



POLYMER LINK HOLDINGS BERHAD

Company No: 201301011960 (1041798-A)

(Incorporated in Malaysia under the Companies Act, 1965 and deemed registered under the Company Act, 2016)

UNAUDITED FINANCIAL STATEMENTS FOR THE 1st HALF-YEAR ENDED 31 MARCH 2020

CHARACTERISTICS OF THE LEAP MARKET OF BURSA MALAYSIA SECURITIES BERHAD (“BURSA SECURITIES”)

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 POLYMER LINK HOLDINGS BERHAD (“POLYMER LINK HOLDINGS” 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.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2020⁽¹⁾

	Unaudited as at 31.3.2020 RM'000	Audited as at 30.9.2019 RM'000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	30,378	25,593
Goodwill on consolidation	77	-
Investment in an associate company	-	152
Total non-current assets	30,455	25,745
CURRENT ASSETS		
Inventories	11,812	10,601
Trade receivables	8,042	4,764
Other receivables	2,950	2,952
Tax recoverable	401	97
Fixed deposit with a licensed bank	1,875	1,270
Cash and bank balances	3,185	7,097
Total current assets	28,265	26,781
TOTAL ASSETS	58,720	52,526
EQUITY		
Share capital	18,052	18,052
Merger deficit	(11,967)	(11,967)
Foreign currency translation reserve	946	348
Retained earnings	24,567	23,139
Non-controlling interest	341	24
TOTAL EQUITY	31,939	29,596
LIABILITIES		
NON-CURRENT LIABILITIES		
Lease liabilities	4,201	695
Deferred tax liabilities	176	259
Bank borrowings	12,063	12,015
Total non-current liabilities	16,440	12,969
CURRENT LIABILITIES		
Trade payables	1,143	605
Other payables	870	2,631
Contract liabilities	1,303	3,445
Lease liabilities	980	621
Bank borrowings	6,045	2,659
Total current liabilities	10,341	9,961
TOTAL LIABILITIES	26,781	22,930
TOTAL EQUITY AND LIABILITIES	58,720	52,526
Net assets per ordinary share (sen) ⁽²⁾	6.90	6.40

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Notes:

1. *The basis of preparation of the Unaudited Condensed Consolidated Statements of Financial Position are disclosed in Note A1 and should be read in conjunction with the audited financial statements of the Company for the financial year ended (“FYE”) 30 September 2019 and the accompanying explanatory notes attached to this interim financial report.*
2. *Net assets per ordinary share is calculated based on the Company’s number of ordinary shares at the end of the reporting period of 462,854,370 shares.*

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE 1st HALF-YEAR ENDED 31 MARCH 2020⁽¹⁾

	Individual 6 months ended		Cumulative 6 months ended	
	31.3.2020	31.3.2019	31.3.2020	31.3.2019
	RM'000	RM'000	RM'000	RM'000
Revenue	30,668	37,046	30,668	37,046
Cost of sales	(23,145)	(28,632)	(23,145)	(28,632)
Gross profit	7,523	8,414	7,523	8,414
Interest income	20	16	20	16
Other income	460	196	460	196
Gain on remeasurement	58	-	58	-
Administrative expenses	(3,298)	(1,789)	(3,298)	(1,789)
Selling and distribution expenses	(556)	(147)	(556)	(147)
Other expenses	(592)	(299)	(592)	(299)
Share of loss of an associate company	(17)	-	(17)	-
Finance costs	(277)	(75)	(277)	(75)
Profit before taxation	3,321	6,316	3,321	6,316
Taxation	(404)	(936)	(404)	(936)
Profit after taxation	2,917	5,380	2,917	5,380
Foreign currency translation differences	608	(30)	608	(30)
Total comprehensive income	3,525	5,350	3,525	5,350
Profit attributable to equity holders of the parent	2,969	5,399	2,969	5,399
Non-controlling interest	(52)	(19)	(52)	(19)
Total	2,917	5,380	2,917	5,380
Total comprehensive income attributable to equity holders of the parent	3,577	5,369	3,577	5,369
Non-controlling interest	(52)	(19)	(52)	(19)
Total	3,525	5,350	3,525	5,350
Attributable to equity holders of the parent:				
- Basic earnings per share (sen) ⁽²⁾	0.64	1.17	0.64	1.17
- Diluted earnings per share (sen) ⁽³⁾	0.64	1.17	0.64	1.17

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Notes:

1. *The basis of preparation of the Unaudited Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income are disclosed in Note A1 and should be read in conjunction with the audited financial statements of the Company for the FYE 30 September 2019 and the accompanying explanatory notes attached to this interim financial report.*
2. *Basic earnings per share is calculated based on the Company's number of ordinary shares of 462,854,370 as at the reporting date.*
3. *Diluted earnings per share of the Company is equivalent to the basic earnings per share as the Company does not have convertible options at the end of the reporting period.*

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE 1ST HALF-YEAR ENDED 31 MARCH 2020⁽¹⁾

	Share capital RM'000	Merger deficit RM'000	Foreign currency translation reserve RM'000	Retained earnings RM'000	Minority interest RM'000	Total RM'000
As at 1.10.2019	18,052	(11,967)	348	23,139	24	29,596
Effect from adoption of MFRS16, Leases	-	-	-	(41)	-	(41)
Restated balance as at 1.10.2019	18,052	(11,967)	348	23,098	24	29,555
Net profit for the financial period	-	-	-	2,969	(52)	2,917
Currency translation differences	-	-	608	-	-	608
Total comprehensive income for the financial period	-	-	608	2,969	(52)	3,525
Arising from acquisition of subsidiary companies	-	-	(10)	-	369	359
Dividend paid	-	-	-	(1,500)	-	(1,500)
As at 31.3.2020	18,052	(11,967)	946	24,567	341	31,939
As at 1.10.2018	18,052	(11,967)	20	14,474	-	20,579
Subscription of shares in new subsidiary company by non-controlling interest	-	-	-	-	44	44
Net profit for the financial year	-	-	-	9,591	(20)	9,571
Currency translation differences	-	-	328	-	-	328
Total comprehensive income for the financial year	-	-	328	9,591	(20)	9,899
Dividend paid	-	-	-	(926)	-	(926)
As at 30.9.2019	18,052	(11,967)	348	23,139	24	29,596

Note:

- The basis of preparation of the Unaudited Condensed Consolidated Statement of Changes in Equity are disclosed in Note A1 and should be read in conjunction with the audited financial statements of the Company for the FYE 30 September 2019 and the accompanying explanatory notes attached to this interim financial report.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE 1ST HALF-YEAR ENDED 31 MARCH 2020⁽¹⁾

	6 months ended 31 March 2020 RM'000	6 months ended 31 March 2019 RM'000
Cash flows from operating activities		
Profit before tax	3,321	6,316
Adjustments for:		
Depreciation	977	553
Interest income	(20)	(16)
Interest expenses	277	132
Gain on remeasurement	(58)	-
Share of results of an associate company	17	-
Unrealised loss/(gain) on foreign exchange	174	(84)
Operating profit before working capital changes	4,688	6,901
Changes in working capital:		
Inventories	(1,011)	(2,329)
Receivables	(3,024)	188
Payables	(1,632)	(1,109)
Contract liabilities	(2,203)	-
Cash (used in)/generated from operations	(3,182)	3,651
Tax paid	(797)	(566)
Interest paid	(668)	(132)
Net cash (used in)/from operating activities	(4,647)	2,953
Cash flows from investing activities		
Interest received	20	16
Placement of fixed deposit with a licensed bank	(607)	(14)
Purchase of property, plant & equipment	(552)	(440)
Net cash arising from acquisition of a subsidiary company	514	-
Subscription of shares in new subsidiary companies by non-controlling interest	-	44
Net cash used in investing activities	(625)	(394)
Cash flows from financing activities		
Dividend paid	(1,500)	(926)
Advances from Directors	-	1
Repayment of finance lease liabilities	(491)	(371)
Net drawdown of bank borrowings	3,273	2,418
Net cash from financing activities	1,282	1,122
Net changes in cash and cash equivalents	(3,990)	3,681
Cash and cash equivalents at beginning of period	7,097	2,930
Effect of foreign currency translation differences on cash and cash equivalents	78	43
Cash and cash equivalents at end of period	3,185	6,654

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Note:

1. *The basis of preparation of the Unaudited Condensed Consolidated Statements of Cash Flows are disclosed in Note A1 and should be read in conjunction with the audited financial statements of the Company for the FYE 30 September 2019 and the accompanying explanatory notes attached to this interim financial report.*

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE 1ST HALF-YEAR ENDED 31 MARCH 2020

A. NOTES TO THE FINANCIAL REPORT

A1. Basis of Preparation

The interim financial report of Polymer Link Holdings and its subsidiaries (“**the Group**”) are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standard (“**MFRS**”) 134 “Interim Financial Reporting” issued by the Malaysian Accounting Standards Board (“**MASB**”) and Rule 6.12 and Appendix 6A of the LEAP Market Listing Requirements (“**Listing Requirements**”).

This is the interim financial report on the Company’s unaudited condensed consolidated financial results for the 1ST half-year ended 31 March 2020. The interim report should be read in conjunction with the Audited Financial Statements for the FYE 30 September 2019 and the accompanying explanatory notes attached to the interim financial report.

A2. Significant Accounting Policies

Save for the changes due to the adoption of MFRS 16 described below, the accounting policies and presentation adopted for the interim financial statements are consistent with those adopted in the most recent audited financial statements for the FYE 30 September 2019.

At the beginning of the current financial year, the Group adopted amendments/improvements to MFRS and the Issues Committee (“**IC**”) Interpretation which are mandatory for the current financial period.

Initial application of the amendments/improvements to the standards did not have material impact to the financial statements, except for:

MFRS 16 Leases

The Group adopted MFRS 16 Leases using the modified retrospective method of adoption with the date of initial application of 1 October 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 October 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying MFRS 117 and IC Interpretation 4 at the date of initial application.

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A2. Significant Accounting Policies (cont'd)

MFRS 16 Leases (cont'd)

The effect of adoption MFRS 16 as at 1 October 2019 is as follows:

	Audited 30.9.2019 RM'000	Effect of MFRS 16 Increase/ (Decrease) RM'000	Restated 1.10.2019 RM'000
Non-current assets			
Property, plant and equipment	25,593	3,393	28,986
Liabilities			
Lease liabilities – non-current	695	3,225	3,920
Lease liabilities – current	621	209	830
Equity			
Retained earnings	23,139	(41)	23,098

The Group has not applied the following MFRSs and amendments to MFRSs that have been issued by the MASB but are not yet effective for the Group:

MFRS, Amendments to MFRSs and IC Interpretation effective 1 January 2020:

Amendments to MFRS 3	Business Combinations
Amendments to MFRS 101	Presentation of Financial Statements
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
Amendments to References to the Conceptual Framework on MFRS Standards (MFRS 2, 3, 6, 14, 101, 108, 134, 137, 138 and IC Interpretation 12, 19, 20, 22 and 132)	

MFRS effective 1 January 2021:

MFRS 17	Insurance Contracts
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Amendments to MFRSs - effective date deferred indefinitely:

MFRS 10 and 128	Consolidated Financial Statements and Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
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The initial application of the above standards, amendments and IC interpretation are not expected to have any financial impacts to the financial statements.

A3. Seasonal or Cyclical Factors

The Group does not experience significant fluctuations in operations due to seasonal factors or cyclical factors during the current financial period under review.

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A4. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

The board of directors of Polymer Link Holdings (“Board”) is not aware of any items or incidence of an unusual nature not otherwise dealt with us in this report which may or has substantially affected the value of assets, liabilities, equity, net income or cash flows of the Group for the current financial period under review.

A5. Material Changes in Estimates

There were no changes in estimates that had a material effect in the current financial period under review.

A6. Debt and Equity Securities

There were no other issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the financial period under review.

A7. Segmental Information

(i) Analysis of revenue by business segment

The analysis of revenue by business activities for the 1st half-year ended 31 March 2020 is presented as follows:

	Individual 6 months ended 31.3.2020		Cumulative 6 months ended 31.3.2020	
	RM'000	%	RM'000	%
Plastic compound and powder	29,021	94.7	29,021	94.7
Industrial machinery and equipment	1,327	4.3	1,327	4.3
Investment holding and others	320	1.0	320	1.0
Total	30,668	100.0	30,668	100.0

The Group is principally involved in developing and manufacturing compounded and non-compounded plastic powder. The Group’s revenue is mainly derived from the manufacturing and trading of compounded and non-compounded plastic powder, where it contributes 94.7% to the Group’s total revenue. This is followed by 4.3% contribution from the sales of industrial machinery and equipment and 1.0% from investment holding and others business activities.

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A7. Segmental Information (cont'd)

(i) Analysis of revenue by business segment (cont'd)

There was no revenue reported by business segments for same comparative financial period in preceding year due to the insignificance of other business segments and the management viewed the Group as a single reportable segment (i.e. compounded and non-compounded plastic powder) for the financial period ended 31 March 2019. Whereas for FYE 30 September 2020, the Group had generated revenue from the repair and maintenance of industrial machinery and equipment as well as trading of air compressor system. This is resulted from the Group's expansion plan into the business of trading and servicing of air compressor system via its subsidiaries, MAQGO Synergy Engineering Sdn Bhd ("MSESB") and Maqgo Synergy (Phils) Inc. ("MSPI") since 3rd quarter of FYE 30 September 2018 and 1st quarter of FYE 30 September 2019, respectively.

(ii) Analysis of revenue by geographical location

	Individual 6 months ended				Cumulative 6 months ended			
	31.3.2020		31.3.2019		31.3.2020		31.3.2019	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Philippines	25,490	83.1	32,825	88.6	25,490	83.1	32,825	88.6
Malaysia	2,479	8.1	2,947	8.0	2,479	8.1	2,947	8.0
India	829	2.7	-	-	829	2.7	-	-
Others *	1,870	6.1	1,274	3.4	1,870	6.1	1,274	3.4
Total	30,668	100.0	37,046	100.0	30,668	100.0	37,046	100.0

Notes:

* Comprising Vietnam, Australia and United Kingdom.

A8. Changes in the composition of the Group

The changes in the composition of the Group for the current financial period are as follows:

- (i) On 31 January 2020, a subsidiary of the Group, Maxpol Private Limited ("Maxpol") had incorporated a new 99.998%-owned subsidiary, namely PolymerLink India Private Limited ("PLI") in India. The principal business activity of PLI is manufacturing of plastic and compound powder.
- (ii) On 3 March 2020, PLI issued 620,000 new shares of which Maxpol had subscribed all its newly issued shares for total consideration of 6,200,000 Indian Rupee. Consequently, Maxpol equity interest in PLI had increased to 99.99997%.

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A9. Interest bearing loans and borrowings

	Unaudited as at 31.3.2020 RM'000	Audited as at 30.9.2019 RM'000
Long-term borrowings		
Term loan	12,063	12,015
Lease liabilities	3,244	-
Finance lease liabilities	957	695
Total long-term borrowings	16,264	12,710
Short-term borrowings		
Term loan	168	245
Banker's acceptance	934	-
Trust receipts	4,943	2,414
Lease liabilities	228	-
Finance lease liabilities	752	621
Total short-term borrowings	7,025	3,280
Total interest bearing loans and borrowings	23,289	15,990

A10. Capital commitments

The capital commitments of the Group as at 31 March 2020 were as follows:

	Unaudited As at 31.3.2020 RM'000
Authorised and contracted for:	
- Machinery and equipment	329
- Factory building	155
- Motor vehicles	95
	579
Authorised but not contracted for:	
- Factory building	10,695

A11. Changes in contingent assets and contingent liabilities

There were no material changes in contingent liabilities and assets as at the end of the financial period under review.

A12. Material events subsequent to the end of the financial period

There were no material events subsequent to the end of the current financial period under review.

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B. ADDITIONAL INFORMATION REQUIRED UNDER THE LISTING REQUIREMENTS

B1. REVIEW OF PERFORMANCE

The Group recorded a revenue of RM30.67 million for the 1st half-year ended 31 March 2020, as compared to RM37.05 million recorded during the same period for the preceding year, representing a decrease of RM6.38 million or 17.22%. The decrease in revenue is generally due to the unexpected outbreak of COVID-19 and implementation of movement restriction globally which lead to disruption of the Group's shipment schedule. Particularly, it had caused a 12.98% lower sales order from one of the major customers in the Philippines for the current financial period under review as compared to the same period for the preceding year.

The Group has recorded a profit before taxation ("PBT") of RM3.32 million for the 1st half-year ended 31 March 2020 as compared to RM6.32 million for same period for the preceding year, representing a decrease of RM3.0 million or 47.47%. The decrease in PBT is in line with the decrease in revenue for the current financial period under review, as well as the increase in operating expenses that were mainly due to the following:

- (i) Increase of administrative expenses merely arising from consolidation of full 6-months result from two subsidiaries, namely Polymer Link Synergy Sdn. Bhd. and MSPI which were incorporated during the same period for the preceding year as well as partially consolidated Maxpol results which were recorded losses during the reporting period;
- (ii) Increase of depreciation expenses of approximately RM0.4 million for a piece of leasehold land which was acquired on 27 September 2019, machineries and motor vehicles;
- (iii) Increase of sales and distribution expenses of approximately RM0.4 million arising from the increase in the headcount of sales and marketing work force; and
- (iv) Slight increase of finance cost arising from the higher loans and borrowings.

B2. PROSPECTS

The Group anticipates that the industrial products and services sector outlook will be uncertain and challenging for the FYE 30 September 2020 amid the continuing spreading of COVID-19 virus globally.

However, the Group will remain committed to its overall business strategy by continuously expanding the customers' base in both local and oversea market, particularly in Malaysia, the Philippines, India and Vietnam. The Group is currently enhancing its manufacturing capabilities in the plastic compound and powder business through the construction of a new factory building in Malaysia as well as setting up a manufacturing hub in India in order to accommodate the larger customer base.

As part of the Group's business diversification strategy, the Group will continue to develop the business in the trading and servicing of air compressor system and lubricant. In that regard, the Group had leased a warehouse at a strategic location in Shah Alam, Selangor. The expansion of storage space will support the Group to expand its product range which offers wide variety of air compressor systems and attractive products bundling to the market.

The Group believes that its resilient business strategy would weather the challenges amid this challenging environment and the management opines that the business operation will resume as planned when the COVID-19 virus spread is contained. Barring any unforeseen circumstances, the Board will continue to deliver the quality products to the customers and to capitalise on the arising opportunities for the long-term growth plan.

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B3. VARIANCE OF ACTUAL PROFIT FROM PROFIT FORECAST AND PROFIT GUARANTEE

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

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. MATERIAL LITIGATION

There are no material litigations pending as at the date of this report.

C3. DIVIDEND

There was no dividend proposed or announced as at the date of this report.

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