



ASIA POLY HOLDINGS BERHAD

Company No. 619176-A

(Incorporated in Malaysia)

Unaudited Interim Financial Report for the fourth quarter ended 31 December 2020

NOTES TO THE INTERIM FINANCIAL REPORT

A EXPLANATORY NOTES PURSUANT TO MFRS 134 INTERIM FINANCIAL REPORTING

1 Basis of preparation

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards (“MFRSs”) and International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

2 Malaysian Financial Reporting Standards (“MFRSs”)

During the current financial year, the Group has adopted the following new accounting standards and/or interpretations (including the consequential amendments, if any):-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)

MFRS 16 Leases

IC Interpretation 23 Uncertainty Over Income Tax Treatments

Amendments to MFRS 9: Prepayment Features with Negative Compensation

Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement

Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures

Annual Improvements to MFRS Standards 2015 – 2017 Cycles

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) did not have any material impact on the Group’s financial statements except as follows:-



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MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaced the previous guidance on lease accounting. Under MFRS 16, the classification of leases as either finance leases or operating leases is eliminated for lessees. All lessees are required to recognise their lease assets and the related lease obligations in the statement of financial position (with limited exceptions) as right-of-use assets and lease liabilities respectively. The right-of-use assets are subject to depreciation and the interest on lease liabilities are calculated using the effective interest method. The impacts on the financial statements of the Group upon its initial application of MFRS 16 are disclosed in Note 44 to the financial statements.

The Group has not applied in advance the following accounting standards and/or interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial year:-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 3: Definition of a Business	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform	1 January 2020
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 101 and MFRS 108: Definition of Material	1 January 2020
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2022
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their initial application.



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3 Auditors' report on preceding annual financial statements

There were no audit qualifications on the annual financial statements for the year ended 31 December 2019.

4 Seasonal or cyclical factors

The Group's operations were not materially affected by seasonal or cyclical factors during the financial quarter under review.

5 Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no unusual items affecting assets, liabilities, equity, net income or cash flow of the Group during the financial quarter under review.

6 Material changes in estimates

There were no changes in estimates of amounts which give a material effect for the current financial quarter under review.

7 Debt and equity securities

There was no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current financial quarter under review.

8 Dividends paid

There was no dividend paid during the financial quarter under review.



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9 Segment information

Operating segments

The Group is primarily engaged in manufacturing of cast acrylic sheets and trading in chemical products.

	Individual Quarter		Cumulative Quarter	
	Current Quarter ended 31 December 2020 RM'000	Comparative Quarter ended 31 December 2019 RM'000	12 Months Current Cumulative ended 31 December 2020 RM'000	12 Months Comparative Cumulative ended 31 December 2019 RM'000
<u>Segment revenue</u>				
Investment holdings and others	1,252	-	2,765	-
Manufacturing	21,983	19,734	77,758	73,111
	<u>23,235</u>	<u>19,734</u>	<u>80,523</u>	<u>73,111</u>
<u>Segment results</u>				
Investment holdings and others	8,732	147	7,411	(4,987)
Manufacturing	2,391	1,870	8,211	361
	<u>11,123</u>	<u>2,017</u>	<u>15,622</u>	<u>(4,626)</u>

Geographical Information

The Group operates in Malaysia and generates revenue from the following geographical locations of customers: -



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	Individual Quarter		Cumulative Quarter	
	Current Quarter ended 31 December 2020 RM'000	Comparative Quarter ended 31 December 2019 RM'000	12 Months Current Cumulative ended 31 December 2020 RM'000	12 Months Comparative Cumulative ended 31 December 2019 RM'000
Brazil	3,431	3,319	14,167	16,463
India	4,891	5,065	14,888	20,985
Malaysia	7,758	6,879	18,865	21,642
Middle East	3,059	2,824	10,562	8,976
USA	767	481	9,409	1,673
Europe	720	479	7,084	1,139
Others	1,357	687	2,783	2,233
	<u>21,983</u>	<u>19,734</u>	<u>77,758</u>	<u>73,111</u>

10 Valuation of property, plant and equipment

There was no valuation of property, plant and equipment during the current financial quarter under review.

11 Material events subsequent to the end of the quarter

There were no material events subsequent to the current financial quarter under review.

12 Changes in the composition of Group

There are no changes in the composition of Company during the current financial quarter under review.

13 Contingent liabilities

The company has given unsecured corporate guarantees to certain licensed banks for credit facilities granted for the subsidiary company.



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14 Capital commitment

There was no capital commitment during the current financial quarter under review.

15 Significant related party transactions

There were no significant related party transactions during the current financial quarter under review.

B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD FOR THE ACE MARKET

16 Review of performance

	Individual Quarter		Cumulative Quarter	
	Current Quarter ended 31 December 2020 RM'000	Comparative Quarter ended 31 December 2019 RM'000	12 months Current Cumulative ended 31 December 2020 RM'000	12 months Comparative Cumulative ended 31 December 2019 RM'000
<u>Revenue</u>				
Manufacturing	21,983	19,734	77,758	73,111
Investment holdings and others	1,252	-	2,765	-
	<u>23,235</u>	<u>19,734</u>	<u>80,523</u>	<u>73,111</u>
<u>Profit / (Loss) before tax</u>				
Manufacturing	2,766	2,307	9,981	1,247
Investment holdings and others	8,705	249	7,617	(5,274)
	<u>11,471</u>	<u>2,556</u>	<u>17,598</u>	<u>(4,027)</u>



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a) Current quarter against previous year corresponding quarter

Group recorded revenue of RM23.235 million and profit before tax of RM11.471 million as compared to revenue of RM19.734 million and profit before tax of RM2.556 million recorded in the corresponding quarter 2019. Performance of the respective operating business segments is analysed as below:

1. Manufacturing

The manufacturing segment recorded a revenue of RM21.983 million, was 11.4% more than the revenue of RM19.734 million recorded in the corresponding quarter 2019. The increase in revenue was mainly due to higher demand from the local and export markets.

The Company received strong demand from new customers in USA and Europe market. The export sales to USA and Europe continents increased from RM0.960 million to RM 1.487 million, which representing 54.90% growth.

During the quarter under review, this sector posted a profit before tax of RM2.766 million as compared to RM2.307 million profit before tax in previous corresponding quarter. This improved performance was mainly attributable to higher average selling price, lower material cost and better factory utilisation rate achieved during the quarter.

2. Investment holdings and others

The Renewable Energy segment contributed revenue of RM1.252 million during the quarter under review compare to nil revenue recorded in the corresponding quarter 2019. The increase in revenue was mainly due to the newly acquired biogas plant for billings of sale of electricity to TNB.

The investment holdings and others sector recorded a profit before tax of RM8.705 million as compared to a profit before tax of RM0.249 million in the corresponding quarter 2019. This is due to a one off gain on disposal via Asia Poly Food & Beverage Sdn. Bhd for RM7.924 Million.

b) Current cumulative period against previous year cumulative period

Group recorded revenue of RM80.523 million and profit before tax of RM16.071 million as compared to revenue of RM73.111 million and loss before tax of RM4.027 million recorded in the corresponding cumulative period 2019. Performance of the respective operating business segments is analysed as below:



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1. Manufacturing

The manufacturing segment recorded revenue of RM77.758 million was 6.4% more than the revenue of RM73.111 million recorded in the corresponding cumulative period 2019. The increase in revenue was mainly due to higher demand from the local and export markets.

The Company received strong demand from new customers in USA and Europe market.

During the period under review, this sector posted a profit before tax of RM9.981 million as compared to RM1.247 million profit before tax in previous cumulative corresponding period. This improved performance was mainly attributable to higher average selling price, lower material cost and better factory utilisation rate achieved during the period.

2. Investment holdings and others

The Renewable Energy segment contributed revenue of RM2.765 million during the period under review. The increase in revenue was mainly due to the newly acquired biogas plant for billings of sale of electricity to TNB.

The investment holdings and others sector recorded a profit before tax of RM7.617 million as compared to a loss before tax of RM5.274 million in the corresponding period 2019.

17 Variation of result against preceding quarter

	Individual Quarter	
	4th	3rd
	Quarter	Quarter
	ended 31	ended 30
	December	September
	2020	2020
	RM'000	RM'000
Revenue	23,235	30,119
Profit / (Loss) for the period	11,123	4,086



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18 Realised and Unrealised Profits / (Losses)

	As at 31 December 2020 RM'000	As at 31 December 2019 RM'000
Total retained earnings/(loss)		
Realised	16,552	894
Unrealised	20	20
Total retained earnings/(loss) as per statements of financial position	<u>16,572</u>	<u>914</u>

19 Business prospects

The Group is primarily engaged in manufacturing of cast acrylic sheets. Cast acrylic sheets are used widely in sanitary wares, signage & displays, architectural designs, interior design, automotive & transportation, and other applications. Other applications include food, medical, industrial equipment, and sports. According to a research, the global cast acrylic sheet market is expected to grow 5% to 6% annually.

During this year, the demand of the cast acrylic sheet has soared significantly as the acrylic sheets are installed in shops, restaurants, offices, hospitals and other common spaces to prevent virus transmissions and social distancing purposes.

We received a very encouraging orders from new customers from USA and Europe. This has allowed us to gain access to the one of the world largest acrylic consumer market. With the emergence of the new application of the acrylic sheet in social distancing and prolong trade war, we expect the orders from these two continents continue to grow moving forward.

As result from the higher sales orders, we expect our factory utilisation rate to rise in the coming quarters, resulting in greater efficiency and deduction in our production cost.

Moving forward, the Group remains optimistic of the longer-terms prospects. The Group shall closely monitor and take the conservative steps to sustain the performance of the existing ventures as well as continue to explore and consider new ventures or business activities which are synergistic to the operations of the Group.



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20 Profit forecast, profit guarantee and internal targets

The Group did not provide any profit forecast, profit guarantee and internal targets in any public document or any announcement made.

21 Taxation

Income tax on the profit for the period comprise of deferred tax.

22 Status of corporate proposals

(a) On 31 January 2020, one of the wholly owned subsidiaries, APGE has entered into a conditional share sale agreement ("SSA") with Dolphin International Berhad ("DIB" or "Vendor") for the proposed acquisition of 4,500,000 ordinary shares in Dolphin Biogas Sdn. Bhd. ("DBSB"), representing 80% equity interest in DBSB for a purchase consideration of RM2,123,675 ("Purchase Consideration") and the assumption of liabilities comprising RM341,271 owing by DBSB to Dolphin Applications Sdn Bhd ("DASB"), a wholly-owned subsidiary of DIB, as well as any advances by DIB to DBSB and its subsidiary from the date of SSA. The proposed diversification of the principal activities of the Company and its subsidiaries to include renewable energy business and related activities.

Subsequently, on 26 March 2020, the Purchase Consideration was revised and shall be satisfied entirely via cash in the following manner: -

(i) APGESB shall pay to DIB the sum of RM212,367 upon execution of the SSA, which is deemed to be part payment of the Purchase Consideration of the DBSB shares;

(ii) APGESB shall pay to DIB the balance of the deposit amounting to RM1,249,200, which is deemed to be part payment of the Purchase Consideration of the DBSB shares in the following order:-

Time period

- Upon the execution of the SSA RM416,400
- Upon the expiry of two months from the date of the SSA RM416,400
- Upon the expiry of four months from the date of the SSA RM416,400

(iii) APGESB shall pay the balance purchase consideration of RM662,108 to DIB on Completion Date where DIB shall sell and APGESB shall purchase the Sale Shares free from all claims, charges, liens, encumbrances and equities whatsoever together with all rights attached thereto and all dividends, rights and distributions declared paid or made.



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(b) Proposed diversification of the principal activities of the Company and its subsidiaries ("Asia Poly Group") to include renewable energy business and related activities.

The proposed diversification will enable Asia Poly Group to diversify into a new viable business which will provide an additional revenue stream and cash flow, which may in turn improve the financial results of Asia Poly Group.

The Board of Asia Poly are of the view that the proposed diversification is expected to have stable and strong growth prospects and will diversify Asia Poly Group's revenue and contribute positively to Asia Poly Group's future earnings. Consequently, the Proposed Diversification will reduce the dependency on the existing businesses.

(c) On 27 February 2020, the Company entered into a conditional sale of shares agreement with Uncle Don's Holdings Sdn Bhd (formerly known as Frontier Touch Holdings Sdn. Bhd.) and Dolphin International Berhad ("DIB" or "Purchaser") for the disposal by the Company of its entire 49% equity interest in Asia Poly Food and Beverage Sdn Bhd, a joint venture, to the Purchaser for a total disposal consideration of RM10.78 million to be satisfied via RM5.88 million in cash and issuance of 64,473,684 new ordinary shares in DIB at an issue price of RM 0.076 per DIB share.

On 12 May 2020, the circular to shareholders in relation to the : (I) Proposed Acquisition, (II) Proposed Diversification, and (III) Proposed Disposal was despatched to the shareholders of Asia Poly.

On 28 May 2020, all ordinary resolutions as set out in the Notice of the Extraordinary General Meeting ("EGM") of the Company dated 12 May 2020 were duly passed by the shareholders of the Company.

On 26 June 2020, APGESB, a wholly-owned subsidiary of Asia Poly had executed a supplemental letter with DIB to amend and vary Clause 8 of the Acquisition SSA and to waive the condition precedent pertaining to the obligation of DIB to obtain a written waiver and consent of SULPOM not to exercise its rights to acquire the Acquisition Shares and its tag-along rights.

Further to the above, all the conditions precedent to the Acquisition SSA has being fulfilled and / or waived and accordingly, the Acquisition SSA has become unconditional on this date.

On 01 July 2020, full payment of the balance purchase consideration for the Acquisition has been made to DIB and the Acquisition has been completed.

On 08 July 2020, the Company executed a supplemental agreement between Asia Poly, UDHSB and DIB to vary the terms of the Disposal SSA in accordance with the terms of the Supplemental Agreement.



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On 24 August 2020, the Company proposes to undertake a private placement of up to 20% of the total number of issued shares of Asia Poly to third party investor(s) to be identified later at an issue price to be determined later in accordance with the general mandate pursuant to Sections 75 and 76 of the Companies Act 2016.

On 25 August 2020, the Company had vide a supplemental letter to the Disposal SSA of APFBSB agreed to extend the Conditional Period of the Disposal SSA for a further period of 3 months until 26 November 2020 as per DIB's request.

On 27 August 2020, the listing application in relation to the Proposed Private Placement has been submitted to Bursa Malaysia Securities Berhad.

On 10 September 2020, Bursa Malaysia Securities Berhad approved the listing and quotation of up to 162,557,742 Placement Shares to be issued.

On 14 September 2020, the Board resolved to fix the issue price for the Private Placement at RM0.415 per Placement Share.

On 24 September 2020, 87,300,000 Placement Shares were listed and quoted on the ACE Market of Bursa Malaysia Securities Berhad.

On 25 September 2020, all conditions precedent set out in the Disposal SSA of APFBSB have been fulfilled and become unconditional.

On 29 September 2020, the Company accepted and agreed the terms in a supplemental letter to the Disposal SSA issued by DIB to amend and vary the Clause 11.2(a)(i) and to waive a condition subsequent of the Disposal SSA.

On 1 October 2020, the Disposal SSA for the sale and purchase of the entire issued capital of APFBSB has been completed.

On 18 November 2020, the Company entered into a Heads of Agreement with Gooi Chin Hooi as the main representative of all other shareholders of GB Plas Sdn. Bhd. (Vendor) for the purchase of such number of ordinary shares held by Vendor representing 30% of the whole of the issued shares of GB Plas for the sum of RM15,000,000 only.

On 28 December 2020, the Company agreed and accepted the terms in a second supplemental letter issued by DIB to further extend the Extended Fulfilment Period pursuant to Clause 8.1 of the acquisition SSA and the supplemental letter dated 26 June 2020 for a further period of six (6) months, until 30 June 2021 and may further be extended by mutual agreement of the parties in writing.



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23 Unsecured borrowings and debt securities

There were no unsecured borrowings and debt securities for the quarter under review.

24 Material litigation

There was no material litigation pending at the date of this report.

25 Dividends

There was no dividend declared during the financial quarter under review.

26 Earnings per share

(a) Basic

Basic earnings per share figures are computed by dividing profits for the period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Individual Quarter		Cumulative Quarter	
	Current Quarter ended 31 December 2020 RM'000	Comparative Quarter ended 31 December 2019 RM'000	Current Cumulative ended 31 December 2020 RM'000	Comparative Cumulative ended 31 December 2019 RM'000
Profit /(loss) attributable to equity holders of the Company (RM'000)	11,165	2,026	15,664	(4,617)
Weighted average number of ordinary shares in issue ('000)	719,529	445,414	556,510	452,602
Basic earnings/(loss) per share (sen)	<u>1.55</u>	<u>0.49</u>	<u>2.81</u>	<u>(1.02)</u>



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(b) Diluted

Diluted earnings per share is calculated by dividing the profit for the financial period attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial period adjusted for potential dilutive ordinary shares from the exercise of warrants.

	Individual Quarter		Cumulative Quarter	
	Current	Comparative	Current	Comparative
	Quarter	Quarter	Cumulative	Cumulative
	ended 31	ended 31	ended 31	ended 31
	December	December	December	December
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Profit / (loss) attributable to equity holders of the Company (RM'000)	11,165	2,026	15,664	(4,617)
Weighted average number of ordinary shares in issue ('000)	835,066	452,414	646,932	574,823
Diluted earnings/(loss) per share (sen)	<u>1.34</u>	<u>0.45</u>	<u>2.42</u>	<u>(0.80)</u>

27 Authorisation for issue

The interim financial report was authorised for issue by the Board of Directors in accordance with a resolution of the directors on 25 February 2021.

By order of the Board of Directors

Dato' Yeo Boon Leong
Executive Chairman
25 February 2021