354	5.02	208	1.90
	2,382	33.71	6,181	56.60
OPT products	2,355	33.32	4,739	43.40
Palm-oil business ⁽¹⁾	2,330	32.97	-	-
Total	7,067	100.00	10,920	100.00

Note:

(1) Refers to management of palm oil mill, processing and trading of palm-oil related products (e.g. crude palm oil, palm kernel and sludge palm oil). The Group, via GPP Sri Serudung Sdn Bhd (a wholly-owned subsidiary of the Company), ventured into this business segment in June 2020, i.e. upon the signing of long term leasing agreement with Borneo Samudera Sdn Bhd (as announced on 21 October 2019) and the receipt of licence from Malaysian Palm Oil Board on 21 May 2020.

(ii) Analysis of revenue by geographical market

	(Unaudited)			
	6-months period ended			
	30.6.2020		30.6.2019	
	RM'000	%	RM'000	%
Malaysia	6,258	88.55	8,072	73.92
Overseas				
Japan	-	-	50	0.46
Liberia	-	-	520	4.76
Singapore	640	9.06	2,278	20.86
Taiwan	169	2.39	-	-
Total	7,067	100.00	10,920	100.00

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A. EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2020 (CONT'D)**A8. Related party transactions**

Transacting related parties	Nature of transactions	Transaction value for 6-months period ended 30.6.2020
		RM
V&M Mixtec Asia Sdn Bhd (“V&M Mixtec”)	Rental received from V&M Mixtec for the sub-let of property located at H.S.(M) 5243 PTD 222198, Tempat Ban Foo, Mukim Plentong, Johor Bahru, Johor	16,200
	Utilities charges received from V&M Mixtec for the sub-let of property located at H.S.(M) 5243 PTD 222198, Tempat Ban Foo, Mukim Plentong, Johor Bahru, Johor	2,630
Mewajohor Sdn Bhd (“Mewajohor”)	Rental paid by Green Energy Resources (M) Sdn Bhd (“Green Energy”) to Mewajohor in respect of tenancy for property located at H.S.(M) 5243 PTD 222198, Tempat Ban Foo, Mukim Plentong, Johor Bahru, Johor	158,400
Profina Properties Sdn Bhd (“PPSB”)	Rental paid by Profina Plywood Sdn Bhd (“Profina”) to PPSB in respect of tenancy for property located at Lot 8028, Batu 4, Jalan Mengkibol, 86000 Kluang, Johor	180,000
	Utilities charged paid by Profina to PPSB for property located at Lot 8028, Batu 4, Jalan Mengkibol, 86000 Kluang, Johor	267,705

A9. Material events subsequent to the end of the reporting period

There were no material events subsequent to the end of current reporting period up to the date of this report.

A10. Changes in composition of the Group

Save as disclosed below, there were no changes in the composition of the Group for the current period under review:

- (i) Green Energy had on 18 August 2020 incorporated a 70%-owned subsidiary, Gambang Power Plant Sdn Bhd, as a private limited company under the Companies Act 2016 and with an issued share capital of RM100 comprising 100 ordinary shares. It has yet to commence operations and its intended business activity is to build, own and operate renewable energy power plant.

A11. Contingent liabilities

The Company has the following contingent liability as at 30 June 2020:

	As at 30 June 2020
	RM'000
Banker's guarantee issued as security deposit for a long-term leasing agreement	300

A12. Capital commitments

There is no material capital commitment as at 30 June 2020.

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B. ADDITIONAL INFORMATION REQUIRED UNDER THE LEAP LR

B1. Performance review

The Group's revenue decreased by RM3.85 million or 35.28% during the 6-months period ended 30 June 2020 ("1H FY20") as compared to corresponding period of previous year, due to lower revenue contribution from renewable energy and OPT products segments. The decline in revenue from these segments was mainly due to the enforcement of MCO by the government to contain the spread of Covid-19 pandemic, which resulted with temporary suspension of the Group's operations and activities in industries which the Group operates (e.g. construction and palm oil industries) as well as delay in the Group's EPCC projects. Despite this, the Group had ventured into new business (i.e. management of palm oil mill, processing and trading of palm-oil related products) in June 2020, which partially offset the lower revenue contribution from existing business segments. Renewable energy segment remains as the major revenue contributor to the Group.

Corresponding with a decline in revenue, the Group's gross profit for 1H FY20 was lower than corresponding period of previous year, by RM2.69 million or 90.33%. The lower demand for the OPT plywood products have led to lower production volume and high manufacturing cost as the Group is unable to achieve a desirable economic of scale. Further, the Group has to lower the selling price of OPT plywood products to remain competitive in the market.

The Group recorded a loss before taxation of RM1.96 million for 1H FY20 as compared to a profit before taxation of RM1.15 million for the corresponding period of previous year, attributed to a decline in revenue, an increase in depreciation of right-of-use assets arising from the leasing of palm oil mill, equipment and machineries from Borneo Samudera Sdn Bhd; increase in unrealised loss on foreign exchange; recognition of bad debts written off; and increase in finance cost as a result of increased utilisation of banking facilities for the Group's working capital.

B2. Prospects

Given the on-going Covid-19 pandemic and the uncertainties in global and domestic economic environment, the Board of Directors of the Company ("Board") foresees prolonged challenges on the Group's prospects for financial year ending 31 December 2020. To mitigate the economic impact of Covid-19, the Group will remain agile and focus on streamlining its existing processes, continue with its strategies to expand the product range and markets for its renewable energy and OPT products segments, as well as expand its revenue base by venturing into new businesses.

As at 19 August 2020 (being the latest practicable date not earlier than 7 market days from the date of this report) ("LPD"), the total contract value secured by the Group's for EPCC projects under renewable energy segment is approximately RM44.66 million.

B3. Variance of actual profit from profit forecast and profit guarantee

The Company has not issued any profit forecast or profit guarantee in any form of public documentation and announcement.

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C. OTHER INFORMATION**C1. Status of corporate proposals**

There were no corporate proposals announced but pending completion as at the date of this report.

C2. Utilisation of proceeds

The status of utilisation of proceeds raised of RM4,368,000 from the issuance of 15,600,000 new Shares pursuant to an excluded issue to sophisticated investors at an issue price of RM0.28 each (“**Excluded Issue**”) as at the LPD, is as follows:

Purpose	Proposed utilisation (RM'000)	Actual utilisation as at the LPD (RM'000)	Un-utilised proceeds (RM'000)	Estimated timeframe for utilisation upon listing
Capital expenditure	1,000	182	818	Within 12 months
Research and development	500	-	500	Within 12 months
Working capital	1,318	1,355	-(1)	Within 12 months
Estimated listing expenses	1,550	1,513	-(1)	Within 2 weeks
Total	4,368	3,050	1,318	

Note:

(1) The surplus amount to defray listing expenses was reallocated to the amount earmarked for the working capital of the Group.

C3. Borrowings

The Group’s total borrowings (all denominated in RM) are as follows:

	(Unaudited)	(Audited)
	As at	As at
	30.6.2020	31.12.2019
	RM'000	RM'000
<u>Current liabilities</u>		
Secured		
Bank overdraft	1,782	1,299
Cash line financing-i	3,687	3,401
Islamic bank financing – Term financing-i	717	747
Islamic bank financing – Trade financing-i	2,662	1,309
Term loan	4	5
Total	8,852	6,761
<u>Non-current liabilities</u>		
Secured		
Islamic bank financing – Term financing-i	2,144	2,293
Term loan	10	12
Total	2,154	2,305

As at the reporting date, the Company has not issued any debt securities.

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C. OTHER INFORMATION (CONT'D)**C4. Material Litigation**

There are no material litigations involving the Group as at the date of this interim report.

C5. Dividend

The Board does not recommend any dividend as at the date of this interim report.

C6. (Loss) / Earnings per Share

	6-months period ended	
	30.6.2020	30.6.2019
	RM'000	RM'000
(Loss) / Profit attributable to owner of the Company	(2,088)	1,033
Weighted average number of Shares ('000)	151,058	9,619
Basic (loss) / earnings per Share (RM)	(0.0138)	0.1074

The weighted average number of Shares in issue is computed as follows:

	6-months period ended	
	30.6.2020	30.6.2019
At beginning of the year / period	98,124,108	8,865,033
Shares issued pursuant to:		
- Issuance of shares of a subsidiary ⁽¹⁾	-	753,662
- Effect of merger of subsidiaries ⁽²⁾	45,197,900	-
- Issuance of Shares pursuant to an Excluded Issue	7,735,890	-
	151,057,898	9,618,695

Notes:

(1) Issuance of 1,608,693 new ordinary shares in Profina pursuant to Profina Capitalisation (as set out in Section 4.4(i) of the Information Memorandum).

(2) Issuance of new Shares pursuant to the acquisitions of subsidiaries (as set out in Section 4.4(ii) of the Information Memorandum).

Diluted (loss) / earnings per Share is the same as the basic (loss) / earnings per Share as the Company has not issued any potential dilutive instruments.

C7. Forestry licence for OPT plywood manufacturing business

As at the date of this interim report, Profina has yet to receive approval for the transfer of forestry licence for its OPT plywood manufacturing business a plywood mill located at Lot 8028, Batu 4, Jalan Mengkibol, 86000 Kluang, Johor. Nonetheless, Profina has renewed the forestry licence for a period of 1 year commencing from 1 January 2020 to 31 December 2020.

This report is dated 27 August 2020.