FOR RESTRICTED CIRCULATION ONLY

# POLYDAMIC

**POLYDAMIC GROUP BERHAD**
(Company No. 1299943-W)
(Incorporated in Malaysia under the Companies Act, 2016)

**PROPOSED EXCLUDED ISSUE WITHIN THE MEANINGS OF SECTION 230 OF THE CAPITAL MARKETS AND SERVICES ACT 2007 IN CONJUNCTION WITH OUR PROPOSED LISTING ON THE LEAP MARKET OF BURSA MALAYSIA SECURITIES BERHAD**

**APPROVED ADVISER, PLACEMENT AGENT AND CONTINUING ADVISER**

BDO

**BDO CAPITAL CONSULTANTS SDN BHD**
(Company No. 405309-T)
(Incorporated in Malaysia under the Companies Act, 1965)

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 MALAYSIA SECURITIES BERHAD ("BURSA SECURITIES"). 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. SOPHISTICATED INVESTORS SHOULD BE AWARE OF THE POTENTIAL RISKS OF INVESTING IN US AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER DUE AND CAREFUL CONSIDERATION.

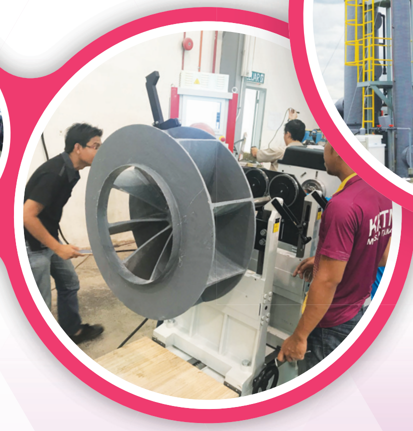
**This Information Memorandum is dated 21 October 2019**



# Information Memorandum







**IMPORTANT NOTICE**

**NO PERSON IS AUTHORISED IN CONNECTION WITH OUR PROPOSED EXCLUDED ISSUE (AS DEFINED HEREIN) AND PROPOSED LISTING (AS DEFINED HEREIN) TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION OTHER THAN AS CONTAINED IN THIS INFORMATION MEMORANDUM, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORISED BY POLYDAMIC GROUP BERHAD ("POLYDAMIC" OR "COMPANY") OR BDO CAPITAL CONSULTANTS SDN BHD ("BDO") AS OUR APPROVED ADVISER, PLACEMENT AGENT AND CONTINUING ADVISER. THE DELIVERY OF THIS INFORMATION MEMORANDUM SHALL NOT, UNDER ANY CIRCUMSTANCES, IMPLY OR CONSTITUTE A REPRESENTATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OR FINANCIAL POSITION OF OUR COMPANY AND/OR SUBSIDIARIES SINCE THE DATE HEREOF OR THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OR ANY TIME SUBSEQUENT TO THE DATE HEREOF.**

**THE PURPOSE OF THIS INFORMATION MEMORANDUM IS TO PROVIDE INFORMATION ON THE BUSINESS AND AFFAIRS OF OUR COMPANY AND SUBSIDIARIES (COLLECTIVELY "GROUP") ONLY. THIS INFORMATION MEMORANDUM DOES NOT CONSTITUTE OR FORM PART OF ANY OFFER OR INVITATION TO SUBSCRIBE FOR OR PURCHASE, OR SOLICITATION OF ANY OFFER TO SUBSCRIBE FOR OR PURCHASE OUR SHARES (AS DEFINED HEREIN), NOR IT IS INTENDED TO INVITE OR PERMIT THE MAKING OF OFFERS BY THE PUBLIC TO SUBSCRIBE FOR OR PURCHASE OUR SHARES.**

**THIS INFORMATION MEMORANDUM IS INTENDED FOR CIRCULATION ONLY TO PERSONS WHOM AN INVITATION TO SUBSCRIBE FOR OR PURCHASE SECURITIES OR AN ISSUE OF SECURITIES WOULD CONSTITUTE AN EXCLUDED ISSUE WITHIN THE MEANINGS OF SECTION 230 OF THE CAPITAL MARKETS AND SERVICES ACT 2007 ("CMSA").**

**THE DISTRIBUTION OF THIS INFORMATION MEMORANDUM AND THE OFFERING OF OUR SHARES MAY, IN CERTAIN JURISDICTIONS, BE RESTRICTED BY LAW. WE REQUIRE PERSONS INTO WHOSE POSSESSION THIS INFORMATION MEMORANDUM COMES INTO, TO INFORM THEMSELVES OF AND OBSERVE ALL SUCH RESTRICTIONS.**

Our Board of Directors and Promoters (as defined herein), having made all reasonable enquiries, accepts responsibility for, and confirms that this Information Memorandum contains all relevant information with regards to our Group which is material in the context of our Proposed Excluded Issue and Proposed Listing as at the date hereof, that the information contained in this Information Memorandum is true and accurate in all material respects and is not misleading as at the date hereof, that the opinions and intentions of our Group expressed herein are honestly held, and that there are no other facts the omission of which would, in the context our Proposed Excluded Issue and Proposed Listing, make this Information Memorandum as a whole or any information herein or expression of any such opinions or intentions misleading in any material respects.

BDO, being our Approved Adviser, Placement Agent and Continuing Adviser acknowledges that, based on all available information and to the best of its knowledge and belief, this Information Memorandum constitutes a full and true disclosure of all material facts concerning our Proposed Excluded Issue and Proposed Listing.

Our Shares are offered to Sophisticated Investors on the premise of full and accurate disclosure of all material information concerning our Proposed Excluded Issue, for which any person set out in Section 236 of the CMSA is responsible.

You should note that you may seek recourse under Sections 248, 249 and 357 of the CMSA for breaches of securities laws 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.

A copy of this Information Memorandum has been deposited with the Securities Commission Malaysia ("**SC**"). Each recipient of this Information Memorandum ("**Recipient**") acknowledges and agrees that 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.

Our Proposed Excluded Issue is subject to the receipt of an approval-in-principle for our Proposed Listing from Bursa Securities, who makes no assessment on the suitability, viability or prospects of our Group or the merits of investing in our Shares. Sophisticated Investors are expected to make their own assessment on our Group or seek appropriate advice before making their investment decisions. No monies shall be collected from Sophisticated Investors for the subscription of the Issue Shares (as defined herein), and no new Shares shall be allotted pursuant to the Proposed Listing until Bursa Securities has granted its approval for the admission of our Group to the LEAP Market.

BDO, as our Approved Adviser, has assessed the suitability of our Group for admission to the LEAP Market as required under Rule 4.10 of Bursa Securities' LEAP Market Listing Requirements**. YOU SHALL BE SOLELY RESPONSIBLE FOR YOUR INVESTMENT DECISION AND SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF AN INVESTMENT IN OUR GROUP, AND SHOULD CONSULT TO THE EXTENT NECESSARY, YOUR OWN LEGAL, FINANCIAL, TAX, ACCOUNTING AND/OR OTHER PROFESSIONAL ADVISERS IN THIS RESPECT PRIOR TO ANY INVESTMENT IN OUR GROUP.**

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## MODE OF COMMUNICATION

In accordance with our Constitution, we may send notices and documents to our securities holders ("**Holders**") by electronic means to the Holders' registered email address last maintained with Bursa Malaysia Depository Sdn Bhd ("**Bursa Depository**"), as the case may be. 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 the Holders, as soon as reasonably practicable after the receipt of the request, free of charge by ordinary mail to the Holders' registered Malaysian address last maintained with Bursa Depository, as the case may be, at their own risk.

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 by way of:

- ordinary mail;
- electronic means to the Holders' registered email address;
- advertisements in an English daily newspaper in Malaysia; and/or
- announcements on Bursa Securities.

## TERMS AND CONDITIONS BINDING ALL RECIPIENTS

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

1. This Information Memorandum is issued by our Company and distributed by us as well as BDO as our Approved Adviser, Placement Agent and Continuing Adviser. The distribution of this Information Memorandum shall be in paper/printed copy and/or electronic copy upon request by interested Recipients, free of charge. This Information Memorandum is distributed to interested Recipients for information purposes only and upon the express understanding that such Recipients will use it only for the purposes set forth below.

2. 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 Company ("**Proposed Investment**"). Nothing contained herein shall be taken as a recommendation or invitation by us and/or BDO to undertake the Proposed Investment or as a commitment on our part to accept your Proposed Investment.

3. We and BDO 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 BDO be responsible for any part of such costs, notwithstanding any alteration, amendment, termination or suspension of the Investment Process or the reasons thereof.

4. Any documents in relation to our Proposed Excluded Issue and Proposed Listing published or issued from time to time after the date hereof shall be deemed to be incorporated in, and to form part of, this Information Memorandum.

5. Subject to the provisions of any laws, regulations and guidelines ("**Applicable Laws**"), we and BDO each reserve the right to negotiate with one or more prospective Sophisticated Investors at any time. Subject to the Applicable Laws, we and BDO also reserve the right (without notice or recourse) to terminate, at any time, further participation in the Investment Process by all or any Recipients without assigning any reasons therefor.

6. 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 BDO. BDO shall not advise you on the merits or risks of the Proposed Investment or potential valuations for the Proposed Investment.

7. This Information Memorandum has not been made and will not be made to ensure that our Proposed Excluded Issue complies with the laws of any jurisdiction other than Malaysia. We and BDO shall not accept any responsibility or liability in the event that any action taken by any Recipient in any jurisdiction outside Malaysia is or shall become illegal, unenforceable, voidable or void in such jurisdiction.

8. This Information Memorandum may 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 Recipient without contravention of any relevant legal requirements. It is the sole responsibility of any Recipient wishing to take any action upon this Information Memorandum to satisfy themselves as to the full observance of the laws of the relevant jurisdiction and/or Malaysia in connection therewith, including without limitation, the receipt of our Shares or cash payments 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 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 we and BDO shall be entitled to be fully indemnified by such Recipients for any tax or payment as the Recipients may be required to pay.

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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 Proposed Excluded Issue only ("**Purpose**"), and not for any other purpose.

If required for the Purpose, you hereby give consent that your Personal Data may be transferred to locations outside Malaysia or disclosed to our related corporations or our vendors, agents, contractors, service providers, consultants or advisers who provide services to us, including our Placement Agent, which may be located within or outside Malaysia. Save for the foregoing, your Personal Data will not be knowingly transferred to any place outside Malaysia or be knowingly disclosed to any other third party.

Without prejudice to the terms and conditions of our Proposed Excluded Issue 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 for access to, or correction of, your Personal Data or limit the processing of your Personal Data (as described above) by submitting such request to the following:

| | |
|---|---|
| Postal Address: | **Polydamic Group Berhad**<br>1059, Lorong Perindustrian Bukit Minyak 17<br>Kawasan Perindustrian Bukit Minyak<br>14100 Simpang Ampat, Pulau Pinang |

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 your 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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## SUMMARY OF THE PROPOSED EXCLUDED ISSUE

| | No. of Shares | RM'000 |
|---|---|---|
| Existing issued share capital | 75,000,002 | 6,000 |
| New Shares to be issued pursuant to our Proposed Excluded Issue | 13,236,000 | 2,382 |
| **Enlarged issued share capital upon Proposed Listing** | **88,236,002** | **8,382** |
| Percentage of enlarged issued share capital represented by the Issue Shares | | 15.0% |
| **Issue Price per Issue Share (RM)** | | **0.18** |
| Gross proceeds to be raised pursuant to our Proposed Excluded Issue | | 2,382 |
| **Market capitalisation at the Issue Price upon Proposed Listing** | | **15,882** |

## UTILISATION OF PROCEEDS SUMMARY

Based on the Issue Price, the estimated gross proceeds to be raised from our Proposed Excluded Issue of RM2.38 million shall accrue entirely to us and are planned to be utilised within twelve (12) months from the date of the Proposed Listing in the following manner:

| Utilisation of Proceeds | | Estimated timeframe for utilisation upon Listing | RM'000 | % |
|---|---|---|---|---|
| (i) | Establishment of office and workshop to expand our physical presence to the Central Region of Malaysia | Within 12 months | 624 | 26.2 |
| (ii) | Working capital | Within 12 months | 658 | 27.6 |
| (iii) | Estimated listing expenses | Immediate | 1,100 | 46.2 |
| **Total** | | | **2,382** | **100.0** |

Further details of the utilisation of proceeds of our Proposed Excluded Issue are set out in Section 5.1.3 of this Information Memorandum.

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## INDICATIVE TIMETABLE OF PRINCIPAL EVENTS

The indicative timing of events leading to the listing of and quotation for our entire enlarged share capital on the LEAP Market is set out below:

| **Events** | **Tentative dates** |
|---|---|
| Date of Information Memorandum | 21 October 2019 |
| Allotment of Issue Share | December 2019[(1)] |
| Listing of our Company on the LEAP Market | December 2019[(1)] |

***Notes:***

*(1) The dates are 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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## PRESENTATION OF INFORMATION

All references to “our Company” in this Information Memorandum are to Polydamic Group Berhad, while references to “our Group” are to our Company and our subsidiaries. References to “we”, “us”, “our” and “ourselves” are to our Company or our Group or any member of our Group, as the context requires. Unless the context otherwise requires, references to “Management” are to our Group Managing Director, Executive Directors and our key management personnel as disclosed in this Information Memorandum, and statements as to our beliefs, expectations, estimates and opinions are those of our Management.

Words denoting the singular shall, where applicable, include the plural and vice versa, and words denoting the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Reference to persons shall include companies and corporations.

Any reference to provisions of statutes, rules, regulations, enactments or rules of stock exchange shall (where the context admits), be construed as a reference to provisions of such statutes, rules, regulations, enactments or rules of stock exchange (as the case may be) as modified by any written law or (if applicable) amendments or re-enactments to the statutes, rules, regulations, enactments or rules of stock exchange for the time being in force.

Any reference to dates and times shall be a reference to dates and times in Malaysia.

In particular, certain information in this Information Memorandum is extracted or derived from the independent market research report prepared by Smith Zander, an Independent Market Researcher. In compiling their data, Smith Zander had relied on industry sources, public materials, their own private databases and direct contact within the industry. We believe that the statistical data projections cited in this Information Memorandum are useful in helping you to understand the major trends in the industry in which we operate.

In this Information Memorandum, any discrepancies between the amount listed and the total in tables are due to rounding.

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## FORWARD-LOOKING STATEMENTS

This Information Memorandum contains forward-looking statements, which include all statements other than those of historical facts including, amongst others, those regarding our expected financial position, business strategies, plans, prospects and objectives of our Management for future operations. These statements can be identified by forward-looking terminology terms as “anticipate”, “believe”, “could”, “estimate”, “expect”, “if”, “intend”, “may”, “plan”, “possible”, “probable”, “project”, “should”, “will” and “would” or similar words. These forward-looking statements, including but not limited to statements as to our Group’s revenue and profitability, prospects, future plans, expected industry trends and other matters discussed in this Information Memorandum regarding matters that are not historic facts, are only predictions.

These forward-looking statements involve known and unknown risks, uncertainties and other factors beyond our control that could cause our actual results, performance or achievements, or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These factors include, amongst others:

- changes in the political, social and economic conditions and the regulatory environment in Malaysia and other countries in which we conduct business; and
- changes in currency exchange rates, our future capital needs and the availability of financing and capital to fund such needs.

Some of these factors are discussed in more detail in Section 6 – Financial Information, Section 7 – Management Discussion and Analysis and Section 8 - Risk Factors of this Information Memorandum.

These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. As such, we cannot assure you that the forward-looking statements 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 responsibility to update any of these forward-looking statements or publicly announce any revisions to these forward-looking statements to reflect future developments, events or circumstances, even if new information becomes available or other events occur in the future.

If you undertake the Proposed Investment, you will be deemed to have read and understood the descriptions of the assumptions and uncertainties underlying the forward-looking statements that are contained herein.

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## DEFINITIONS

Except where the context otherwise requires or where otherwise defined herein, the following abbreviations shall apply throughout this Information Memorandum:

| | | |
|---|---|---|
| **Acquisition of PHSB** | : | Acquisition by Polydamic of the entire share capital of PHSB comprising 1,100,000 ordinary shares for a purchase consideration of RM2,248,912, satisfied via the issuance of 28,111,400 Shares to the vendors of PHSB at an issue price of RM0.08 each, which was completed on 3 October 2019 |
| **Acquisition of PSB** | : | Acquisition by Polydamic of the entire share capital of PSB comprising 100,000 ordinary shares for a purchase consideration of RM3,751,088, satisfied via the issuance of 46,888,600 Shares to the vendors of PSB at an issue price of RM0.08 each, which was completed on 3 October 2019 |
| **Act** | : | Companies Act, 2016 as amended from time to time including any re-enactment thereof |
| **BDO** | : | BDO Capital Consultants Sdn Bhd (Company No. 405309-T) |
| **Board** | : | Board of directors of Polydamic |
| **Bursa Securities** | : | Bursa Malaysia Securities Berhad (Company No. 635998-W) |
| **CAGR** | : | Compounded annual growth rate |
| **CIDB** | : | Construction Industry Development Board |
| **CMSA** | : | Capital Markets and Services Act 2007 |
| **Central Region** | : | Comprises Kuala Lumpur, Negeri Sembilan, Putrajaya and Selangor |
| **Constitution** | : | Constitution of Polydamic |
| **D&D** | : | Design and Development |
| **Directors** | : | Members of our Board |
| **DOE** | : | Department of Environment |
| **EPS** | : | Earnings per share |
| **Executive Directors** | : | Collectively our Company's executive directors, namely Tan Eng Seng, Ang Soo Lee and Raymond Wong Feei Horng |
| **FPE 2018** | : | 10-months financial period ended 30 April 2018 |
| **FPE 2019** | : | 10-months financial period ended 30 April 2019 |
| **FYE** | : | Financial year ended/ending 30 June, as the case may be |
| **GDP** | : | Gross domestic product |
| **GP** | : | Gross profit |
| **ICA** | : | Industrial Co-ordination Act, 1975 |
| **IDR** | : | Indonesian Rupiah, the currency of Indonesia |
| **IFRS** | : | International Financial Reporting Standards |
| **Information Memorandum** | : | This information memorandum dated 21 October 2019 in relation to our Proposed Excluded Issue and Proposed Listing |

| | | |
|---|---|---|
| **Ipoh Factory** | : | Our manufacturing facility at No.19 & 21, Lengkok Jelapang Maju, Taman Perindustrian Ringan Jelapang Maju, 30020 Ipoh, Perak Darul Ridzuan, Malaysia |
| **ISO** | : | International Organisation of Standardisation |
| **Issue Price** | : | RM0.18 per Issue Share, being the price at which each Issue Share is to be issued |
| **Issue Share(s)** | : | 13,236,000 Shares to be issued pursuant to the Proposed Excluded Issue |
| **LEAP Market** | : | Leading Entrepreneur Accelerator Platform Market of Bursa Securities |
| **Listing Requirements** | : | LEAP Market Listing Requirements of Bursa Securities |
| **LPD** | : | 3 October 2019, being the latest practicable date prior to the date of this Information Memorandum |
| **MFRS** | : | Malaysian Financial Reporting Standards |
| **MD** | : | Managing director |
| **MITI** | : | Ministry of International Trade and Industry, Malaysia |
| **NA** | : | Net assets |
| **Northern Region** | : | Comprises Kedah, Penang, Perak and Perlis |
| **Official List** | : | A list specifying all securities listed on Bursa Securities |
| **PAT** | : | Profit after taxation |
| **PBT** | : | Profit before taxation |
| **Penang Factory** | : | Our manufacturing facility at 1059, Lorong Perindustrian Bukit Minyak 17, Kawasan Perindustrian Bukit Minyak, 14100 Simpang Ampat, Pulau Pinang, Malaysia |
| **PHSB** | : | Polydamic Holdings Sdn Bhd (Company No. 377309-D), a subsidiary of Polydamic |
| **PHSB Share Sale Agreement** | : | Share sale agreement dated 30 September 2019 in relation to the Acquisition of PHSB |
| **Polydamic** or **Company** | : | Polydamic Group Berhad (Company No. 1299943-W) |
| **Polydamic Group** or **Group** | : | Polydamic and its subsidiaries, individually or collectively |
| **Promoters** | : | Tan Eng Seng and Ang Soo Lee, collectively |
| **Proposed Excluded Issue** | : | Proposed issuance of 13,236,000 Issue Shares at the Issue Price to Sophisticated Investors within the meanings of Section 230 of the CMSA |
| **Proposed Listing** | : | Proposed admission to the Official List and the listing and quotation for our entire enlarged share capital of RM8,382,482 comprising 88,236,002 Shares on the LEAP Market of Bursa Securities |
| **PSB** | : | Polydamic Sdn Bhd (Company No.862277-M), a subsidiary of Polydamic |

| | | |
|---|---|---|
| **PSB Share Sale Agreement** | : | Share sale agreement dated 30 September 2019 in relation to the Acquisition of PSB |
| **Public** | : | All persons or members of the public but excluding our Directors, our Substantial Shareholders and persons associated with them (as defined in the Listing Requirements) |
| **QC** | : | Quality control |
| **R&D** | : | Research and development |
| **RM and sen** | : | Ringgit Malaysia and sen, respectively, the currency of Malaysia |
| **Share(s)** | : | Ordinary share(s) in Polydamic |
| **SME** | : | Small and medium enterprise |
| **Smith Zander** | : | Smith Zander International Sdn Bhd (Company No. 1058128-V) |
| **Sophisticated Investors** | : | Investors who fall within Part 1 of Schedule 7 of the CMSA |
| **Southern Region** | : | Comprises Johor and Malacca |
| **Sq ft** | : | Square feet |
| **Substantial Shareholders** | : | Tan Eng Seng and Ang Soo Lee who prior to the Proposed Listing each have an interest (direct and/or indirect) in our Shares which is not less than 5% of the total number of all voting shares of our Company |
| **THB** | : | Thai Baht, the currency of Thailand |
| **USA** | : | United States of America |
| **USD** | : | United States Dollar, the currency of the USA |

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## GLOSSARY OF TECHNICAL TERMS

Explanations of some of the technical terms used in the Information Memorandum are as follows:

| | | |
|---|---|---|
| **Chimney** | : | A structure that allows treated clean air from the air pollution control system to be released into the atmosphere |
| **Chlorine drum** | : | A cylindrical-shaped steel container used to store chlorine gas in liquid form |
| **Chlorine room** | : | An isolated room to store chlorine drums to prevent liquid chlorine from spreading in the event of a leakage |
| **Chop strand mat** | : | A form of reinforcement used in fibre-reinforced plastic, comprising glass fibers laid randomly across each other |
| **Compressor** | : | A device used to increase the pressure of air before releasing it to create a jet-like movement of air |
| **Control panels** | : | An electrical switchboard to control electricity supply |
| **Demister** | : | An equipment used to remove mist from treated clean air in the scrubber tower |
| **Drain and overflow pipe** | : | A pipe used to drain excess liquid in a tank to prevent overflow |
| **Exhaust hood** | : | A funnel to channel gaseous pollutants from the contaminant storage tank into the scrubber tower through inlet ducts or to channel non-harmful fumes in the laboratory fume cupboard to the atmosphere |
| **Fiberglass resins** | : | A liquid substance used as adhesive to attach layers of chop strand mat together with other raw materials to form fibre-reinforced plastic |
| **FRP** | : | Fibre-reinforced Plastic |
| **Fumes** | : | Gases or vapour that has a strong odour and is dangerous to inhale |
| **Inlet/Outlet duct** | : | A passageway to channel gaseous pollutants, air containing dust and airborne particles, or to channel treated clean air in the air pollution control system |
| **Level gauge** | : | An equipment used to measure the level of liquid in a tank |
| **Nexus Veil** | : | A piece of fine material used to improve the longevity of fibre-reinforced plastic composites |
| **Pollutants** | : | A harmful substance that pollutes something, especially the atmosphere and water |
| **Pump** | : | An equipment that increases the pressure of liquid in order to move the liquid in a tank through the valves |
| **Rotameter** | : | An equipment used to measure the volumetric flow rate of liquid being pumped through the valves in the scrubber tower |
| **Spray pipe** | : | A pipe connecting the liquid being pumped through the valves into the spray nozzle |

| | | |
|---|---|---|
| **Steel support structure** | : | A steel structure that allows for factory personnel to conduct routine inspection on the air pollution control system as well as for any repair and maintenance work |
| **Valves** | : | Controls the flow of liquid in the scrubber tower by opening, closing or partially obstructing the passageway |

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## 1. CORPORATE DIRECTORY

| | | |
|---|---|---|
| **BOARD OF DIRECTORS** | : | Tan Eng Seng<br>*(Group MD)*<br><br>Ang Soo Lee<br>*(Executive Director)*<br><br>Raymond Wong Feei Horng<br>*(Executive Director)*<br><br>Ng Poh Tat<br>*(Independent Non-Executive Director)* |
| **REGISTERED OFFICE** | : | Polydamic Group Berhad<br>3rd Floor, No. 17<br>Jalan Ipoh Kecil<br>50350 Kuala Lumpur<br>Telephone : +603 4044 3235<br>Facsimile : +603 4041 3959 |
| **HEADQUARTER** | : | 1059, Lorong Perindustrian Bukit Minyak 17<br>Kawasan Perindustrian Bukit Minyak<br>14100 Simpang Ampat, Pulau Pinang<br>Telephone : +604 501 8198<br>Facsimile : +604 501 8199<br><br>Website : www.polydamic.com.my |
| **APPROVED ADVISER, PLACEMENT AGENT AND CONTINUING ADVISER** | : | BDO Capital Consultants Sdn Bhd (405309-T)<br>Level 8, BDO @ Menara CenTARa<br>360 Jalan Tunku Abdul Rahman<br>50100 Kuala Lumpur<br>Telephone : +603 2616 2888<br>Facsimile : +603 2616 2830 |
| **AUDITORS AND REPORTING ACCOUNTANT** | : | Peter Chong & Co (AF 0165)<br>Chartered Accountants<br>SOHO Suites @ KLCC<br>Block A2, Level 31-3<br>No. 20 Jalan Perak<br>50450 Kuala Lumpur<br>Telephone : +603 2181 7447<br>Facsimile : +603 2181 8522 |

## 1. CORPORATE DIRECTORY

| | | |
|---|---|---|
| **COMPANY SECRETARY** | : | Tam Fong Ying (MAICSA 7007857)<br>Ho Mun Yee (MAICSA 0877877)<br>c/o Esprit Management Services Sdn Bhd (464749-W)<br>3rd Floor, No 17<br>Jalan Ipoh Kecil<br>50350 Kuala Lumpur<br>Telephone : +603 4044 3235<br>Facsimile : +603 4041 3959 |
| **INDEPENDENT MARKET RESEARCHER** | : | Smith Zander International Sdn Bhd (1058128-V)<br>15-01, Level 15, Menara MBMR<br>1, Jalan Syed Putra<br>58000 Kuala Lumpur<br>Telephone : +603 2732 7537 |
| **SHARE REGISTRAR AND CUSTODIAN** | : | Tricor Investor & Issuing House Services Sdn Bhd (11324-H)<br>Unit 32-01, Level 32, Tower A<br>Vertical Business Suite<br>Avenue 3, Bangsar South<br>No. 8, Jalan Kerinchi<br>59200 Kuala Lumpur<br>Telephone : +603 2783 9299<br>Facsimile : +603 2783 9222 |
| **SOLICITORS FOR THE PROPOSED LISTING** | : | Messrs. Lee Choon Wan & Co.<br>Advocates & Solicitors<br>No. 12, Lorong Dungun<br>Damansara Heights<br>50490 Kuala Lumpur<br>Telephone : +603 2093 0078<br>Facsimile : +603 2094 1750 |
| **PRINCIPAL BANKER** | : | RHB Bank Berhad (6171-M)<br>2, 4, 6 & 8, Jalan Tun Sambanthan<br>30000 Ipoh, Perak<br>Telephone : +605 243 4028<br>Facsimile : +605 253 9280 |
| **LISTING SOUGHT** | : | LEAP Market |

## 2. INFORMATION OF OUR GROUP

### 2.1 Our Company

We were incorporated in Malaysia under the Act on 17 October 2018 as a public limited company under the name Polydamic Group Berhad to carry out the Proposed Listing. Our subsidiaries, PHSB and PSB, were incorporated in Malaysia under the Act on 12 February 1996 and 26 June 2009 respectively.

Our principal activity is investment holding while our Group is principally involved in the provision of air pollution control solutions which comprise the following:

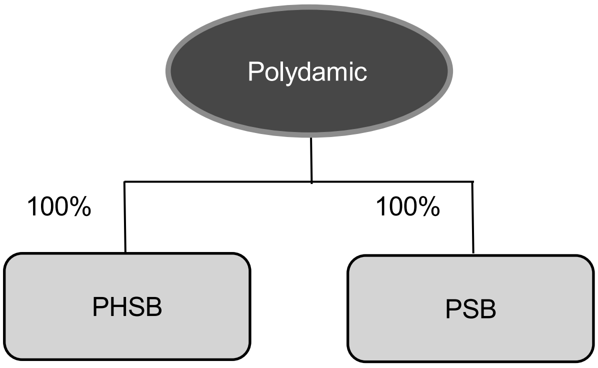
(i) Design, manufacturing, installation and commissioning of air pollution control systems;

(ii) Manufacturing and sale of air pollution control products and other related environmental engineering products; and

(iii) Provision of air pollution control services, comprising technical consultation and maintenance services.

### 2.2 Our Group Structure

We have completed an internal reorganisation on 3 October 2019 in preparation for our Proposed Listing, which resulted in PHSB and PSB becoming wholly-owned subsidiaries of Polydamic. Upon listing, our group structure is as follows:




Details of our internal reorganisation for our Proposed Listing are as follows:

**(i) Acquisition of PHSB**

Acquisition of 1,100,000 ordinary shares in PHSB by Polydamic for a purchase consideration of RM2,248,912 after taking into consideration the audited NA of PHSB as at 30 June 2018 of RM2,738,911 after elimination of inter-company transactions between PHSB and PSB. The purchase consideration for the Acquisition of PHSB was satisfied via the issuance of 28,111,400 Shares to the vendors of PHSB at an issue price of RM0.08 each.

| Vendor | No. of shares acquired | % of share capital in PHSB | Purchase consideration (RM) | No. of Shares issued |
|---|---|---|---|---|
| Tan Eng Seng | 1,000,000 | 90.9 | 2,044,465 | 25,555,818 |
| Ang Soo Lee | 100,000 | 9.1 | 204,447 | 2,555,582 |
| **Total** | 1,100,000 | 100.0 | 2,248,912 | 28,111,400 |

**(ii) Acquisition of PSB**

Acquisition of 100,000 ordinary shares in PSB by Polydamic for a purchase consideration of RM3,751,088 after taking into consideration the audited NA of PSB as at 30 June 2018 of RM4,370,092 after elimination of inter-company transactions between PSB and PHSB. The purchase consideration for the Acquisition of PSB was satisfied via the issuance of 46,888,600 Shares to the vendors of PSB at an issue price of RM0.08 each.

| Vendor | No. of shares acquired | % of share capital in PSB | Purchase consideration (RM) | No. of Shares issued |
|---|---|---|---|---|
| Tan Eng Seng | 90,000 | 90.0 | 3,375,979 | 42,199,740 |
| Ang Soo Lee | 10,000 | 10.0 | 375,109 | 4,688,860 |
| | 100,000 | 100.0 | 3,751,088 | 46,888,600 |

## 2.3 Information of our subsidiaries

The details of our subsidiaries are as below:

### 2.3.1 PHSB

**(a) History and Business**

PHSB was incorporated in Malaysia as a private limited company under the Act on 12 February 1996 under its present name.

PHSB is principally engaged in the provision of air pollution control solutions, including designing, manufacturing, installing and commissioning of air pollution control systems; manufacturing and sale of air pollution control products and other related environmental engineering products; and provision of air pollution control services comprising technical consultation and maintenance services. PHSB commenced operations on 1 March 1996.

**(b) Share Capital**

As at the LPD, the issued share capital of PHSB is RM1,100,000 comprising 1,100,000 ordinary shares.

Changes in issued share capital of PHSB since its incorporation are as follows:

| Date of allotment | No. of ordinary shares allotted | Consideration | Cumulative no. of ordinary shares allotted | Cumulative issued share capital (RM) |
|---|---|---|---|---|
| 12.02.1996 | 2 | Cash | 2 | 2 |
| 11.06.1996 | 36,000 | Cash | 36,002 | 36,002 |
| 28.08.1997 | 63,998 | Cash | 100,000 | 100,000 |
| 20.09.2000 | 100,000 | Cash | 200,000 | 200,000 |
| 28.03.2008 | 300,000 | Cash | 500,000 | 500,000 |
| 18.11.2008 | 500,000 | Cash | 1,000,000 | 1,000,000 |
| 09.09.2014 | 100,000 | Cash | 1,100,000 | 1,100,000 |

**(c) Substantial Shareholders**

PHSB is a wholly-owned subsidiary of our Company.

**(d) Directors**

The directors of PHSB are as follows:
(i) Tan Eng Seng; and
(ii) Ang Soo Lee.

**(e) Subsidiary and Associate Company**

PHSB does not have any subsidiary or associate company.

### 2.3.2 PSB

**(a) History and Business**

PSB was incorporated in Malaysia as a private limited company under the Act on 26 June 2009, under its present name.

PSB is principally engaged in the provision of air pollution control solutions, including designing, manufacturing, installing and commissioning of air pollution control systems; manufacturing and sale of air pollution control products and other related environmental engineering products; and provision of air pollution control services comprising technical consultation and maintenance services. PSB commenced operations on 30 June 2011.

**(b) Share Capital**

As at the LPD, the issued share capital of PSB is RM100,000 comprising 100,000 ordinary shares.

Changes in issued share capital of PSB since its incorporation are as follows:

| Date of allotment | No. of ordinary shares allotted | Consideration | Cumulative no. of ordinary shares allotted | Cumulative issued share capital (RM) |
|---|---|---|---|---|
| 26.06.2009 | 2 | Cash | 2 | 2 |
| 26.04.2011 | 49,998 | Cash | 50,000 | 50,000 |
| 20.08.2013 | 50,000 | Others(1) | 100,000 | 100,000 |

***Note:***
*(1) Settlement of amount owing to shareholders by issuance of new shares in PSB.*

**(c) Substantial Shareholders**

PSB is a wholly-owned subsidiary of our Company.

**(d) Directors**

The directors of PSB are as follows:
(i) Tan Eng Seng; and
(ii) Ang Soo Lee.

**(e) Subsidiary and Associate Company**

PSB does not have any subsidiary or associate company.

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## 3. BUSINESS OVERVIEW

### 3.1 History of our Group

The history of our Group can be traced back to March 1996 when our Group MD, Tan Eng Seng, established PHSB. PHSB is principally engaged in the provision of air pollution control solutions, including designing, manufacturing, installation and commissioning of air pollution control systems; manufacturing and sale of air pollution control products and other related environmental engineering products; and provision of air pollution control services comprising technical consultation and maintenance services.

Our Group began in a small shop house in Ipoh to manufacture and sell air pollution control systems. Over the years, we expanded our operations to several larger factories in Ipoh to cater for growing demand for our products and services. We purchased a semi-detached industrial factory in Jelapang Maju Light Industrial Park. In December 1997, we purchased a parcel of land measuring 12,002 sq ft in Jelapang Maju Light Industrial Park to construct our new factory with a built-up size of 9,244 sq ft and we purchased another parcel of land adjacent to this factory in May 2001 to construct another new factory with a built up size of 11,451 sq ft. Prior to the completion of the later factory, we were operating from two locations concurrently. Upon the completion of the later factory in 2003, we relocated all our operations in the semi-detached industrial factory to our two self-constructed factories in 2003 and have since been operating from there.

We achieved a new milestone when we secured our first export sales in January 1998 to supply our air pollution control systems and products to Southland Products Co Ltd, a latex production and glove manufacturer based in Thailand. In the same year, we also supplied our air pollution control systems and products to PT Eka Wira Asia, a glove manufacturer based in Indonesia. Over the years, as we continue our effort to grow our sales in overseas markets, we have successfully secured sales to more companies based in countries such as USA and Saudi Arabia.

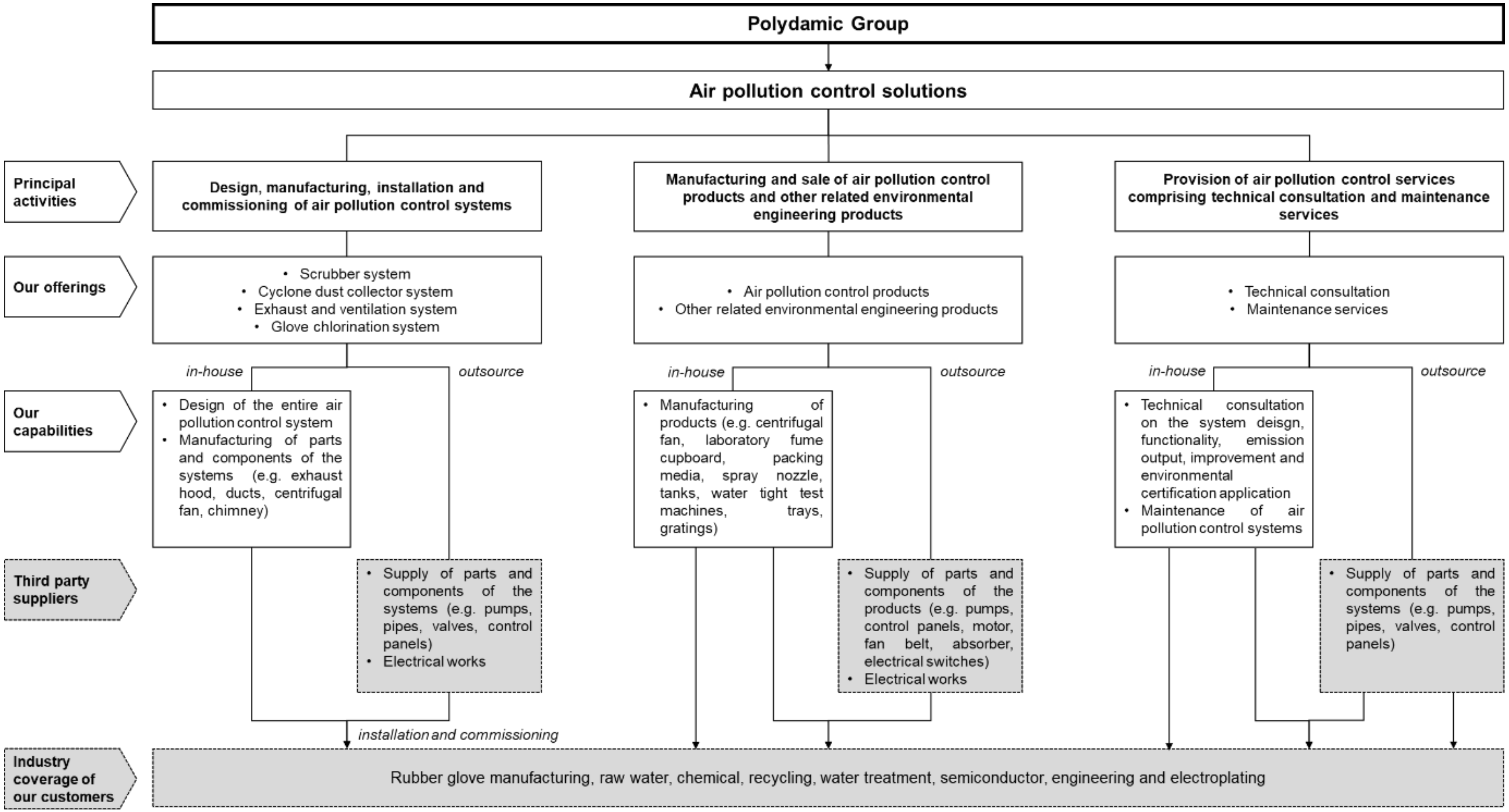
In June 2009, we incorporated PSB to expand our Group's business in Penang following the construction of our Penang factory with a built-up size of 35,320 sq ft in Bukit Minyak Industrial Park. PSB is principally engaged in the provision of air pollution control solutions, including designing, manufacturing, installing and commissioning of air pollution control systems; manufacturing and sale of air pollution control products and other related environmental engineering products; and provision of air pollution control services comprising technical consultation and maintenance services. Our Penang factory commenced operations in June 2011. With the commencement of our Penang Factory, the increase in our production space allowed us to secure more sales and to continue expanding our presence globally by securing sales to companies in Thailand, USA, Indonesia, China, Singapore, Ecuador, Colombia, Saudi Arabia, Philippines and India since FYE 2017.

Over the years, we also expanded our customer base to supply our air pollution control systems and products to manufacturers of various industries including rubber glove manufacturing, raw water, chemical, recycling, water treatment, semiconductor, engineering and electroplating industries.

# 3. BUSINESS OVERVIEW

## 3.2 Our principal activities and business model

Our Group is principally involved in the provision of air pollution control solutions. The diagram below depicts our Group's business model:



**(i) Design, manufacturing, installation and commissioning of air pollution control systems**

Our air pollution control systems are used in various industrial facilities to filter polluted gas streams to reduce or remove unwanted and harmful pollutants prior to releasing the gas into the atmosphere. Our air pollution control systems can reduce or remove gaseous pollutants such as chlorine fumes, sulphur fumes, nitrogen fumes, cyanides, ammonia and odour. Without adequate air pollution control systems, high amount of pollutants is freely released into the atmosphere. This may lead to serious negative impact to the surrounding environment which are harmful to humans and surrounding flora and fauna. Please refer to Section 3.3(i) of this Information Memorandum for further details of our air pollution control systems.

Our services ranges from the provision of technical consultation, design, manufacturing, installation to commissioning of our air pollution control systems as well as after-sales maintenance services to our customers. Our service begins with the provision of technical consultation to our customers based on our understanding of the customer's industrial processes upon conducting site assessment. Thereafter, we will design the air pollution control systems. Each air pollution control system is customised to fit our customer's industrial processes and environmental safety compliance requirements. The relevant products within the air pollution systems are manufactured in-house or sourced from third party suppliers. Please refer to Section 3.3(ii) of this Information Memorandum for the list of air pollution control products manufactured in-house.

Once all the parts and components of the air pollution control system are ready, we will perform on-site installation and commissioning of the air pollution control system for our local and overseas customers upon request. The average delivery period, from the confirmation of projects to the completion of installation and commissioning for an air pollution control system is between 6 weeks to 16 weeks. As each of our air pollution control systems are customised according to our customers' requirements, the delivery period for each of our air pollution control systems depends on, amongst others, the complexity of the design, type, size and components required, as well as the availability and readiness of our customers' premises for the installation and commissioning of the air pollution control systems.

Further, our in-depth understanding and familiarity with air pollution control solutions allows us to provide solutions for the glove manufacturing industry, where we design and manufacture glove chlorination systems. Glove chlorination systems coat rubber gloves with chlorine solution to produce powder-free rubber gloves, and hence the glove chlorination system includes scrubber tower to treat the poisonous chlorine gas before it is released into the atmosphere. Please refer to Section 3.3(i) of this Information Memorandum for further details on scrubber tower.

**(ii) Manufacturing and sale of air pollution control products and other related environmental engineering products**

Our Group is also involved in the manufacturing and sale of air pollution control products and other related environmental engineering products. These air pollution products are the same products that make up our air pollution control systems but are manufactured and sold separately as standalone products for replacement parts and/or to improve the capacity and efficiency of our customers' existing air pollution control systems. The air pollution control products that we manufacture and sell on a standalone basis are centrifugal fans, laboratory fume cupboard, packing media and spray nozzle. Please refer to Section 3.3(ii) of this

Information Memorandum for further details of these products.

We also manufacture and sell other related environmental engineering products such as tanks, water tight test machines, trays and gratings. These products are also manufactured and sold separately as standalone products. Please refer to Section 3.3(ii) of this Information Memorandum for further details of these products.

**(iii) Provision of air pollution control services, comprising technical consultation and maintenance services**

We provide technical consultation services to our customers to assist them in environmental certifications application for their air pollution control systems from the environmental authorities of the respective countries. In Malaysia, we provide end-to-end technical consultation services to our customers upon request and such services include consultation on the design, functionality, emission output and/or improvement of the customer’s system, as well as environmental certification application. For overseas customers, we only provide consultation on the design, functionality, emission output and/or improvement of the customer’s system. We do not assist our overseas customers on the application of the environmental certifications. Our provision of technical consultation services are in compliance to the emission standards, environmental act and regulations of the respective countries.

Further, we also provide maintenance services upon request by our customers. These services include cleaning of air pollution control systems and other related environmental engineering products; testing of fan efficiency and alignment; testing the effectiveness of performance monitoring items; functioning of control damper; checking the air flow of the air pollution control systems; and replacement of parts and components as a result of wear and tear. Our maintenance services do not cover waste and pollutant management.

As a complement to our maintenance services, we also trade parts and components of the systems such as pumps, valves and pipes.

## 3.3 Details of our systems and products

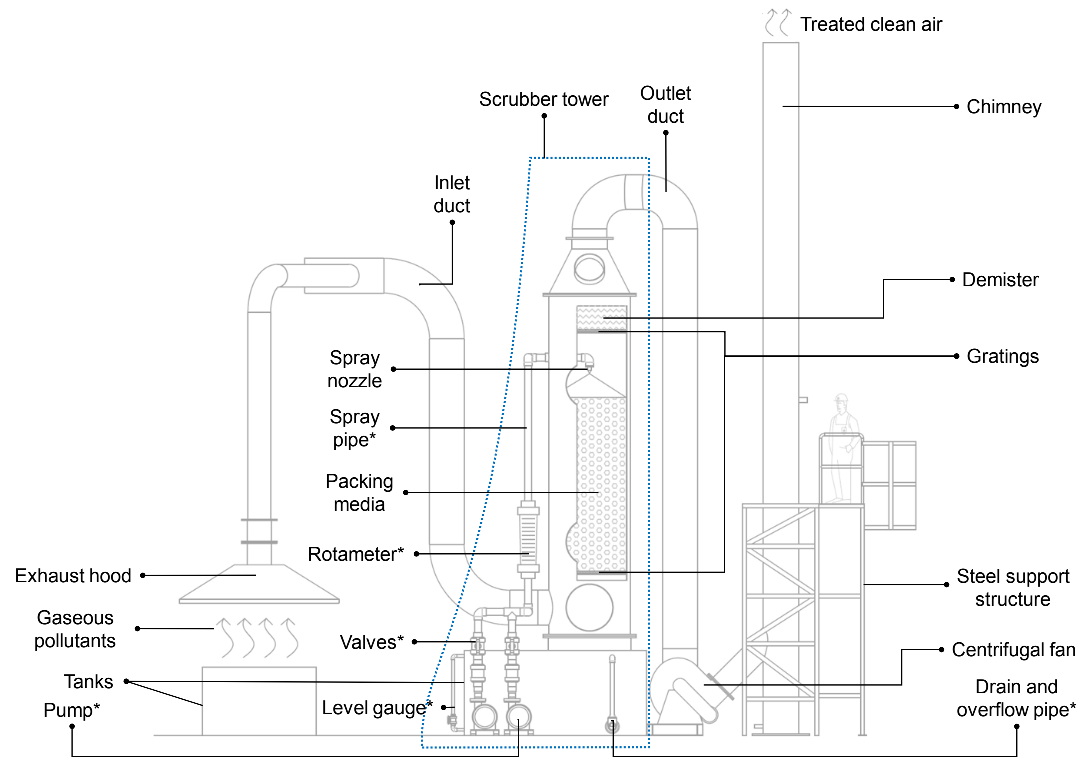
The products used in our air pollution control systems and other related environmental engineering products which are manufactured in-house are mainly made from fibre-reinforced plastic (“**FRP**”) materials due to the corrosive nature of inorganic pollutants and the exposure to weather differences. FRP is resistant to chemical, temperature and environmental corrosion, has high strength to weight ratio, long life cycle, low maintenance and can be shaped into different structures. Due to these characteristics, FRP is used as a material for industrial process equipment and the body of air pollution control systems, specifically for industrial facilities that handle corrosive or harmful substances such as strong acids and bases.

Further, we also have in-house manufactured products made from steel and other engineering plastic materials such as polypropylene (“**PP**”), polyvinyl chloride (“**PVC**”), chlorinated polyvinyl chloride (“**CPVC**”), polyvinylidene difluoride (“**PVDF**”). The type of materials used to manufacture our products depend on the system’s application and customer’s requirements.

### (i) Air pollution control systems

We offer air pollution control systems, namely scrubber system, cyclone dust collector system, exhaust and ventilation system and glove chlorination systems:

#### (a) Scrubber system




***Notes:***

- ** Indicates parts and components sourced from third party suppliers*
- *The diagram above shows an example of a scrubber system which is for illustration purposes only. The design of this system may vary from one to another depending on customers' requirements*

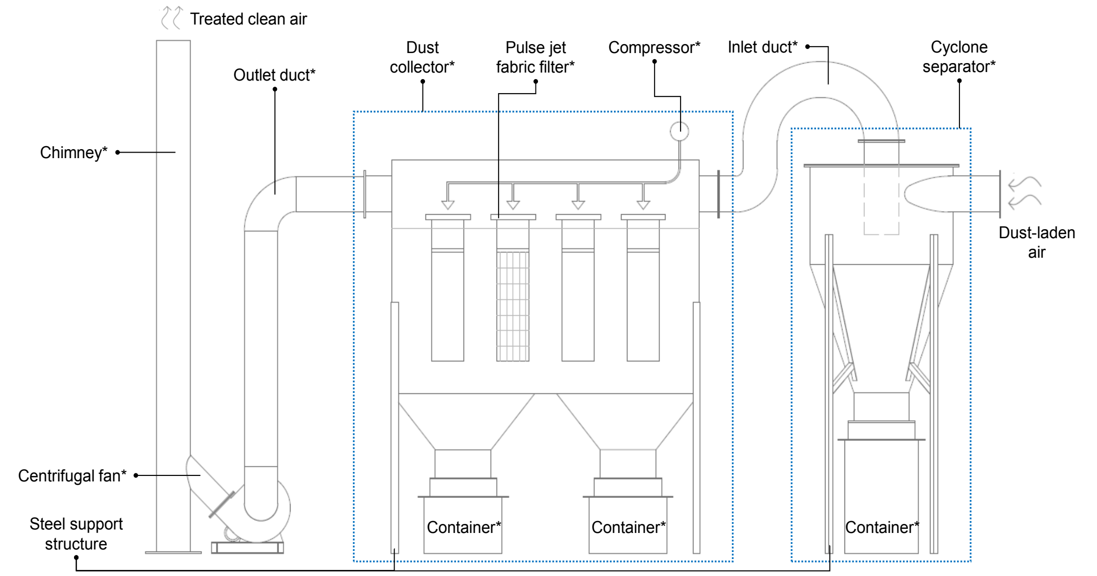
A scrubber system is used to remove gaseous pollutants such as chlorine fumes, sulphur fumes, nitrogen fumes, cyanides, ammonia and odour produced as by-products from industrial processes. Among the major types of scrubbers that we manufacture are counter-current scrubber, cross-flow scrubber, venturi scrubber and chlorine emergency scrubber.

Generally, in a scrubber system, gas contain gaseous pollutants released from liquid by-products produced from industrial processes are trapped and channelled into the scrubber tower through exhaust hood. This gas is filtered and harmful chemicals are removed as the gas passes through the scrubber tower which contains various parts and components which can filter and dilute harmful chemicals, including packing media, spray nozzles, and demisters. The gas released from the scrubber tower are treated clean air which will be drawn into the chimney and released to the atmosphere. The centrifugal fan controls the entire air flow within the scrubber system by drawing gas released from the liquid by-product into the scrubber tower and pushing the clean air from the scrubber tower to be released into the atmosphere.

Majority parts of our scrubber system are made of FRP materials.

We manufacture the exhaust hood, ducts (i.e. inlet duct and outlet duct), centrifugal fan, chimney, tank and scrubber tower comprising packing media, gratings, spray nozzles and demisters. We also undertake steel fabrication works for the fabrication of steel support structure. We purchase the other parts and components not manufactured by us including pumps, pipes (i.e. spray pipe and drain and overflow pipe), valves, level gauge, rotameter and control panels from third party suppliers. We also engage subcontractors for electrical works.

## (b) Cyclone dust collector system




***Notes:***

- ** Indicates parts and components manufactured by subcontractors*
- *The diagram above shows an example of a cyclone dust collector system which is for illustration purposes only. The design of this system may vary from one to another depending on customers' requirements*

A cyclone dust collector system is used to enhance the quality of air by removing dust particles and other airborne particles from industrial processes.

A cyclone dust collector system generally comprises two parts, namely the cyclone separator and the dust collector. The dust-laden air is first drawn into the cyclone separator at a high speed and spun in a spiral motion. The centrifugal force created by the spiral motion separates the heavier and larger dust particles from the dust-laden air by pushing the dust particles towards the wall of the cyclone separator and down through the narrow part of the cyclone separator into the container. Cleaned air runs back up through the center of the unit and can either be released into the atmosphere or into a dust collector for further filtering.

For the dust-laden air that does not contain airborne particles that are harmful when breathe in, the dust-laden air will be cleaned in the cyclone separator and discharged straight to the atmosphere. For the dust-laden air that contains airborne particles that are harmful when breathe in, it is necessary to use a dust collector in conjunction with the cyclone separator to remove these airborne particles which were not removed by the cyclone separator. The air from the cyclone separator is channelled through the inlet duct into a dust collector.

In the dust collector, the air will be guided through the pulse jet fabric filter whereby finer dust particles will be trapped on the filter. The pulse jet fabric filter can be set for cleaning at a predetermined time interval to remove the dust particles collected on the fabric of the filter. Cleaning of the pulse jet fabric filter is done by the sudden release of compressed air which is controlled by the compressor. The jet-like movement of air jolts the fabric of the filter, causing the dust to fall off the fabric and into the container.

Air released through the pulse jet fabric filter will be channelled through the outlet duct to the chimney to be released to the atmosphere as treated clean air. The centrifugal fan controls the entire air flow within the cyclone dust collector system. Depending on the application, a cyclone dust collector system may be used side-by-side with a scrubber system when dust needs to be removed from the gaseous by-product, before the gaseous by-product can be filtered by a scrubber system to remove gaseous pollutants.

Our cyclone dust collector system is typically made up of steel plate. We design the cyclone dust collector system and engage subcontractors to manufacture the parts. We are involved in the steel fabrication works for the fabrication of steel support structure and installation of the cyclone dust collector system at our customer’s site.

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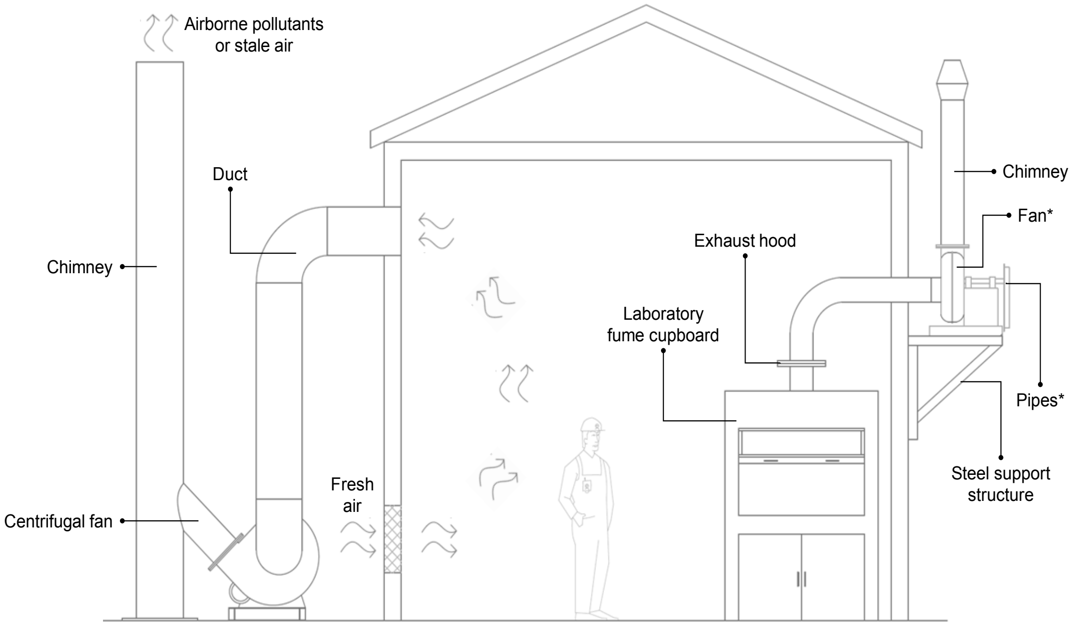
### (c) Exhaust and ventilation system




***Notes:***

- ** Indicates parts and components sourced from third party suppliers*
- *The diagram above shows an example of an exhaust and ventilation system which is for illustration purposes only. The design of this system may vary from one to another depending on customers' requirements*

An exhaust and ventilation system is used to reduce exposure to airborne pollutants by drawing out air containing pollutants within an indoor area and replacing it with fresh air from the outdoor. The centrifugal fan controls the flow of air in the indoor area by drawing air in from the outdoor, and pushes airborne pollutants or stale air out from the indoor area.

Our exhaust and ventilation system are mainly made up of FRP materials. Depending on the application, we also manufacture our exhaust and ventilation system using PP and PVC materials for corrosive environment, and galvanised iron for non-corrosive environment upon request from customers.

We manufacture centrifugal fan, chimney, laboratory fume cupboard, exhaust hood and ducts. We purchase the other parts and components not manufactured by us including pipes and control panels. We undertake steel fabrication works for the fabrication of steel support structure. We also engage subcontractors for electrical works.

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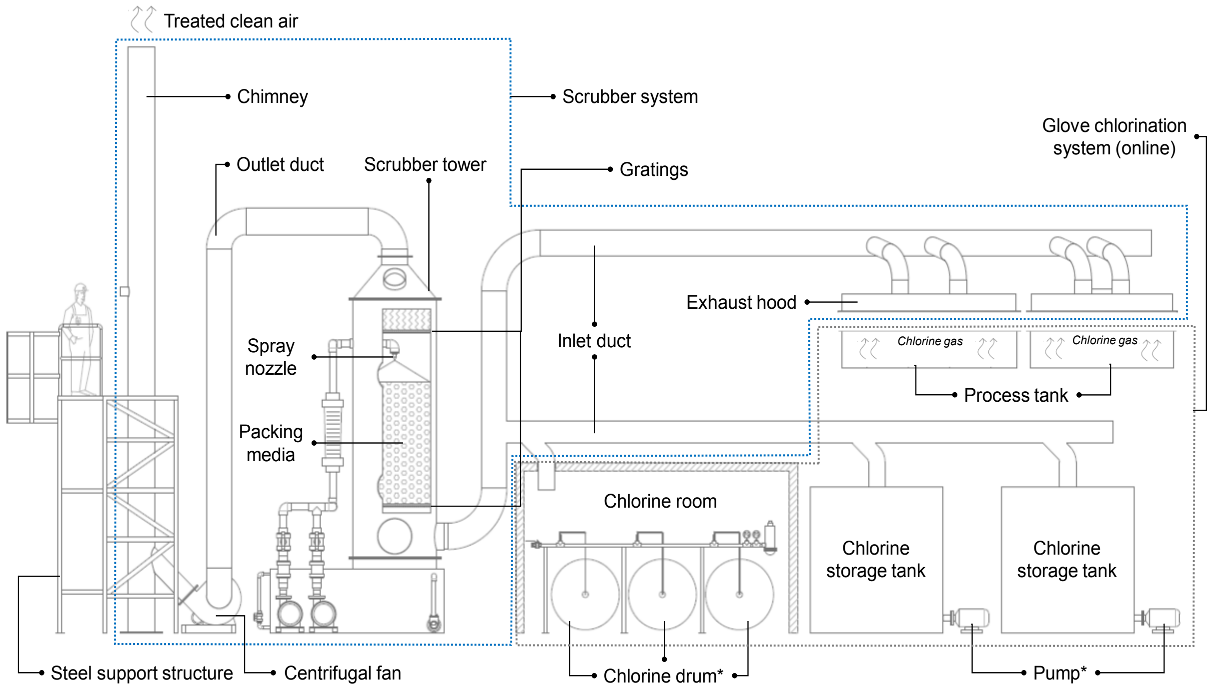
## (d) Glove chlorination system




***Notes:***

- ** Indicates parts and components sourced from third party suppliers*
- *The diagram above shows an example of a glove chlorination system which is for illustration purposes only. The design of this system may vary from one to another depending on customers' requirements*

The glove chlorination system is used to produce powder-free rubber gloves. It involves the dipping or washing of rubber gloves in process tanks which contain diluted chlorine solution to reduce friction on the surface of the gloves, thus eases the donning of gloves without using powder.

Scrubber system forms an important part of the glove chlorination system to prevent chlorine poisoning in the surrounding area. It traps and treats the chlorine gas released from the chlorine solution throughout the glove chlorination system, and releases treated clean air into the atmosphere. We manufacture the scrubber system in-house. Please refer to Section 3.3(i)(a) of this Information Memorandum for the details of our scrubber system.

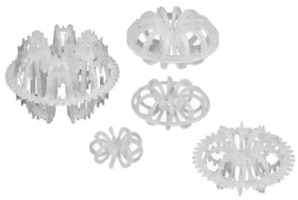
Equipped with the relevant engineering knowledge, we also manufacture online glove chlorination system as well as offline glove chlorination tumbler for our customers. Majority parts of our glove chlorination system are made of FRP materials.

We manufacture process tanks, chlorine storage tanks and scrubber system comprising exhaust hood, ducts (i.e. inlet duct and outlet duct), centrifugal fan, chimney and parts and components of scrubber tower. We also undertake steel fabrication works for the fabrication of steel support structure. We purchase the other parts and components not manufactured by us including chlorine drums, pumps, control panels and parts and components of scrubber's monitoring items from third party suppliers. We also engage subcontractors for electrical works.

**(ii) Air pollution control products and other related environmental engineering products**

We also manufacture parts and components of the air pollution control systems for sale as standalone products as well as other related environmental engineering products. As at the LPD, our major air pollution control products and other related engineering products are as follow:

| **(a) Air pollution control products** | | |
|---|---|---|
| **Products** | **In-house systems applied** | **Description** |
| **1. Centrifugal fans**<br> | Scrubber system, cyclone dust collector system, exhaust and ventilation system and glove chlorination system | Centrifugal fan is a mechanical device to control the flow of air by drawing air or gaseous pollutants through the air pollution control systems. It is durable and can be used for both acidic and alkaline fumes.<br>Our centrifugal fan is typically made up of FRP materials. The air capacity of the centrifugal fan ranges from 300 cubic feet per minute to 60,000 cubic feet per minute.<br>We source other components such as motor, fan belt and absorber from third party suppliers. |
| **2. Laboratory fume cupboard**<br> | Exhaust and ventilation system | Laboratory fume cupboard is a type of ventilation system that provides protection against toxic fumes, flammable vapours, gases and dust. The counter-weighted window of the fume cupboard is made out of safety glass and it also acts as a protection against chemical spills, runaway reactions and fires by acting as a physical barrier.<br>Our laboratory fume cupboard is manufactured from PP material.<br>We source other components such as glass, fluorescent light and electrical switches from third party suppliers. |

| (a) Air pollution control products | | |
|---|---|---|
| **Products** | **In-house systems applied** | **Description** |
| **3. Packing media**  | Scrubber system and glove chlorination system | Packing media is used to capture and filter out pollutants. Its unique design allows for mass transfer, heat transfer and the collection of particulates. Packing media is often used with scrubber systems to provide efficient removal of pollutants.<br><br>Packing media comes in a various sizes and shapes, depending on the types of pollutants to filter.<br><br>Packing media can be made up of PP, PVC, CPVC, and PVDF. |
| **4. Spray nozzle**  | Scrubber system and glove chlorination system | We manufacture a few types of spray nozzle, including full cone spiral jet nozzle and full cone whirl spray nozzle.<br><br>Spray nozzles are used in scrubber tower to filter pollutants by trapping and absorbing them in droplets of liquid. The spray nozzle sprays small droplets in a large amount at high pressure in the scrubber tower to collect particles and/or neutralise gaseous pollutants from the polluted stream.<br><br>Spray nozzle are made of PP, CPVC, PVDF and polytetrafluroethylene. |

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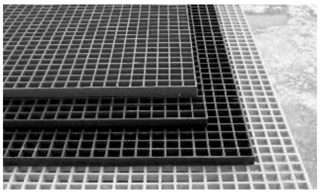
| **(b) Other related engineering products** | | |
|---|---|---|
| **<u>Products</u>** | **<u>In-house systems applied</u>** | **<u>Description</u>** |
| **1. Tanks**<br><br> | Scrubber system and glove chlorination system as well as for other use such as chemical and liquid waste storage | We manufacture tanks for industrial use, mainly for storage, processing, mixing and transportation of raw materials and finished chemical products.<br><br>Our tanks are typically made up of FRP, PP, PVC, CPVC and PVDF.<br><br>Among the major types of tanks that we manufacture are:<br>• Process tank<br>• Chemical storage tank<br>• Dipping tank<br>• Clarifier tank<br>• Double compartment tank<br>• Decomposer tank<br>• Compounding tank<br>• Cascading tank<br>• Degasser<br>• Plating tank<br><br>For tanks that require additional accessories to be installed in the tank, such as level indicators to measure the liquid-level and mixers to mix the substances in the tank, we will source these accessories from third party suppliers. |
| **2. Water tight test machine**<br> | Not applicable. It is a complementary machine to glove manufacturing process | A water tight test machine is used to test the barrier integrity of the gloves. Gloves are usually filled with 1 litre of water, suspended and tested for pinhole defect.<br><br>Our water tight test machine is manufactured from mild steel, PP and PVC.<br><br>We source other components such as control panel, fittings and pump from third party suppliers. |

| (b) Other related engineering products | | |
|---|---|---|
| **Products** | **In-house systems applied** | **Description** |
| **3. Trays**  | Glove chlorination system as well as for other use such as chemical and liquid waste storage | Trays are used to contain and prevent chemical spillage from process tanks.<br>Our trays are manufactured from FRP, PP or PVC materials. |
| **4. Gratings**  | Scrubber system and glove chlorination system as well as for other industrial use | Gratings is a system of interlocking, perpendicular bars often used in industrial applications such as maintenance platforms, stairs, decks, ladders and scaffolding, amongst others.<br><br>We also use gratings in the manufacturing of our scrubber towers to hold packing media and demister. Our gratings are manufactured from FRP materials. |

### 3.4 Warranty

We provide a warranty period of 6 or 12 months for material and workmanship on the products manufactured by us from the delivery date or upon site commissioning or date of repair or maintenance, as the case may be and as stated in our quotations, where we replace damaged and/or defective parts and components (such as structural components, electronic components and mechanical components).

Our warranties do not cover any consequential losses, normal wear and tear, casing or damage to the interior electrical components in the products caused by negligence by our customers or caused when the products are mended by unauthorised personnel. Upon the expiry of the warranty period, we sell replacement spare parts and components to our customers as well as charge service fee for technical support services.

Our electrical components and products sourced from third party suppliers comes with warranty provided by such suppliers.

## 3. BUSINESS OVERVIEW

### 3.5 Principal markets

The breakdown of our Group's revenue segmentation by principal activity for FYE 2017, FYE 2018, FPE 2018 and FPE 2019 is as follows:

| | Audited | | | | Unaudited | | | |
|---|---|---|---|---|---|---|---|---|
| | FYE 2017 | | FYE 2018 | | 10-month FPE 2018 | | 10-month FPE 2019 | |
| | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| Air pollution control systems | 8,351 | 55.6 | 6,836 | 45.3 | 4,999 | 43.2 | 7,216 | 54.8 |
| Air pollution control products and other related environmental engineering products | 3,893 | 25.9 | 4,258 | 28.2 | 3,223 | 27.8 | 3,683 | 28.0 |
| Technical consultation and maintenance services [(1)] | 2,770 | 18.5 | 3,996 | 26.5 | 3,359 | 29.0 | 2,259 | 17.2 |
| **Total revenue** | **15,014** | **100.0** | **15,090** | **100.0** | **11,581** | **100.0** | **13,158** | **100.0** |

***Note:***
*(1) includes trading of parts and components such as pumps, valves and pipes.*

The breakdown of our Group's revenue segmentation by geographical region for FYE 2017, FYE 2018, FPE 2018 and FPE 2019 is as follows:

| | Audited | | | | Unaudited | | | |
|---|---|---|---|---|---|---|---|---|
| | FYE 2017 | | FYE 2018 | | 10-month FPE 2018 | | 10-month FPE 2019 | |
| | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| Local Revenue | | | | | | | | |
| Malaysia | 12,652 | 84.3 | 10,099 | 66.9 | 6,653 | 57.4 | 8,717 | 66.2 |
| **Total Local Revenue** | **12,652** | **84.3** | **10,099** | **66.9** | **6,653** | **57.4** | **8,717** | **66.2** |
| Overseas Revenue | | | | | | | | |
| Thailand | 658 | 4.4 | 2,432 | 16.1 | 2,323 | 20.1 | 643 | 4.9 |
| USA | 681 | 4.5 | 1,774 | 11.8 | 1,456 | 12.6 | 2,921 | 22.2 |
| Indonesia | 777 | 5.2 | 738 | 4.9 | 878 | 7.6 | 100 | 0.7 |
| China | 200 | 1.3 | - | - | 149 | 1.3 | 48 | 0.4 |
| Singapore | 46 | 0.3 | 18 | 0.1 | 18 | 0.1 | 142 | 1.1 |
| Ecuador | - | - | - | - | - | - | 354 | 2.7 |
| Others[(1)] | - | - | 29 | 0.2 | 104 | 0.9 | 233 | 1.8 |
| **Total Overseas Revenue** | **2,362** | **15.7** | **4,991** | **33.1** | **4,928** | **42.6** | **4,441** | **33.8** |
| **Total revenue** | **15,014** | **100.0** | **15,090** | **100.0** | **11,581** | **100.0** | **13,158** | **100.0** |

***Note:***
*(1) Others comprise countries such as Colombia, Saudi Arabia, Philippines and India.*

Both local and overseas projects are sourced through direct enquiries or referrals from our past and existing customers.

### 3.6 Key awards and recognitions

The following table lists our Group's awards and recognitions:

| Year | Awards/ Recognitions | Awarding Body |
|---|---|---|
| 2007 | • The 5th Malaysia's 100 Outstanding SMEs – Golden Bull Award | • Nanyang Siang Pau |
| | • The 6th Asia Pacific International Honesty Enterprise - Keris Award | • Malaysia Entrepreneur Development Association |
| | • Asia Pacific Super Excellent Brand – Service Excellence Award | • Asia Entrepreneur Alliance Worldwide – Board of Global Branding Council |
| 2008 | • SME Rising Star Award | • SME Association of Malaysia |
| 2010 | • Sijil Anugerah Kerajaan Malaysia – Anugerah Majikan Berdaya Saing (IKS) | • Ministry of Human Resource Malaysia |
| 2011 | • AA Rating for 1-InnoCERT(1) Rating | • InnoCERT |
| | • The Brand Laureate in Corporate Branding for Air Pollution Control Systems – SMEs Best Brands Awards 2011(2) | • The BrandLaureate |
| | • SME Recognition Award 2011 – SME Green Excellence Award | • SME Association of Malaysia |
| 2015 | • Sin Chew Business Excellence Awards – Product and Service Excellence Award | • Sin Chew Daily |

***Notes:***

*(1)* ***1-InnoCERT certification programme*** *is initiated by SME Corporation Malaysia to promote and develop innovative companies in Malaysia. It is aimed at fostering innovative enterprise through harnessing and intensifying home-grown innovations and research and development. The certification awarded under this programme identifies and verifies innovative companies through an internationally-recognised innovation standard (OECD Oslo Manual V3) and the certification process is developed from similar process practised in Korea's Innobiz (Innovation SME) Certification Programme. Certified companies under the programme will be given a fast-track access when applying for incentives to fund and market their products and services as offered by the government.*

*(2)* ***The Brand Laureate in Corporate Branding*** *is an award that recognises corporations which have built a successful brand and strong brand identity according to their industries.*

## 3.7 Competitive strengths

### 3.7.1 Our in-house technical capabilities in design and manufacturing give us the flexibility in providing customised air pollution control solutions to our customers

All our air pollution control solutions are designed and manufactured in-house and are customised to suit our customer's industrial processes and environmental safety compliance requirements of the respective countries. Having been in the industry for over 20 years, we have gained vast experience and equipped ourselves with in-depth knowledge in designing and manufacturing which gives us the flexibility to provide customised air pollution control solutions for our customers in various industries including rubber glove manufacturing, raw water, chemical, recycling, water treatment, semiconductor, engineering and electroplating industries.

Our in-house technical capabilities in design and manufacturing allows us to have control of the overall quality, cost and manufacturing schedule of our projects. Further, our knowledge and experience enable us to continuously improve the overall system quality, reduce wastages and ensure timely delivery of projects to maintain and enhance our profitability.

### 3.7.2 We offer quality air pollution control solutions attested by our repeat customers over the years

Our Group has accumulated a pool of repeat customers over the years, owing to our ability in providing high quality products and services to our customers. Our air pollution control solutions are certified compliant by DOE for local projects as well as the environmental authorities of the respective foreign countries where we install and commission our air pollution control systems. We also conduct product-testing prior to the delivery of solutions to our customers and commissioning the systems. Our subsidiary, PHSB, is certified ISO 9001:2015 Quality Management System compliant.

Our ability in upholding the quality of our air pollution control solutions allows us to secure repeat orders from our customers. Among our repeat customers, who have made more than one (1) purchases from us within the financial years and periods under review, include Alliance Rubber Products Sdn Bhd, Carsem (M) Sdn Bhd, De Nora Water Technologies Inc, Innovative Gloves Co. Ltd, Kamaya Electric (M) Sdn Bhd, Latexx Manufacturing Sdn Bhd, MAPA Gloves Sdn Bhd, Multisafe Sdn Bhd, Push-Power Industries (M) Sdn Bhd, Taico Bleaching Earth Sdn Bhd and Unisem (M) Sdn Bhd.

Our success in securing repeat contracts from our customers is a testament of their confidence on the quality of our Group's air pollution control solutions. We believe that our customers' confidence in us will contribute to more engagements in future projects and enable us to further strengthen our relationships with them. In addition, should our customers make recommendations to others, it will also generate additional business opportunities for us.

### 3.7.3 We offer air pollution control solutions for various industries

Our air pollution control solutions are targeted at industries that release gaseous pollutants and/or harmful airborne particles as by-products from their industrial processes. Depending on the application, our air pollution control systems can either be used to treat polluted gas stream, filter out airborne particles or facilitate the distribution of fresh air in the factory.

Having the capabilities to design and in-house facilities to manufacture the different air pollution control systems to cater to different industrial needs, we are able to offer air pollution control solutions for various industries. As at the LPD, the main industries that we had served include rubber glove manufacturing, raw water, chemical, recycling, water treatment, semiconductor, engineering and electroplating industries.

By having a broad and diversified customer base from various industries, we are able to capture growth opportunities in various markets while at the same time reducing our business concentration risk from any unanticipated downturn in a particular industry.

### 3.7.4 Our air pollution control solutions are accepted as shown by our track record of completed projects in various countries

Since the inception of our Group's business, we have completed both local and overseas projects. We have completed projects locally for customers in various industries such as rubber glove manufacturing, raw water, chemical, recycling, water treatment, semiconductor, engineering and electroplating industry.

Our track record in completing local projects has provided our Group with a strong foundation to expand our business outside Malaysia. Over the years, we have completed multiple projects and secured product orders from countries across Asia Pacific, Middle East and USA. We also provide system installation and commissioning services upon request by our customers for our projects overseas. Please refer to Sections 3.5 and 7.1.1(b) of this Information Memorandum for further details of our revenue breakdown by geographical location.

Having successfully completed projects and secured product orders in Malaysia and overseas, we have demonstrated our capabilities in meeting our customers' requirements as well as complying with the respective countries' environmental standards. Our track record will contribute to our growing credentials and will further strengthen our presence in the air pollution control industry, which will in turn enhance our Company's profile and generate more business opportunities in the future.

### 3.7.5 We have a technical and experienced management team as well as hands-on leadership management

Since the commencement of our business, we are led by a technical and experienced management team. Our founder and Group MD, Tan Eng Seng, has 27 years of experience in air pollution control and engineering industries. His vast experience in the industry has enabled him to develop strong technical skills and in-depth industry knowledge which is important for decisions making and determining the overall strategic direction of our Group. Further, his hands-on leadership in the development of our business plays a significant role in promoting the growth of our Group.

Tan Eng Seng is supported by the following key management personnel:

| Name | Designation | Years of working experience |
|---|---|---|
| Ang Soo Lee | Director/ Account Manager | 23 |
| Raymond Wong Feei Horng | Operations Manager | 25 |
| Lee Siew Wan | Chief Strategy Officer | 20 |
| Khor Han Bin | Senior Technical Sales Engineer | 8 |
| Tan Jyy Ling | Technical Sales Engineer | 9 |

The knowledge and experience of our key management in their relevant fields have supported our growth over the years and will continue to support our Group's future growth and expansion. Please refer to Section 4 of this Information Memorandum for further details on the profile of our key management personnel.

## 3.8 Sales and marketing strategies

**(i) Direct approach and referrals**

As the sales and marketing of our products and services require technical knowledge of our solutions, the direct approach allows us to deliver the required technical information and detailed explanation and description accurately to our customers.

Our sales are generated directly by our in-house sales team through direct contact with potential customers, as well as through referrals from our past and existing customers. There are also instances whereby we receive calls and email enquiries from potential customers and our sales personnel will attend to them directly.

**(ii) Corporate website**

We have established our corporate website, *www.polydamic.com.my*, which provides information on our Group, including our company profile as well as products and services offerings to potential customers. Enquiries through our corporate website are channelled back to our sales team in the respective offices.

The current widespread use of internet as a source of information and a platform for customers, enables us to cross geographical boundaries and facilitates access from any part of the world, enhancing our potential market reach and exposure.

### 3.9 Design and development ("D&D")

As at the LPD, we do not have a formal R&D team nor any formal R&D plan or policy. Nevertheless, we recognise the importance of R&D in ensuring that we remain competitive to sustain the continuous growth of our business. Thus, we presently undertake D&D efforts to continuously improve our air pollution control solutions.

Also owing to the nature of our business, we are continuously involved in D&D activities as all our air pollution control solutions are customised according to customer requirements, hence every solution is distinct and would need to be designed and manufactured separately. Through our continuous D&D efforts in customising our air pollution control solutions to meet customer requirements, we have met the standards set by our customers and at the same time comply with the relevant safety standards and requirements by the respective environmental authorities.

### 3.10 Technology used

The table below depicts the technology used in our manufacturing activities:

| Software | Technology | Description |
|---|---|---|
| Solidworks 2017 | Design and drafting solution | Solidworks is a software used to draw the 2-dimensional and 3-dimensional layouts for the parts and components of the air pollution control systems. |

### 3.11 Quality assurance procedures

We are committed to ensuring that our air pollution control systems, air pollution control products and other related engineering products meet the environmental standards and our customer's requirements. In this regard, we observe in-process quality assurance procedures during our sourcing of materials and parts as well as our manufacturing process, so as to ensure that our air pollution control systems, air pollution control products and other related engineering products are manufactured in accordance to the environmental standards as well as meeting our customer's requirements.

As part of our quality assurance, our Group has obtained the following certification:

| Certification | Certification scope | Certification body | Description of certification body | Year first achieved | Current validity period |
|---|---|---|---|---|---|
| | | | | | |
| **PHSB** | | | | | |
| ISO 9001:2015 Quality Management System | • Design, development, manufacturing and installation of air pollution control systems<br>• Fabrication of fiberglass and engineering plastic products | Exova BM TRADA Certification Ltd ("**Exova BM Trada**") | Exova BM Trada provides testing, inspection and certification services to ensure that processes, materials, products and industrial systems are manufactured in accordance with the appropriate standards. | 2008 | 14.10.2017 to 13.10.2020 |

Our Operations Manager, Raymond Wong Feei Horng, who oversees our overall process flow will ensure the relevant product acceptance tests are being carried out in our factory, with the aim of ensuring our products are functioning correctly, prior to delivery to customer's site.

For our air pollution control systems, we have an on-site engineer to supervise the installation of our systems. Upon installation, we would conduct a testing and commissioning test to ensure that our air pollution control system is functioning as per the requirement agreed upon before handing over to our customers.

### 3.12 Interruption to business

Our Group has not experienced any interruption in our business which had a significant effect on our operations during the twelve (12) month period prior to the date of this Information Memorandum.

### 3.13 Seasonality

We do not experience any material seasonality or cyclicality in our business as the demand for our products and services are neither subject to seasonal fluctuations nor cyclical variations.

## 3. BUSINESS OVERVIEW

### 3.14 Major customers

Our top five (5) major customers by revenue for FYE 2017, FYE 2018 and FPE 2019 are as follows:

**FYE 2017**

| **Major customers** | **RM'000** | **% of total revenue (%)** | **Type of products/ services offered** | **Length of business relationship (years)** |
|---|---|---|---|---|
| Latexx Manufacturing Sdn Bhd | 6,395 | 42.6 | • Glove chlorination system and water tight test machine<br>• Maintenance services | 14 |
| PT Bumi Karyatama Raharja | 846 | 5.6 | • Scrubber system<br>• Air pollution control products and other related environmental engineering products | 3 |
| De Nora Water Technologies Inc | 597 | 4.0 | • Scrubber system | 11 |
| Xin Xin Engineering Sdn Bhd | 550 | 3.7 | • Glove chlorination system<br>• Air pollution control products and other related environmental engineering products | 7 |
| Armani Talent Engineering Sdn Bhd | 515 | 3.4 | • Glove chlorination system<br>• Air pollution control products and other related environmental engineering products | 6 |
| **Subtotal** | **8,903** | **59.3** | | |
| **Total revenue** | **15,014** | **100.0** | | |

In FYE 2017, our Group had served a total of 176 customers.

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**FYE 2018**

| **Major customers** | **RM'000** | **% of total revenue (%)** | **Type of products/ services offered** | **Length of business relationship (years)** |
|---|---|---|---|---|
| Latexx Manufacturing Sdn Bhd | 2,700 | 17.9 | • Scrubber system<br>• Glove chlorination system and water tight test machine<br>• Air pollution control products and other related environmental engineering products<br>• Maintenance services | 14 |
| Mercator Medical (Thailand) Ltd | 2,387 | 15.8 | • Glove chlorination system<br>• Air pollution control products and other related environmental engineering products | 2 |
| De Nora Water Technologies Inc | 1,229 | 8.1 | • Scrubber system | 11 |
| PT Bumi Karyatama Raharja | 721 | 4.8 | • Scrubber system<br>• Maintenance services | 3 |
| Encompass Industries Sdn Bhd | 575 | 3.8 | • Glove chlorination system and water tight test machine<br>• Air pollution control products and other related environmental engineering products | 1 |
| **Subtotal** | **7,612** | **50.4** | | |
| **Total revenue** | **15,090** | **100.0** | | |

In FYE 2018, our Group had served a total of 181 customers.

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**FPE 2019**

| Major customers | Unaudited RM'000 | % of total revenue (%) | Type of products/ services offered | Length of business relationship (years) |
|---|---|---|---|---|
| De Nora Water Technologies Inc | 2,921 | 22.2 | • Scrubber system | 11 |
| Latexx Manufacturing Sdn Bhd | 1,506 | 11.4 | • Scrubber system | 14 |
| Salcon Loh & Loh JV Sdn Bhd | 687 | 5.2 | • Air pollution control products and other related environmental engineering products | 1 |
| United Plantations Berhad | 576 | 4.4 | • Air pollution control products and other related environmental engineering products | 11 |
| Kamaya Electric Sdn Bhd | 488 | 3.7 | • Scrubber system | 1 |
| **Subtotal** | **6,178** | **46.9** | | |
| **Total revenue** | **13,158** | **100.0** | | |

In FPE 2019, our Group had served a total of 148 customers.

Our air pollution control systems, air pollution control products and other related environmental engineering products are sold to customers from various industries. The main industries that we had served include rubber glove manufacturing, raw water, chemical, recycling, water treatment, semiconductor, engineering and electroplating industries.

For FYE 2017 and FYE 2018, our largest major customer was Latexx Manufacturing Sdn Bhd where its revenue contributions to our total revenue were 42.6% and 17.9% respectively. For FPE 2019, our largest major customer was De Nora Water Technologies Inc where its revenue contributions to our total revenue was 22.2%.

Save for Latexx Manufacturing Sdn Bhd, Mercator Medical (Thailand) Ltd and De Nora Water Technologies Inc, none of our top five (5) major customers contributed more than 10.0% to our revenue for FYE 2017, FYE 2018 and FPE 2019.

We are not dependent on Latexx Manufacturing Sdn Bhd, Mercator Medical (Thailand) Ltd and De Nora Water Technologies Inc as we have derived our sales from multiple customers. As at LPD, all our sales are secured on purchase order basis.

We have local and overseas customers from various regions including Asia Pacific, Middle East and USA. Since the incorporation of our business, we have served customers from 20 countries across these regions. As at the LPD, we have 30 on-going local projects with a total unbilled value of RM6.1 million and 6 on-going overseas projects with a total unbilled value of RM1.9 million.

### 3.15 Types, sources and availability of raw materials

Our purchases and supplies include sub-contractor fees and materials used for manufacturing of air pollution control systems as well as air pollution control products and other related engineering products. The materials used for manufacturing of air pollution control systems as well as air pollution control products and other related engineering products are easily available and are either sourced locally or imported. The prices of our manufacturing materials such as fiberglass resins, chop stranded mat, direct and woven roving, Nexus Veil, mild steel and plastic sheet may be subject to price fluctuations as a result of demand and supply conditions.

The breakdown of our total purchases incurred by us for FYE 2017, FYE 2018 and FPE 2019 are as follows:

| | Audited | | | | Unaudited | |
|---|---|---|---|---|---|---|
| | FYE 2017 | | FYE 2018 | | 10-month FPE 2019 | |
| | RM'000 | % of total purchases | RM'000 | % of total purchases | RM'000 | % of total purchases |
| Fiberglass resins | 1,959.7 | 28.8 | 2,310.3 | 33.1 | 1,511.9 | 32.1 |
| Chop stranded mat, tissue mat, direct and woven roving and Nexus Veil | 595.7 | 8.8 | 672.5 | 9.7 | 410.1 | 8.7 |
| Instruments and components and parts[(1)] | 942.1 | 13.8 | 818.5 | 11.7 | 509.5 | 10.8 |
| Pumps and motors | 431.8 | 6.3 | 652.1 | 9.4 | 507.8 | 10.8 |
| Control panel and electrical works | 455.6 | 6.7 | 231.2 | 3.3 | 356.4 | 7.5 |
| Pipes and fittings | 493.6 | 7.3 | 525.9 | 7.5 | 314.1 | 6.7 |
| Mild steel | 212.2 | 3.1 | 302.4 | 4.3 | 121.7 | 2.6 |
| Plastic sheet | 203.4 | 3.0 | 247.2 | 3.6 | 171.4 | 3.6 |
| Wood | 47.4 | 0.7 | 71.3 | 1.0 | 32.7 | 0.7 |
| Sub-contractor | 955.3 | 14.1 | 777.9 | 11.2 | 458.8 | 9.7 |
| Others[(2)] | 502.2 | 7.4 | 363.7 | 5.2 | 322.8 | 6.8 |
| **Total purchases** | **6,799.0** | **100.0** | **6,973.0** | **100.0** | **4,717.2** | **100.0** |

***Notes:***

(1) *Instruments, and components and parts are the raw materials that are used in the manufacturing of our air pollution control system and other related environmental engineering products which include flow meter, inverter, manometer, pH sensor, pressure gauge, air regulator, temperature controller, transmitter and plummer block, amongst others.*

(2) *Others are the raw materials that are used to support our manufacturing process, which include polyester film, bolt and nut, masking tape, weld on solvent cement, acetylene gas for steel welding, aerosil powder, ethylene propylene diene monomer gasket, PP and PVC welding rod, paint and laminated safety glass, amongst others. None of these raw materials contribute to more than 1.0% of our total purchases.*

## 3.16 Major suppliers

Our top five (5) major suppliers by total purchases for FYE 2017, FYE 2018 and FPE 2019 are as follows:

**FYE 2017**

| Major suppliers | RM'000 | % of total purchases (%) | Type of products/ services purchased | Length of business relationship (years) |
|---|---|---|---|---|
| Hightech Polymer Sdn Bhd | 1,632 | 24.0 | Fiberglass resins, chop stranded mat, direct roving, woven roving and hardener | 9 |
| Alsey Kimia (M) Sdn Bhd | 493 | 7.3 | Fiberglass resins, direct roving and hardener | 9 |
| Process Dynamics Engineering Sdn Bhd | 404 | 5.9 | Chlorine equipment | 7 |
| FormalChem Sdn Bhd | 234 | 3.5 | Fiberglass resins | 15 |
| Nexgen Electrical Sdn Bhd | 199 | 2.9 | Control panel wiring | 3 |
| **Subtotal** | **2,962** | **43.6** | | |
| **Total purchases** | **6,799** | **100.0** | | |

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**FYE 2018**

| Major suppliers | RM'000 | % of total purchases (%) | Type of products/ services purchased | Length of business relationship (years) |
|---|---|---|---|---|
| Hightech Polymer Sdn Bhd | 1,940 | 27.8 | Fiberglass resins, chop stranded mat, woven roving and hardener | 9 |
| Formalchem Sdn Bhd | 531 | 7.6 | Fiberglass resins | 15 |
| Flow Solution (Penang) Sdn Bhd | 344 | 4.9 | Pump and repair service | 9 |
| Alsey Kimia (M) Sdn Bhd | 212 | 3.1 | Fiberglass resins, direct roving and hardener | 9 |
| Kimason Hardware Industries Sdn Bhd | 143 | 2.1 | Pipes and fittings | 9 |
| **Subtotal** | **3,170** | **45.5** | | |
| **Total purchases** | **6,973** | **100.0** | | |

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**FPE 2019**

| | Unaudited | | | |
|---|---|---|---|---|
| **Major suppliers** | **RM'000** | **% of total purchases (%)** | **Type of products/ services purchased** | **Length of business relationship (years)** |
| Hightech Polymer Sdn Bhd | 1,133 | 24.0 | Fiberglass resins, chop stranded mat, woven roving and hardener | 9 |
| Formalchem Sdn Bhd | 337 | 7.1 | Fiberglass resins | 15 |
| Alsey Kimia (M) Sdn Bhd | 212 | 4.5 | Fiberglass resins, direct roving and hardener | 9 |
| Flow Solution (Penang) Sdn Bhd | 176 | 3.7 | Pump and repair service | 9 |
| Luxchem Trading Sdn Bhd | 128 | 2.7 | Fiberglass resins and chop stranded mat | 5 |
| **Subtotal** | **1,986** | **42.0** | | |
| **Total purchases** | **4,717** | **100.0** | | |

For FYE 2017, FYE 2018 and FPE 2019, our largest major supplier was Hightech Polymer Sdn Bhd where our purchase value from Hightech Polymer Sdn Bhd contributed to 24.0%, 27.8% and 24.0% of our total purchases respectively. Save for Hightech Polymer Sdn Bhd, none of our top five (5) major suppliers contributed more than 10.0% of our total purchases for the past two (2) FYEs and FPE 2019.

For the past two (2) FYEs and FPE 2019, our purchases from Hightech Polymer Sdn Bhd were mainly FRP raw materials comprising fiberglass resins, chop stranded mat, direct roving, woven roving and hardener. These FRP raw materials can be easily sourced locally as there are many suppliers in the market. Apart from Hightech Polymer Sdn Bhd, our Group also purchased FRP raw materials from other suppliers such as Alsey Kimia (M) Sdn Bhd and Formalchem Sdn Bhd, in the past two (2) FYEs and FPE 2019. As such, we are not dependent on Hightech Polymer Sdn Bhd despite the high contribution of purchases for the two (2) FYEs and FPE 2019.

As at the LPD, all our purchases are secured on purchase order basis.

## 3.17 Production capacity and utilisation rate

Our Group manufactures a range of air pollution control products and other related environmental engineering products. The sizes of these products vary according to types of product and our customer's requirements, and as a result our production capacity may vary depending on our product mix. Nevertheless, scrubber towers and tanks are selected for the calculation of our production capacity and utilisation rates based on the following assumptions:

- The scrubber system and glove chlorination system are the largest revenue contributor to our Group under our air pollution control systems segment. The largest component of the scrubber system and glove chlorination system are the scrubber towers. Hence, it is identified as the key product manufactured under this segment and is used as a representation for the calculation of our production capacity and utilisation rates; and

- The tanks are the largest revenue contributor to our Group under the other related environmental engineering products segment. Hence, it is identified as the key products manufactured under this segment and is used as a representation for the calculation of our production capacity and utilisation rates.

| | **Combined production space, $m^2$ (i)** | **Annual production space available, $m^2$ (ii)** | **Total production area utilised, $m^2$ (iii)** | **Utilisation rate (iv)** |
|---|---|---|---|---|
| FYE 2017 | 1,180 | 7,083 | 4,957 | 70% |
| FYE 2018 | 1,180 | 7,083 | 2,945 | 42% |

***Notes:***

*(i) Combined production space available in our Penang Factory and Ipoh Factory. This space excludes designated space for office, machines, mould fabrication and storage, and walkway.*

*(ii) The average time required to manufacture a scrubber tower or tank is 2 months. There are 6 cycles of 2 months in a year. In other words, the combined production space can be turned-around 6 times in a year.*

*(iii) Total production area utilised is the sum of the production area used to manufacture scrubber towers and tanks in the respective years.*

*(iv) Computed by dividing the total production area utilised over the annual production space available.*

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### 3.18 Employees

The number of employees in our Group as at the LPD are as follow:

| Department | Permanent employees | Contract/ temporary Local | Contract/ temporary Foreign | Total employees |
|---|---|---|---|---|
| Director | 3 | 0 | 0 | 3 |
| Sales and Service | 6 | 0 | 0 | 6 |
| Accounts | 3 | 0 | 0 | 3 |
| Purchasing and Shipping | 2 | 0 | 0 | 2 |
| Design and Documentation | 4 | 0 | 0 | 4 |
| Administrative and Human Resource | 4 | 0 | 0 | 4 |
| Store and Dispatch | 2 | 0 | 0 | 2 |
| Quality Control | 2 | 0 | 0 | 2 |
| Drafting | 2 | 0 | 0 | 2 |
| Operation and Production | 23 | 1 | 38 | 62 |
| **Total** | **51** | **1** | **38** | **90** |

As at the LPD, we have 51 permanent employees and 39 contractual/ temporary employees. None of our employees are member of any union nor have there been any major industrial disputes in the past.

### 3.19 Future plans and business strategies

#### 3.19.1 We intend to continue expanding our market presence by establishing an office and workshop in other states in Malaysia

In 1996, we started our operations in Ipoh and thereafter expanded our presence to Penang in 2011. Since then, we have established our market presence primarily in the Northern Region of Malaysia.

Though we have completed projects in the Central Region of Malaysia, we do not presently have any physical presence in the region. In anticipation of the growing business opportunities in the Central Region, we intend to set up an office and workshop here. This office and workshop will act as a sales and marketing arm which provides us with the platform to explore and capture business opportunities arising from the Central Region as well as those from the Southern Region. This will facilitate us to respond to sales enquiries in these regions in person and to develop business relationships with the customers/potential customers. Our team in our Central Region office and workshop will also be able to provide prompt technical supports and maintenance services to our customers at their premises located in these regions. We will harness this exposure to approach potential customers in these regions to further expand our customer base and improve our financial performance.

The costs and expenses for the establishment of office and workshop in the Central Region is estimated to be RM0.62 million which we plan to utilise from the IPO proceeds, and is expected to complete within twelve (12) months after our Proposed Listing.

**3.19.2 We will continue to expand our business by targeting air pollution control system projects**

By successfully listing our Group on the LEAP Market, it is expected to enhance our company profile and our reputation in the air pollution control industry.

We hope to leverage on our status as a listed company to bid for more air pollution control system projects and to approach larger customers to grow our business. During FYE 2017 and FYE 2018, air pollution control systems had contributed an average of 50.45% of our total revenue during this period. We intend to increase the revenue contribution from this segment.

Further, the successful listing of our Group will also allow us to enhance our reputation amongst customers, suppliers and financiers and may allow us to negotiate for more favourable terms in conducting our business.

Moving forward with our listing on the LEAP Market, our Group will be better positioned to enhance our growth by building on our competencies and track record achieved over the years.

## 3.20 Material Properties

### 3.20.1 Owned properties

As at the LPD, we own the following properties:

| Location | Description / Existing Use | Built-up area (sq ft) | Category of land use | Tenure |
|---|---|---|---|---|
| 1059, Lorong Perindustrian Bukit Minyak 17, Kawasan Perindustrian Bukit Minyak, 14100 Simpang Ampat, Pulau Pinang | **Description:**<br>One (1) piece of land together with a double-storey office building and an annexed single-storey factory building and warehouse<br>**Existing Use:**<br>Office, warehouse and manufacturing facility | 35,320 | Industrial | Leasehold expiring on 03.05.2069 |

## 3. BUSINESS OVERVIEW

| Location | Description / Existing Use | Built-up area (sq ft) | Category of land use | Tenure |
|---|---|---|---|---|
| No.19 & 21, Lengkok Jelapang Maju, Taman Perindustrian Ringan Jelapang Maju, 30020 Ipoh, Perak | **Description:**<br><br>One (1) piece of land together with a single-storey detached factory with an adjoining three-storey office, and a single-storey open sided detached factory incorporating a double storey office<br><br>**Existing Use:**<br><br>Office, warehouse and manufacturing facility | 20,695 | Industrial | Leasehold expiring on 18.08.2094 |
| 10, Persiaran Jelapang Maju 9, Taman Perindustrian Ringan Jelapang, 30020 Ipoh, Perak | **Description:**<br><br>One (1) piece of land together with a 1 ½ storey semi-detached factory<br><br>**Existing Use:**<br><br>Rented to third party | 5,300 | Industrial | Leasehold expiring on 29.03.2092 |
| 12, Persiaran Jelapang Maju 9, Taman Perindustrian Ringan Jelapang, 30020 Ipoh, Perak | **Description:**<br><br>One (1) piece of land together with a 1½ storey semi-detached factory<br><br>**Existing Use:**<br><br>Rented to third party | 4,600 | Industrial | Leasehold expiring on 29.03.2092 |
| No. 44, Lorong Mak Mandin 5/3, Kaw Perindustrian Mak Mandin, 13400 Butterworth, Pulau Pinang | **Description:**<br><br>One (1) piece of land together with a 1 ½ storey terrace factory<br><br>**Existing Use:**<br><br>Rented to third party | 3,000 | Industrial | Leasehold expiring on 03.05.2069 |

## 3. BUSINESS OVERVIEW

### 3.20.2 Material rented properties

As at the LPD, we lease/rent the following property for our operations:-

| Address | Landlord / Tenant | Description | Built-up area (sq ft) | Period of tenancy / Rental per annum |
|---|---|---|---|---|
| No. 29, Jalan Perindustrian 4/KU8, Kawasan Perindustrian Meru Selatan, 41050 Klang, Selangor | Poon Kuan Yooi / PSB | A unit of double storey terrace factory | 2,940 | 01.06.2019 – 31.05.2021 / RM48,000 |

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## 3. BUSINESS OVERVIEW

### 3.21 Approvals, major licenses and permits

As at the LPD, the details of the approvals, major licences and permits obtained by our Group for the operation of our business and the status of compliance are as set out below:

| Company / Individual | Approving authority / issuer | Description | Certification no./ Registration no./ Permit no./ Reference no. | Date of approval / Validity period | Equity and/or major conditions imposed | Status of compliance |
|---|---|---|---|---|---|---|
| PSB | CIDB | CIDB's Certificate of Registration in respect of:<br>(a) Grade G3, Category B, registration specialisation B04 (construction work on buildings);<br>(b) Grade G3, Category CE, registration specialisation CE21 (civil engineering construction); and<br>(c) Grade G3, Category ME, registration specialisation M15 (construction work on buildings). | 0120120613-PP143368 | 30.05.2019/ 29.05.2022 | PSB shall not undertake any construction project which exceeds the value of construction work specified under the registration grade of this licence and shall not execute any construction work outside of its registered category. | Complied |
| PHSB | CIDB | CIDB's Certificate of Registration in respect of:<br>(a) Grade G6, Category B, registration specialisation B04 (construction work on buildings); | 0120180625-PK013444 | 29.06.2018 / 28.06.2020 | PHSB shall not undertake any construction project which exceeds the value of construction work specified under the registration grade of this licence and shall not execute any construction work outside of its registered category. | Complied |

| Company / Individual | Approving authority / issuer | Description | Certification no./ Registration no./ Permit no./ Reference no. | Date of approval / Validity period | Equity and/or major conditions imposed | Status of compliance |
|---|---|---|---|---|---|---|
| | | (b) Grade G6, Category CE, registration specialisation CE21 (civil engineering construction); and<br><br>(c) Grade G6, Category ME, registration specialisation M15 (Miscellaneous mechanical equipment). | | | | |
| PHSB | MITI | Manufacturing licence for the manufacture of air pollution control systems, modules and components. | A021758 | 31.01.2019 / Nil | PHSB shall notify MITI if there is any sale of shares | Complied |
| PSB | MITI | Manufacturing licence for the design, development, and manufacture of air flow equipment and related products. | A017516 | 10.12.2009 / Nil | PSB shall notify MITI if there is any sale of shares | Complied |
| PSB | Ministry of Finance ("**MOF**") | Registration Certificate issued by the Ministry of Finance for government procurement for "*perkhidmatan/guna tenaga/ khidmat latihan, tenaga pengajar dan moderator/negotiator*" and "*peralatan kejuruteraan dan mesin pengeluaran/ mesin, kelengkapan bengkel dan mesin pengeluaran/mesin dan kelengkapan khusus*". | K6363474940199 8008 | 26.06.2018 / 25.06.2021 | 1. The individuals whom are authorised by PSB to participate in the dealings includes:<br><br>a) Tan Eng Seng;<br>b) Ang Soo Lee; and<br>c) Chuah Wah Teong | Complied |

## 3. BUSINESS OVERVIEW

| Company / Individual | Approving authority / issuer | Description | Certification no./ Registration no./ Permit no./ Reference no. | Date of approval / Validity period | Equity and/or major conditions imposed | Status of compliance |
|---|---|---|---|---|---|---|
| | | | | | 2. PSB shall ensure that the scope or section in which it is registered under this certificate does not overlap with the same which has been approved for any of the companies which:<br><br>a) has the same owner or board of director/director(s), management and employees; or<br><br>b) operates in the same premises; | |

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## 3. BUSINESS OVERVIEW

### 3.22 Intellectual Property Rights

As at the LPD, save as disclosed below, we do not have any other licences, patents, trademarks, brand names, franchises and other intellectual property rights:

**Trademark Registrations**

| Trademark | Registrant | Trademark Number | Class No. | Issuing Authority | Description | Issuance Date/ Status / Validity Period |
|---|---|---|---|---|---|---|
| POLYDAMIC | PHSB | 98009965 | Class 7 | Intellectual Property Corporation of Malaysia | Valves, Parts Of Machines, Pumps, Filters, Rods, Fans For Engines, Motors And Apparatus For Machining; All Included In Class 7. | **Issuance date:** 06.05.2002<br><br>**Status of Application**<br><br>Registered<br><br>**Validity Period**<br><br>Valid until 26.08.2028 |

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# 4. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT

## 4.1 Shareholdings

The shareholdings of our Promoters, Substantial Shareholders and Directors in our Company before and after our Proposed Listing are as follows:

| | Before Proposed Listing | | | | After Proposed Listing | | | |
|---|---|---|---|---|---|---|---|---|
| | Direct | | Indirect | | Direct | | Indirect | |
| | No. of Shares | % | No. of Shares | % | No. of Shares | % | No. of Shares | % |
| Tan Eng Seng | 67,755,559 | 90.3 | 7,244,443 (1) | 9.7 | 67,755,559 | 76.8 | 7,244,443 (1) | 8.2 |
| Ang Soo Lee | 7,244,443 | 9.7 | 67,755,559 (2) | 90.3 | 7,244,443 | 8.2 | 67,755,559 (2) | 76.8 |

***Notes:***

*(1) Deemed interested pursuant to Section 197 of the Act by virtue of his spouse's direct interests in our Company.*

*(2) Deemed interested pursuant to Section 197 of the Act by virtue of her spouse's direct interests in our Company.*

## 4.2 Profiles of our Promoters and Substantial Shareholders

### (i) Tan Eng Seng, Malaysian, aged 54

Promoter, Substantial Shareholder and Group MD

Tan Eng Seng is our Group MD. He was appointed to our Board on 17 October 2018. He is currently responsible for the business growth direction, corporate development and oversees the overall management of our Group. He graduated with Diploma in Business Studies from the Institute of Commercial Management, UK in 1989.

He began his career in 1989 as a Sales Executive in Jambory Marketing Sdn Bhd. In 1990, he joined Hexagon Tower Sdn Bhd as a Sales Application Specialist where he was responsible for the sales and marketing in the Northern Region of Malaysia. Subsequently he was promoted as a Branch Executive in 1993 where he was responsible to set up a branch in Ipoh, Perak. He was then promoted as a Branch Manager in 1994. In 1996, he left Hexagon Tower Sdn Bhd and established PHSB in the same year. In 1997, he became a director in Polydamic Engineering Sdn Bhd (which was subsequently renamed Dynamic Venture Greentech Sdn Bhd in 22 September 2011) and subsequently left in 2006. In the same year in 1997, he became a director in Polydamic Project Sdn Bhd, where the company was wound up via a member's voluntary winding up in 2015, he became a director in Polydamic Industries Sdn Bhd (which was subsequently renamed Polypus Industries Malaysia Sdn Bhd in 18 December 2007) and he subsequently left the company in 2007. In the same year in 1999, he became a director in Polydamic Fibreglass Technologies Sdn Bhd, where the company was struck off in 2017 as there was no intention to continue its business activity. In 2004, he graduated with Bachelor of Management (Honours) on a part time basis in University of Multimedia Malaysia. Subsequently, in 2009, he co-founded PSB with Ang Soo Lee.

He is the spouse of Ang Soo Lee.

(ii) **Ang Soo Lee, Malaysian, aged 47**
Promoter, Substantial Shareholder and Executive Director

Ang Soo Lee, is our Executive Director. She was appointed to our Board on 17 October 2018. She currently oversees all finance and human resource matters of our Group. In 1992, she completed her Sijil Tinggi Persekolahan Malaysia (STPM) in Sekolah Menengah Kebangsaan St Mark, Butterworth and thereafter, she pursued her tertiary education in Systematic College Kuala Lumpur for examinations by Institute of Chartered Secretaries and Administrators. In 1995, she stopped her tertiary education and moved from Kuala Lumpur to Ipoh to begin her career in PHSB as an accounts executive in 1996. In 2009, she co-founded PSB with Tan Eng Seng and subsequently became a shareholder of PHSB in 2012.

She is the spouse of Tan Eng Seng.

### 4.3 Profiles of our Directors

The profiles of Tan Eng Seng and Ang Soo Lee, who are also our Directors, are disclosed in Section 4.2 of this Information Memorandum.

(i) **Raymond Wong Feei Horng, Malaysian, aged 52**
Executive Director

Raymond Wong Feei Horng, is our Executive Director. He was appointed to our Board on 17 October 2018. He currently oversees all operational matters of our Groups which include, production, project planning, fabrication and installations. He obtained his Bachelor of Science (Honours) Degree majoring in Engineering from Trinity College, University of Dublin, Ireland in 1993.

He began his career as a Project Engineer for EP Engineering Sdn Bhd in 1994 and was responsible for the installation of Turnkey HVAC System and Fire Pumps System upgrading works for Sarawak Shell Bhd Onshore Expansion Project during his employment there. In 1996, he joined Mulpha Engineering & Construction Sdn Bhd as a Branch Executive and was involved in projects related to HVAC, main electrical and lighting system, fire-fighting and plumbing installation projects. He then joined our Group in 2012 as an Operation Manager.

(ii) **Ng Poh Tat, Malaysian, aged 70**
Independent Non-Executive Director

Ng Poh Tat, is our Independent Non-Executive Director. He was appointed to our Board on 30 April 2019. He obtained his Bachelor of Laws from University of London in 1986 and Certificate in Legal Practice since 1987.

In 1969, he began his career as a Chinese interpreter in the Customs Department Johor Bahru. In 1977, he was appointed as an enforcement officer with Ministry of Trade and Industry in Kuala Lumpur. After leaving the government service in 1988, he worked as a legal assistant in Messrs. Henry Lim & Co until 1991 when he then started his own legal practice under the partnership of Messrs. Ng Poh Tat & Co until today. He has been an independent non-executive director with Choo Bee Metal Industries Berhad since 2008.

### 4.4 Profiles of our Key Management

(i) **Lee Siew Wan, Malaysian, aged 43**
Chief Strategy Officer

Lee Siew Wan is our Chief Strategy Officer. She obtained her Bachelor of Chemical Engineering (Honours) from Universiti Kebangsaan Malaysia in 1999. She is currently assisting our Group MD in developing, communicating, executing, and sustaining corporate strategic initiatives.

She began her career in Leader Cable Industry Berhad in 1999 as a Process Engineer, and was responsible in handling research and development activities for cable related products. In 2000, she joined Konzen Engineering Systems Sdn Bhd (formerly known as Ionics Enersave Engineering Sdn Bhd) as an Application Engineer and was responsible in the design, costing and tendering of water treatment and purification systems, such as reverse osmosis, ion exchange, electro-deionization and ozonation. In 2003, she joined Asta Chemicals Sdn Bhd (formerly known as Borden Chemical (M) Sdn Bhd as a Chemical Engineer and was responsible with process improvement, project implementation and supervision of the formaldehyde plant in a specialty resin manufacturing facility. In 2008, she joined Flextronics Technology Sdn Bhd as a Senior Quote Specialist and responsible in supporting her business development team in electronics contract manufacturing. In 2011, she joined PSB as a branch manager and was responsible in setting up our Penang office. Subsequently, she oversaw the entire operation of PSB and was responsible in growing PSB’s business. In 2019, she was promoted to Chief Strategy Officer.

(ii) **Khor Han Bin, Malaysian, aged 31**
Senior Technical Sales Engineer

Khor Han Bin is our Senior Technical Sales Engineer. He obtained his Bachelor’s Degree in Science (Environment) from University Putra Malaysia in 2011. He is currently responsible for the overall business development of PHSB.

He began his career in 2011 as a Medical Sales Executive in Medispec (M) Sdn Bhd where he was mainly responsible for sales and marketing activities and product management matters in the ethical drugs division. In 2014, he joined PHSB as a Sales and Services Engineer. He is involved mainly in project proposal, project tendering, project coordination and business strategy in PHSB. Subsequently, he was promoted as a Senior Technical Sales Engineer in 2018.

(iii) **Tan Jyy Ling, Malaysian, aged 32**
Technical Sales Engineer

Tan Jyy Ling is our Technical Sales Engineer. She obtained her Bachelors of Technology (Honours) Degree majoring in Environmental Technology from University Science Malaysia in 2009. She then obtained a Master Degree in Science, Environmental Engineering from University Science Malaysia in year 2010. She is currently responsible for the overall business development of PSB.

She began her career in 2010 as a Project Coordinator in Watterson Technology Sdn Bhd. In 2011, she joined IPSH Sdn Bhd as a Product and Application Engineer. In 2012, she joined LECO Instruments (M) Sdn Bhd as a Sales Executive. In 2015, she joined George Fischer (M) Sdn Bhd as a Sales Engineer was responsible for the sales and marketing in the industrial supplies division. In 2017, she joined PSB as a Technical Sales Engineer and was mainly handling project proposal, project tendering and project coordination.

## 4.5 Confirmation by our Directors

None of our Directors:

(a) are undischarged bankrupts nor presently subjected to any proceeding under bankruptcy laws;

(b) have ever been charged with, convicted of, or compounded for any offence under securities laws, corporations laws or any other laws involving fraud or dishonesty in a court of law;

(c) have ever had any action taken against them for any breach of the listing requirements or rules issued by Bursa Securities, for the past five (5) years; and

(d) have been subjected to any inquiry or investigation by any government or regulatory authority or body for the past five (5) years.

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## 4. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT

### 4.6 Involvement of Our Promoters, Substantial Shareholders, Directors and Key Management Personnel in Business/Corporation outside Our Group

Save as disclosed below, our Promoters, Substantial Shareholders, Directors and key management personnel do not have any other principal directorship in other Malaysian corporations or any principal business activities performed outside our Group for FYE 2017, FYE 2018 and prior to the LPD:

| Name | Directorships / Shareholdings | Date appointed | Date resigned | Position held | Principal activities |
|---|---|---|---|---|---|
| Ng Poh Tat | Choo Bee Metal Industries Berhad | 15.08.2008 | - | Independent Non-Executive Director | Processing of steel coils into steel products, fabrication of steel products and trading of hardware products |
| Tan Eng Seng | Polydamic Fibreglass Technologies Sdn Bhd | 24.05.1999 | * | Director | Supply of Industrial fibreglass reinforced plastic products |

***Note:***

* *The company was struck off on 24 February 2017 pursuant to section 551(3) of the Companies Act 2016.*

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### 4.7 Moratorium on Our Shares

In compliance with Rule 3.07 of the 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 the entire shareholdings of our Promoters for a period of twelve (12) months from the date of our admission to the Official List; and

(ii) upon expiry of the twelve (12) months period stated above, the aggregate shareholdings of our Promoters amounting to at least 45% of the total number of issued Shares shall remain under moratorium for a period of another period of thirty-six (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.

The moratorium shall be imposed according to the following:

| **Promoters** | **Shares under Moratorium for the first 12 months upon Listing*(1)*** | | **Shares under Moratorium for the next 36 months*(1)*** | |
|---|---|---|---|---|
| | **No. of Shares** | **%** | **No. of Shares** | **%** |
| Tan Eng Seng | 67,755,559 | 76.8 | 35,294,401 | 40.0 |
| Ang Soo Lee | 7,244,443 | 8.2 | 4,411,800 | 5.0 |
| **Total** | **75,000,002** | **85.0** | **39,706,201** | **45.0** |

***Note:***

*(1) Based on our enlarged issued share capital of 88,236,002 Shares upon Proposed Listing. The moratorium, which is fully acknowledged by our Promoter, 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.*

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## 5. PARTICULARS OF THE PROPOSED LISTING

### 5.1 Proposed Listing scheme

#### 5.1.1 Proposed Excluded Issue

Pursuant to our Proposed Listing, we intend to issue 13,236,000 Issue Shares, representing approximately 15% of our enlarged issued share capital at RM0.18 per Issue Share to Sophisticated Investors within the meanings of Section 230 of the CMSA.

In accordance with Rule 3.10 of the Listing Requirements:

(i) We undertake to open a trust account with a financial institution licensed by Bank Negara Malaysia ("**Trust Account**") where all monies received from the Sophisticated Investors pursuant to subscription of our Shares will be deposited therein. The Trust Account will be jointly operated by Polydamic and Tricor Investor & Issuing House Services Sdn Bhd;

(ii) Both Tricor Investor & Issuing House Services Sdn Bhd and ourselves undertake that all monies deposited in the Trust Account will not be withdrawn until the date of listing of our Shares on the LEAP Market; and

(iii) We undertake to repay without interest all monies received from the Sophisticated Investors if:

   (a) Our Proposed Listing does not take place within 6 months from the date of Bursa Securities' approval for our Proposed Listing on the LEAP Market or such further extension of time as Bursa Securities may allow ("**Period**"); or

   (b) We abort our Proposed Listing.

In such event, the monies will be repaid within fourteen (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 liability, 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.

#### 5.1.2 Basis of Arriving at the Issue Price

The Issue Price of RM0.18 per Issue Share was determined and agreed by us and BDO, after taking into consideration the following factors:

(i) Our competitive advantages and key strengths as set out in Section 3.7 of this Information Memorandum;

(ii) Our future plans and business strategies are as further described in Section 3.19 of this Information Memorandum;

(iii) Our operating history and financial performance as set out in Sections 2, 3 and 6 of this Information Memorandum, which represents an implied price-earnings multiple of approximately 30.0 times based on our EPS of 0.6 sen for FYE 2018 and an implied price-earnings multiple of approximately 20.0 times based on our EPS of 0.9 sen for FYE 2017.

Prior to our Proposed Listing, there was no public market for our Shares within or outside Malaysia. You should note that the market price of our Shares subsequent to our Proposed Listing is subject to the vagaries of market forces and other uncertainties that may affect the price of our Shares being traded. You should form your own views on the valuation of our Shares before deciding to invest in them. You are reminded to carefully consider the risk factors as set out in Section 8 of this Information Memorandum.

### 5.1.3 Proposed Utilisation of proceeds

Based on the Issue Price, the estimated gross proceeds to be raised from our Proposed Excluded Issue of RM2.38 million are planned to be utilised in the following manner:

| | Utilisation of Proceeds | Estimated timeframe for utilisation upon Proposed Listing | RM'000 | % |
|---|---|---|---|---|
| (i) | Establishment of office and workshop to expand our physical presence to the Central Region of Malaysia | Within 12 months | 624 | 26.2 |
| (ii) | Working capital | Within 12 months | 658 | 27.6 |
| (iii) | Estimated listing expenses | Immediate | 1,100 | 46.2 |
| **Total** | | | **2,382** | **100.0** |

Further details of the proposed utilisation of proceeds of our Proposed Excluded Issue are as set out below:

(i) **Establishment of office and workshop to expand our physical presence to the Central Region of Malaysia**

We intend to utilise approximately RM0.62 million of the proceeds to establish an office and workshop in the Central Region of Malaysia. The breakdown of the cost and expenses are as follows:

| Establishment of office and workshop | RM'000 |
|---|---|
| Staff cost | 240 |
| Motor vehicles | 120 |
| Rental expenses of office and workshop | 84 |
| Workshop renovation, tools and equipment | 80 |
| Miscellaneous, including electricity and water bills, petrol, housekeeping cost and others | 60 |
| Office renovation and office equipment | 40 |
| **Total** | **624** |

The establishment of the office and workshop is expected to be completed within twelve (12) months after our Proposed Listing. Currently we have established our market presence primarily in the Northern Region of Malaysia with our Penang Factory and Ipoh Factory. Although we have completed projects in the Central Region of Malaysia, we do not presently have physical presence in the region. This office and workshop will act as a sales and marketing arm which provides us with the platform to explore and capture business opportunities arising from the Central Region as well as those from the Southern Region. This will facilitate us to respond to sales enquiries in these regions in person and to develop business relationships with the customers/potential customers. Our team in our Central Region office and workshop will also be able to provide prompt technical support and maintenance services to our customers at their premises located in these regions.

If the actual cost of establishing the office and workshop exceeds the amount originally allocated from the proceeds raised from our Proposed Excluded Issue, the shortfall will be funded from our internal generated funds and/or bank borrowings.

For further details on our future plans and business strategies, please refer to Section 3.19 of this Information Memorandum.

(ii) **Working capital**

We foresee that our working capital requirements would increase in tandem with our future plans and business strategies as outlined in Section 3.19 of this Information Memorandum. Therefore, we intend to allocate approximately RM0.66 million of the proceeds to be raised from the Proposed Excluded Issue for the day-to-day operations and general working capital requirements.

| **Working capital** | **RM'000** |
|---|---|
| Administrative and other operating expenses | 312 |
| Purchase of raw materials | 250 |
| Marketing activities | 60 |
| Maintenance costs for machinery and equipment | 36 |
| **Total** | **658** |

(iii) **Estimated listing expenses**

The proceed allocated for our listing expenses include professional fees, fees payable to relevant authorities and other miscellaneous expenses in relation to our Proposed Listing.

The breakdown of the estimated listing expenses is as follows:

| **Listing expenses** | **RM'000** |
|---|---|
| Professional fees | 1,020 |
| Placement fees | 60 |
| Miscellaneous fees (inclusive of authority fees) | 20 |
| **Total** | **1,100** |

In the event that the actual amounts vary from the above estimates, the excess or deficit, as the case may be, will be reallocated to/from the amount earmarked for working capital.

Pending the utilisation of proceeds for the abovementioned purposes, the proceeds to be raised from the Proposed Excluded Issue, save for the estimated listing expenses of approximately RM1.10 million, will be placed in short term deposits with licensed financial institutions and/or short-term money market instruments.

### 5.1.4 Proposed Listing on Bursa Securities

Our Proposed Listing is subject to the receipt of an approval-in-principle from Bursa Securities. Thus, we have concurrently made an application to Bursa Securities for the admission of our Company to the Official List and the listing and quotation of our entire enlarged issued share capital of RM0.18 comprising 88,236,002 Shares on the LEAP Market of Bursa Securities and we are awaiting Bursa Securities' decision on the same.

## 5.2 Share Capital and Shareholding Structure

### 5.2.1 Share Capital, Classes of Shares and Ranking

Upon completion of the Proposed Listing, our share capital would be as follows:

| | No. of Shares | Share Capital RM'000 |
|---|---|---|
| Issued share capital as at the LPD | 75,000,002 | 6,000 |
| New Shares to be issued pursuant to our Proposed Excluded Issue | 13,236,000 | 2,382 |
| Enlarged issued share capital upon Proposed Listing | 88,236,002 | 8,382 |
| | | |
| Issue Price per Issue Share | | 0.18 |
| Market capitalisation at the Issue Price upon Proposed Listing | | 15,882 |

We have only one class of shares in our Company, namely ordinary shares. The Issue Shares will, upon allotment and issuance, rank *pari-passu* in all respects with our existing Shares, including voting rights and rights to all dividends and distributions that may be declared, made or paid subsequent to the date of allotment and issuance of the Issue Shares.

Subject to any special rights attached to any Shares which we may issue in the future, our shareholders shall, in proportion to the amount paid up on the Shares held by them, be entitled to share in the profits paid out by us as dividends and other distributions. Similarly, if our Company is liquidated, our shareholders shall be entitled to any surplus in accordance with our Constitution.

## 5. PARTICULARS OF THE PROPOSED LISTING

At any general meeting of our Company, each shareholder shall be entitled to vote in person or by proxy or by attorney or by duly authorised representative, as the case may be. Each shareholder shall be entitled to appoint 1 or more proxies to attend and vote at any general meeting of our Company. A proxy may but need not be a member of our Company and there shall be no restriction as to the qualification of the proxy. On a poll, each shareholder present either in person or by proxy or by attorney or by other authorised representative shall have one vote for each Share held.

### 5.2.2 Shareholding Structure

Our shareholdings structure before and after our Proposed Listing are as set out below:

| | Before Proposed Listing | | After Proposed Listing | |
|---|---|---|---|---|
| **Shareholders** | **No. of Shares** | **%** | **No. of Shares** | **%** |
| Promoters and Substantial Shareholders | 75,000,002 | 100.0 | 75,000,002 | 85.0 |
| New Public shareholders | - | - | 13,236,000 | 15.0 |
| **Total** | 75,000,002 | **100.0** | 88,236,002 | **100.0** |

### 5.3 Approvals required

The listing and quotation of our entire enlarged share capital on the LEAP Market of Bursa Securities is subject to the following:-

(i) approval-in-principle from Bursa Securities for the listing and quotation of our Shares; and

(ii) the successful completion of the Proposed Excluded Issue.

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## 6. FINANCIAL INFORMATION

Polydamic was incorporated on 17 October 2018 as an investment holding company to facilitate the Proposed Listing. Prior to the completion of the Acquisition of PSB and Acquisition of PHSB, Polydamic was dormant. As such, the historical financial information of our Group for FYE 2017, FYE 2018, FPE 2018 and FPE 2019 are presented based on the audited combined financial statements and unaudited combined financial statements of PSB and PHSB.

### 6.1 Combined statements of profit or loss and other comprehensive income

The following table, which has been extracted from our audited and unaudited combined financial statements as set out in Appendices II and III of this Information Memorandum, sets out our combined statements of profit or loss and other comprehensive income for FYEs 2017 and 2018 as well as our unaudited statements of profit or loss and other comprehensive income for FPEs 2018 and 2019, and should be read in conjunction with the 'Management Discussion and Analysis' in Section 7 of this Information Memorandum. The historical financial information of FYEs 2017 and 2018 included in this Information Memorandum is based on financial statements that have been prepared in accordance with MFRS, IFRS and the requirements of the Act 2016 in Malaysia and have been audited by Peter Chong & Co in accordance with approved standards on auditing in Malaysia.

| | **Audited** | | **Unaudited** | |
|---|---|---|---|---|
| | **FYE 2017** | **FYE 2018** | **10-month FPE 2018** | **10-month FPE 2019** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Revenue | 15,014 | 15,090 | 11,581 | 13,158 |
| Cost of sales | (9,637) | (9,853) | (7,662) | (7,607) |
| **GP** | **5,377** | **5,237** | **3,919** | **5,551** |
| Other operating income | 160 | 153 | 95 | 215 |
| Recovery of allowance for impairment | - | 30 | 30 | 37 |
| Selling and distribution costs | (259) | (254) | (203) | (178) |
| Administrative expenses | (3,575) | (3,867) | (3,133) | (3,437) |
| **Profit from operations** | **1,703** | **1,299** | **708** | **2,188** |
| Finance costs | (581) | (432) | (363) | (347) |
| **PBT** | **1,122** | **867** | **345** | **1,841** |
| Tax expense | (290) | (336) | (125) | (560) |
| **PAT** | **832** | **531** | **220** | **1,281** |
| EBITDA(1) | 2,036 | 1,655 | 996 | 2,457 |
| Enlarged total number of Shares after the Proposed Listing ('000) | **88,236** | **88,236** | **88,236** | **88,236** |
| GP margin(2) (%) | 35.8 | 34.7 | 33.8 | 42.2 |
| PBT margin(3) (%) | 7.5 | 5.7 | 3.0 | 14.0 |
| PAT margin(4) (%) | 5.5 | 3.5 | 1.9 | 9.7 |
| EBITDA margin(5) (%) | 13.6 | 11.0 | 8.6 | 18.7 |
| Basic and diluted EPS(6)(7) (sen) | 0.9 | 0.6 | 0.2 | 1.5 |

***Notes:***

*(1) EBITDA represents earnings before net finance cost, taxation, depreciation and amortisation. The table below sets forth a reconciliation of our PBT to EBITDA:-*

## 6. FINANCIAL INFORMATION

| | *Audited* | | *Unaudited* | |
|---|---|---|---|---|
| | ***FYE 2017*** | ***FYE 2018*** | ***FPE 2018*** | ***FPE 2019*** |
| | ***RM'000*** | ***RM'000*** | ***RM'000*** | ***RM'000*** |
| ***PBT*** | *1,122* | *867* | *345* | *1,841* |
| *Adjusted for:-* | | | | |
| *Finance cost* | *581* | *432* | *363* | *347* |
| *Interest income* | *(50)* | *(37)* | *(33)* | *(55)* |
| *Depreciation and amortisation* | *383* | *393* | *321* | *324* |
| ***EBITDA*** | ***2,036*** | ***1,655*** | ***996*** | ***2,457*** |

*(2) GP margin is computed based on GP over revenue.*
*(3) PBT margin is computed based on PBT over revenue.*
*(4) PAT margin is computed based on PAT over revenue.*
*(5) EBITDA margin is computed based on EBITDA over revenue.*
*(6) Basic and diluted EPS is computed based on PAT divided by the enlarged total number of Shares after the Proposed Listing.*
*(7) As at the LPD, our Group does not have any outstanding convertible security.*

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## 6. FINANCIAL INFORMATION

### 6.2 Combined statements of financial position

The following table, which has been extracted from our audited and unaudited combined financial statements as set out in Appendices II and III of this Information Memorandum, sets out our combined statements of financial position for FYEs 2017 and 2018 as well as our unaudited statements of financial position for FPEs 2018 and 2019, and should be read in conjunction with the 'Management Discussion and Analysis' in Section 7 of this Information Memorandum. The historical financial information of FYEs 2017 and 2018 included in this Information Memorandum is based on financial statements that have been prepared in accordance with MFRS, IFRS and the requirements of the Act 2016 in Malaysia and have been audited by Peter Chong & Co in accordance with approved standards on auditing in Malaysia.

| | **Audited** | | **Unaudited** | |
|---|---|---|---|---|
| | **30.06.2017** | **30.06.2018** | **30.04.2018** | **30.04.2019** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | 7,153 | 7,076 | 7,085 | 7,005 |
| Investment properties | 454 | 440 | 442 | 428 |
| | **7,607** | **7,516** | **7,527** | **7,433** |
| **Current assets** | | | | |
| Inventories | 956 | 1,498 | 2,096 | 1,279 |
| Receivables | 5,051 | 6,721 | 5,215 | 6,047 |
| Tax assets | - | 22 | 153 | 5 |
| Deposits, cash and bank balances | 2,959 | 2,657 | 3,034 | 3,652 |
| | **8,966** | **10,898** | **10,498** | **10,983** |
| **TOTAL ASSETS** | **16,573** | **18,414** | **18,025** | **18,416** |

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## 6. FINANCIAL INFORMATION

| | Audited | | Unaudited | |
|---|---|---|---|---|
| | 30.06.2017 | 30.06.2018 | 30.04.2018 | 30.04.2019 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| **EQUITY AND LIABILITIES** | | | | |
| **TOTAL EQUITY / NA** | | | | |
| Share capital | 1,200 | 1,200 | 1,200 | 1,200 |
| Retained earnings | 5,128 | 5,659 | 5,348 | 6,940 |
| | **6,328** | **6,859** | **6,548** | **8,140** |
| **LIABILITIES** | | | | |
| **Non-current liabilities** | | | | |
| Borrowings | 5,122 | 4,735 | 4,767 | 4,494 |
| Deferred tax liabilities | 132 | 149 | 114 | 214 |
| | **5,254** | **4,884** | **4,881** | **4,708** |
| **Current liabilities** | | | | |
| Payables | 2,873 | 3,932 | 4,310 | 3,133 |
| Tax liabilities | 32 | - | 26 | 157 |
| Borrowings | 2,086 | 2,739 | 2,260 | 2,278 |
| | **4,991** | **6,671** | **6,596** | **5,568** |
| **TOTAL LIABILITIES** | **10,245** | **11,555** | **11,477** | **10,276** |
| **TOTAL EQUITY AND LIABILITIES** | **16,573** | **18,414** | **18,025** | **18,416** |
| Enlarged total number of Shares after the Proposed Listing ('000) | 88,236 | 88,236 | 88,236 | 88,236 |
| **NA per Share (RM)(1)** | **0.07** | **0.08** | **0.07** | **0.09** |
| Total borrowings | 7,208 | 7,474 | 7,027 | 6,772 |
| **Gearing ratio (times)(2)** | **1.14** | **1.09** | **1.07** | **0.83** |

***Notes:***

(1) *NA per Share is computed based on total equity divided by the enlarged total number of Shares after the IPO.*

(2) *Gearing ratio is computed based on total interest-bearing borrowings over total equity based on the audited/unaudited figures as at the end of each financial year.*

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## 6. FINANCIAL INFORMATION

### 6.3 Combined statements of cash flows

The following table, which has been extracted from our audited and unaudited combined financial statements as set out in Appendices II and III of this Information Memorandum, sets out our combined statements of cash flows for FYEs 2017 and 2018 as well as our unaudited statements of cash flows for FPEs 2018 and 2019, and should be read in conjunction with the 'Management Discussion and Analysis' in Section 7 of this Information Memorandum. The historical financial information of FYEs 2017 and 2018 included in this Information Memorandum is based on financial statements that have been prepared in accordance with MFRS, IFRS and the requirements of the Act 2016 in Malaysia and have been audited by Peter Chong & Co in accordance with approved standards on auditing in Malaysia.

| | Audited | | Unaudited | |
|---|---|---|---|---|
| | **FYE 2017** | **FYE 2018** | **10-month FPE 2018** | **10-month FPE 2019** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Net cash generated from/ (used in) operating activities | 261 | (252) | 531 | 1,906 |
| Net cash used in investing activities | (232) | (239) | (150) | (239) |
| Net cash generated from/ (used in) financing activities | 502 | (510) | (269) | 414 |
| **Net increase/(decrease) in cash and cash equivalents** | **531** | **(1,001)** | **112** | **2,081** |
| Cash and cash equivalents brought forward | 209 | 769 | 769 | (215) |
| Effect of exchange rate changes | 29 | 17 | (32) | 30 |
| **Cash and cash equivalents carried forward** | **769** | **(215)** | **849** | **1,896** |

| | Audited | | Unaudited | |
|---|---|---|---|---|
| | **FYE 2017** | **FYE 2018** | **10-month FPE 2018** | **10-month FPE 2019** |
| **Analysis of cash and cash equivalents** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Deposits, cash and bank balances | 2,959 | 2,657 | 3,034 | 3,652 |
| Less: Bank overdraft | (1,652) | (2,324) | (1,637) | (1,731) |
| Less: Fixed deposits held as security values | (538) | (548) | (548) | (25) |
| | **769** | **(215)** | **849** | **1,896** |

## 6. FINANCIAL INFORMATION

### 6.4 Pro forma combined statements of financial position

We have prepared the pro forma combined statements of financial position below for illustrative purposes only, to show the effects of the Proposed Listing on the assumption that the events had been effected on 30 June 2018.

The pro forma effects of the Proposed Listing on the NA and gearing of our Group are set out below:-

| | Audited as at 30.06.2018 | Upon completion of Acquisition of PSB and Acquisition of PHSB(1) | After Proposed Excluded Issue(2) | After Proposed Excluded Issue and utilisation of proceeds(3) |
|---|---|---|---|---|
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Share capital | 1,200 | 6,000 | 8,382 | 8,322 |
| Retained earnings | 5,659 | 859 | 859 | (493) |
| **Total equity / NA** | **6,859** | **6,859** | **9,241** | **7,829** |
| No. of Shares in issue ('000) | 1,200 | 75,000 | 88,236 | 88,236 |
| **NA per Share (RM)** | **5.72** | **0.09** | **0.10** | **0.09** |
| Total borrowings | 7,474 | 7,474 | 7,474 | 7,474 |
| **Gearing (times)** | **1.09** | **1.09** | **0.81** | **0.95** |

***Notes:***

*(1) On 3 October 2019, share capital are increased to RM6.00 million through issuance of 75,000,000 ordinary shares of an issue price of RM0.08 for total cash consideration of RM6,000,000 for Acquisition of PSB and Acquisition of PHSB.*

*(2) Assuming the 13,236,000 Issue Shares are issued at an Issue Price of RM0.18 per Issue Share and the amount is fully credited to the share capital account in accordance with the Act.*

*(3) The estimated listing expenses arising from placement fees of RM0.06 million will be charged to share capital as per FRSIC Consensus 13. The estimated listing expenses of approximately RM0.97 million, comprising mainly, professional fees and miscellaneous expenses, as well as general working capital of administrative and other operating expenses amounting to RM0.38 million will be charged to profit and loss. The listing expenses arising from professional fees of RM0.07 million has been recognised in profit and loss in FYE 2018.*

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# 7. MANAGEMENT DISCUSSION AND ANALYSIS

The following management's discussion and analysis of Polydamic's past financial condition and results of operations for FYEs 2017 and 2018 as well as FPEs 2018 and 2019 should be read in conjunction with the Audited Combined Financial Statements in Appendix II and Unaudited Combined Financial Statements in Appendix III of this Information Memorandum.

This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ significantly from those projected in the forward-looking statements. Factors which may cause future results to differ significantly from those included in the forward-looking statements include, but are not limited to, those discussed below or elsewhere in this Information Memorandum, in particular the Risk Factors in Section 8 of this Information Memorandum.

## 7.1 OVERVIEW

We are an investment holding company and through our subsidiaries, we are principally involved in the provision of air pollution control solutions which comprise the following:

(i) Design, manufacturing, installation and commissioning of air pollution control systems;

(ii) Manufacturing and sale of air pollution control products and other related environmental engineering products; and

(iii) Provision of air pollution control services, comprising technical consultation and maintenance services.

Please refer to Section 3 of this Information Memorandum for further details of our business.

### 7.1.1 Revenue

Our revenue is derived from the development and manufacturing of various types of air pollution control solutions, including:

(i) Air pollution control systems;

(ii) Air pollution control products and other related environmental engineering products; and

(iii) Technical consultation and maintenance services.

Our Group's revenue for the FYEs 2017 and 2018 as well as FPEs 2018 and 2019 are analysed as follows:

## 7. MANAGEMENT DISCUSSION AND ANALYSIS

### (a) Revenue breakdown by product / service category

The following table sets out the breakdown and analysis of our Group's revenue by product / service category for the financial years and financial periods under review:-

| | Audited | | | | Unaudited | | | |
|---|---|---|---|---|---|---|---|---|
| | FYE 2017 | | FYE 2018 | | 10-month FPE 2018 | | 10-month FPE 2019 | |
| | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| Air pollution control systems | 8,351 | 55.6 | 6,836 | 45.3 | 4,999 | 43.2 | 7,216 | 54.8 |
| Air pollution control products and other related environmental engineering products | 3,893 | 25.9 | 4,258 | 28.2 | 3,223 | 27.8 | 3,683 | 28.0 |
| Technical consultation and maintenance services | 2,770 | 18.5 | 3,996 | 26.5 | 3,359 | 29.0 | 2,259 | 17.2 |
| **Total revenue** | **15,014** | **100.0** | **15,090** | **100.0** | **11,581** | **100.0** | **13,158** | **100.0** |

**Comparison between FYE 2017 and FYE 2018**

In FYE 2018, our Group's revenue increased marginally by RM0.08 million or 0.5% as compared to FYE 2017 due to:

(i) Increase in revenue from the air pollution control products and other related environmental engineering products due to new orders from one of our major customers from Thailand and one of the plantation company in Malaysia; and

(ii) Increase in revenue from technical consultation and maintenance services mainly due to more repair and maintenance works required from one of our major customers after the completion of twelve (12) lines of glove chlorination systems.

The increase in our Group's revenue in FYE 2018 as compared to FYE 2017 was partially offset by the decrease in revenue from air pollution control systems due to the completion of twelve (12) lines of glove chlorination systems with one of our major customers in FYE 2017. The impact was partially mitigated by an increase in revenue from two other major customers for the installation of exhaust system and chlorine emergency scrubber system in Thailand and USA respectively.

**Comparison between FPE 2018 and FPE 2019**

In FPE 2019, our Group's revenue increased by RM1.58 million or 13.6% as compared to FPE 2018. This was mainly due to:

(i) Increase in revenue in air pollution control systems category mainly due to more new projects from two of our major overseas customers for installation of chlorine emergency scrubber systems and chlorination tumbler; and

(ii) Increase in revenue in air pollution control products and other related environmental engineering products category which was mainly due to higher sales in gratings and tanks to two of our major customers based in Malaysia.

The increase in our Group's revenue in FPE 2019 as compared to FPE 2018 was partially offset by the decrease in revenue in technical consultation and maintenance services category.

**(b) Revenue breakdown by geographical locations**

The following table sets out the breakdown and analysis of our Group's revenue by geographical locations for the financial years / periods under review:

| | Audited | | | | Unaudited | | | |
|---|---|---|---|---|---|---|---|---|
| | FYE 2017 | | FYE 2018 | | 10-month FPE 2018 | | 10-month FPE 2019 | |
| | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| Local Revenue | | | | | | | | |
| Malaysia | 12,652 | 84.3 | 10,099 | 66.9 | 6,653 | 57.4 | 8,717 | 66.2 |
| **Total Local Revenue** | **12,652** | **84.3** | **10,099** | **66.9** | **6,653** | **57.4** | **8,717** | **66.2** |
| Overseas Revenue | | | | | | | | |
| Thailand | 658 | 4.4 | 2,432 | 16.1 | 2,323 | 20.1 | 643 | 4.9 |
| USA | 681 | 4.5 | 1,774 | 11.8 | 1,456 | 12.6 | 2,921 | 22.2 |
| Indonesia | 777 | 5.2 | 738 | 4.9 | 878 | 7.6 | 100 | 0.7 |
| China | 200 | 1.3 | - | - | 149 | 1.3 | 48 | 0.4 |
| Singapore | 46 | 0.3 | 18 | 0.1 | 18 | 0.1 | 142 | 1.1 |
| Ecuador | - | - | - | - | - | - | 354 | 2.7 |
| Others(1) | - | - | 29 | 0.2 | 104 | 0.9 | 233 | 1.8 |
| **Total Overseas Revenue** | **2,362** | **15.7** | **4,991** | **33.1** | **4,928** | **42.6** | **4,441** | **33.8** |
| **Total revenue** | **15,014** | **100.0** | **15,090** | **100.0** | **11,581** | **100.0** | **13,158** | **100.0** |

***Note:***
*(1) Others comprise countries such as Colombia, Saudi Arabia, Philippines and India.*

Our Group's revenue is predominantly generated from local customers who contributed 84.3% and 66.9% of our Group revenue for FYE 2017 and FYE 2018 respectively, and 57.4% and 66.2% of our Group revenue for FPE 2018 and FPE 2019 respectively. Our overseas sales for the period under review was primarily from our sales to customers based in Thailand, USA, Indonesia, China, Ecuador, Singapore and Colombia.

**Comparison between FYE 2017 and FYE 2018**

In FYE 2018, our Group's sales to local customers decreased by RM2.55 million or 20.2% as compared to FYE 2017 mainly due to the completion of glove chlorination system with one of our major customers in FYE 2017. In FYE 2018, our Group's sales to overseas customers increased by RM2.63 million or 111.3% as compared to FYE 2017 mainly due to higher demand for air pollution control systems from our major customers based in Thailand and USA.

**Comparison between FPE 2018 and FPE 2019**

In FPE 2019, our Group's sales to local customers increased by RM2.06 million or 31.0% as compared to FPE 2018 as there were more local jobs completed. In FPE 2019, our Group's sales to overseas customers decreased by RM0.49 million or 9.9% as compared to FPE 2018 mainly due to completion of air pollution control systems for our customers based in Thailand and Indonesia.

### 7.1.2 Cost of sales

#### (a) Analysis of cost of sales by product / service category

The following table sets out the cost of sales by product / service category for the financial years and financial periods under review:-

| | Audited | | | | Unaudited | | | |
|---|---|---|---|---|---|---|---|---|
| | FYE 2017 | | FYE 2018 | | 10-month FPE 2018 | | 10-month FPE 2019 | |
| | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| Air pollution control systems | 5,410 | 56.1 | 4,701 | 47.7 | 3,663 | 47.8 | 3,997 | 52.5 |
| Air pollution control products and other related environmental engineering products | 2,548 | 26.5 | 3,033 | 30.8 | 2,036 | 26.6 | 2,264 | 29.8 |
| Technical consultation and maintenance services | 1,679 | 17.4 | 2,119 | 21.5 | 1,963 | 25.6 | 1,346 | 17.7 |
| **Total cost of sales** | **9,637** | **100.0** | **9,853** | **100.0** | **7,662** | **100.0** | **7,607** | **100.0** |

## 7. MANAGEMENT DISCUSSION AND ANALYSIS

### (b) Analysis of cost of sales by cost items

During the financial years / periods under review, our Group's cost of sales comprise of material costs, factory overhead, labour costs and depreciation of property, plant and equipment.

| | Audited | | | | Unaudited | | | |
|---|---|---|---|---|---|---|---|---|
| | FYE 2017 | | FYE 2018 | | 10-month FPE 2018 | | 10-month FPE 2019 | |
| | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| Material costs(1) | 6,474 | 67.2 | 6,431 | 65.3 | 4,788 | 62.5 | 4,936 | 64.9 |
| Factory overheads(2) | 372 | 3.8 | 429 | 4.3 | 309 | 4.0 | 292 | 3.8 |
| Labour costs(3) | 2,714 | 28.2 | 2,922 | 29.7 | 2,507 | 32.7 | 2,317 | 30.5 |
| Depreciation of property, plant and equipment | 77 | 0.8 | 71 | 0.7 | 58 | 0.8 | 62 | 0.8 |
| **Total cost of sales** | **9,637** | **100.0** | **9,853** | **100.0** | **7,662** | **100.0** | **7,607** | **100.0** |

***Notes:***

(1) *Material costs are made up of purchases of raw materials, which include fiberglass resins, chop stranded mat, tissue mat, direct and woven roving, Nexus Veil and others. The amounts are arrived at after deducting the net changes in inventories, comprising work-in-progress and finished goods (FYE 2017: RM0.33 million; FYE 2018: RM0.54 million; FPE 2018: RM1.14 million; FPE 2019: -RM0.22 million).*

(2) *Factory overheads comprise tools and accessories, insurance, working permit, electricity and water, consumables, upkeep of factory, tools and machinery, thinner, workshop expenses, packing expense and hire of equipment.*

(3) *This relates to our production staff who are directly involved in the production, comprising their salaries, wages, allowance and bonus, EPF contributions, SOCSO, contract wages, work permit renewal, staff amenities and uniforms.*

**Comparison between FYE 2017 and FYE 2018**

The cost of sales of our Group increased by RM0.22 million or 2.2% in FYE 2018 as compared to FYE 2017. This is mainly due to an increase in labour costs by RM0.21 million or 7.7% as a result of an increase in the number of foreign workers in PHSB from 19 to 24 person and increase in overtime allowances. Our labour costs represent 28.2% and 29.7% of total cost of sales for FYE 2017 and FYE 2018 respectively.

**Comparison between FPE 2018 and FPE 2019**

The cost of sales of our Group decreased slightly by RM0.06 million or 0.7% in FPE 2019 as compared to FPE 2018. This is mainly due to a decrease in the labour costs by RM0.19 million as a result of lower overtime allowances due to stricter monitoring and decrease in the factory overheads by RM0.02 million from FPE 2018 to FPE 2019. The impact was partially offset by increase in material costs by RM0.15 million.

## 7. MANAGEMENT DISCUSSION AND ANALYSIS

### 7.1.3 GP and GP margin

Our Group's GP and GP margin for the financial years / periods under review are analysed as follows:

#### (a) GP and GP margin by product / service category

| | Audited | | | | Unaudited | | | |
|---|---|---|---|---|---|---|---|---|
| | FYE 2017 | | FYE 2018 | | 10-month FPE 2018 | | 10-month FPE 2019 | |
| | GP RM'000 | GP margin % | GP RM'000 | GP margin % | GP RM'000 | GP margin % | GP RM'000 | GP margin % |
| Air pollution control systems | 2,941 | 35.2 | 2,135 | 31.2 | 1,336 | 26.7 | 3,219 | 44.6 |
| Air pollution control products and other related environmental engineering products | 1,345 | 34.5 | 1,225 | 28.8 | 1,187 | 36.8 | 1,419 | 38.5 |
| Technical consultation and maintenance services | 1,091 | 39.4 | 1,877 | 47.0 | 1,396 | 41.6 | 913 | 40.4 |
| **Total GP and GP margin** | **5,377** | **35.8** | **5,237** | **34.7** | **3,919** | **33.8** | **5,551** | **42.2** |

**Comparison between FYE 2017 and FYE 2018**

Our Group's GP decreased by RM0.14 million or 2.6% in FYE 2018 as compared to FYE 2017 due to an increase in cost of sales which was mainly attributable to the increase of our labour cost as explained in Section 7.1.2(b) of this Information Memorandum. Our Group's GP margin has also decreased from 35.8% in FYE 2017 to 34.7% in FYE 2018 due to the decrease in the GP margin of air pollution control systems as a result of the completion of glove chlorination system job with one of our major customers in FYE 2017 as well as the decrease in the GP margin for the installation of FRP tank jobs under the air pollution control products and other related environmental engineering products. This decrease was partially offset by the increase in GP margin of the scrubber refurbishment jobs under our technical consultation and maintenance services during FYE 2018.

**Comparison between FPE 2018 and FPE 2019**

Our Group's GP increased by RM1.63 million or 41.6% in FPE 2019 as compared to FPE 2018 mainly due to the increase in revenue in air pollution control systems by RM2.22 million while correspondingly, our Group's cost of sales decreased marginally by RM0.06 million as explained in Section 7.1.2(b) of this Information Memorandum. Our Group's GP margin has improved from 33.8% to 42.2% from FPE 2018 to FPE 2019 as both local and overseas markets recorded higher average margin, particularly due to our overseas sales of chlorine emergency scrubber systems and gloves line chlorination system under our air pollution control systems.

## (b) GP and GP margin by geographical locations

| | Audited | | | | Unaudited | | | |
|---|---|---|---|---|---|---|---|---|
| | FYE 2017 | | FYE 2018 | | 10-month FPE 2018 | | 10-month FPE 2019 | |
| | GP RM'000 | GP margin % | GP RM'000 | GP margin % | GP RM'000 | GP margin % | GP RM'000 | GP margin % |
| Local GP and GP margin | | | | | | | | |
| Malaysia | 4,481 | 35.4 | 3,597 | 35.6 | 2,257 | 33.9 | 3,450 | 39.6 |
| **Total Local GP and GP margin** | **4,481** | **35.4** | **3,597** | **35.6** | **2,257** | **33.9** | **3,450** | **39.6** |
| Overseas GP and GP margin | | | | | | | | |
| Thailand | 224 | 34.0 | 608 | 25.0 | 353 | 15.2 | 289 | 44.9 |
| USA | 306 | 44.9 | 778 | 43.9 | 730 | 50.1 | 1,442 | 49.4 |
| Indonesia | 232 | 29.9 | 234 | 32.1 | 410 | 46.7 | 35 | 35.0 |
| China | 109 | 54.5 | - | - | 117 | 78.5 | 40 | 83.3 |
| Singapore | 25 | 54.3 | 12 | 66.7 | 12 | 66.7 | 81 | 57.0 |
| Ecuador | - | - | - | - | - | - | 134 | 37.9 |
| Others[(1)] | - | - | 8 | 21.1 | 40 | 38.5 | 80 | 34.3 |
| **Total Overseas GP and GP margin** | **896** | **37.9** | **1,640** | **32.9** | **1,662** | **33.7** | **2,101** | **47.3** |
| **Total GP and GP margin** | **5,377** | **35.8** | **5,237** | **34.7** | **3,919** | **33.8** | **5,551** | **42.2** |

***Note:***
*(1) Others comprise countries such as Colombia, Saudi Arabia, Philippines and India.*

## 7. MANAGEMENT DISCUSSION AND ANALYSIS

**Comparison between FYE 2017 and FYE 2018**

Our Group's local GP decreased by RM0.88 million or 19.7% in FYE 2018 as compared to FYE 2017 due to lower sales to local customers after the completion of glove chlorination system with one of our major customers in FYE 2017. Our Group's overseas GP increased by RM0.74 million or 83.0% in FYE 2018 as compared to FYE 2017 due to higher sales to overseas customers for air pollution control systems from our major customers based in Thailand and USA.

The local GP margin is consistent at 35.4% and 35.6% in FYE 2017 and FYE 2018 respectively. The overseas GP margin decreased from 37.9% in FYE 2017 to 32.9% in FYE 2018 due to the decrease in the margin of one of our air pollution control systems project in Thailand as part of pricing strategy to further expand our market reach in Thailand.

**Comparison between FPE 2018 and FPE 2019**

Our Group's local GP increased by RM1.19 million or 52.9% in FPE 2019 as compared to FPE 2018 due to the higher sales in air pollution control systems. Our Group's overseas GP increased by RM0.44 million or 26.4% in FPE 2019 as compared to FPE 2018 mainly due to higher overseas sales for air pollution control systems.

Our Group's local GP margin improved from 33.9% to 39.6% in FPE 2018 to FPE 2019 mainly due to the higher margin recorded for sales of gratings as a standalone product instead of as part of an air pollution control system to one of our major customers in Malaysia during the period. Our Group's overseas GP margin increased from 33.7% in FPE 2018 to 47.3% in FPE 2019 mainly due to increase in selling price of chlorine emergency scrubber systems to one of our overseas customer due to some of the systems sold to them which have new specifications with a higher average margin and higher margin recorded from one of our overseas customers for sales of gloves line chlorination system with request to complete the project on a tight timeline.

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### 7.1.4 Other operating income

The following sets out a breakdown of our other operating income for our Group for the financial years / periods under review:-

| | Audited | | | | Unaudited | | | |
|---|---|---|---|---|---|---|---|---|
| | FYE 2017 | | FYE 2018 | | 10-month FPE 2018 | | 10-month FPE 2019 | |
| | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| Interest income[(1)] | 50 | 31.3 | 37 | 24.2 | 33 | 34.7 | 55 | 25.6 |
| Rental income[(2)] | 36 | 22.5 | 69 | 45.1 | 57 | 60.0 | 56 | 26.0 |
| Unrealised foreign exchange gain[(3)] | 29 | 18.1 | 47 | 30.7 | - | - | 49 | 22.8 |
| Realised foreign exchange gain[(3)] | - | - | - | - | 5 | 5.3 | 19 | 8.8 |
| Gain on disposal of property, plant and equipment[(5)] | 42 | 26.2 | - | - | - | - | 1 | 0.5 |
| Sundry income | 3 | 1.9 | - | - | - | - | 35 | 16.3 |
| **Total** | **160** | **100.0** | **153** | **100.0** | **95** | **100.0** | **215** | **100.0** |

***Notes:***
*(1) Being the interest income on bank balances*
*(2) Being the rental income collected from renting out industrial factories in Taman Perindustrian Ringan Jelapang Maju, Ipoh and in Kawasan Perindustrian Mak Mandin, Butterworth.*
*(3) Being the realised and unrealised foreign exchange gain arising from the exchange rate difference between date of invoice issued in foreign currencies and date of payment received due to the weakening in Malaysian Ringgit.*
*(4) Being the recovery of previous doubtful debts.*
*(5) Being the disposal of motor vehicles in FYE 2017 and FPE 2019.*

**Comparison between FYE 2017 and FYE 2018**

Other operating income for our Group decreased by RM0.01 million or 4.4% from RM0.16 million in FYE 2017 to RM0.15 million in FYE 2018 primarily due to the decrease in interest income and excluding the one-off gain on disposal of property, plant and equipment in the prior year which is partially offset by the increase in rental income and unrealised foreign exchange gain.

**Comparison between FPE 2018 and FPE 2019**

Our Group's other operating income increased by RM0.12 million or 126.3% from RM0.10 million in FPE 2018 to RM0.22 million in FPE 2019, mainly due to increase in unrealised foreign exchange gain, interest income, realised foreign exchange gain and sundry income arising from an insurance claim for motor vehicle.

### 7.1.5 Administrative expenses, selling and distribution costs, and finance costs

The following table sets out a breakdown of our Group's administrative expenses, selling and distribution costs and finance costs for the financial years / periods under review:-

| | Audited | | | | Unaudited | | | |
|---|---|---|---|---|---|---|---|---|
| | FYE 2017 | | FYE 2018 | | 10-month FPE 2018 | | 10-month FPE 2019 | |
| | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| Administrative expenses | 3,575 | 81.0 | 3,867 | 84.9 | 3,133 | 84.7 | 3,437 | 86.7 |
| Selling and distribution costs | 259 | 5.8 | 254 | 5.6 | 203 | 5.5 | 178 | 4.5 |
| Finance costs | 581 | 13.2 | 432 | 9.5 | 363 | 9.8 | 347 | 8.8 |
| **Total expense** | **4,415** | **100.0** | **4,553** | **100.0** | **3,699** | **100.0** | **3,962** | **100.0** |

#### (a) Administrative expenses

The following table sets out a breakdown of our Group's administrative expenses for the financial years / periods under review:-

| | Audited | | | | Unaudited | | | |
|---|---|---|---|---|---|---|---|---|
| | FYE 2017 | | FYE 2018 | | 10-month FPE 2018 | | 10-month FPE 2019 | |
| | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| Staff costs | 1,524 | 42.6 | 1,591 | 41.1 | 1,368 | 43.7 | 1,417 | 41.2 |
| Directors' remuneration | 715 | 20.0 | 859 | 22.2 | 706 | 22.5 | 720 | 21.0 |
| Travelling and entertainment | 297 | 8.3 | 299 | 7.7 | 240 | 7.7 | 239 | 7.0 |
| Amortisation and depreciation | 306 | 8.6 | 321 | 8.3 | 264 | 8.4 | 262 | 7.6 |
| Utilities | 114 | 3.2 | 115 | 3.0 | 88 | 2.8 | 90 | 2.6 |
| Upkeep office and equipment | 146 | 4.1 | 102 | 2.6 | 91 | 2.9 | 87 | 2.5 |
| Professional fees | 107 | 3.0 | 127 | 3.3 | 27 | 0.9 | 370 | 10.8 |
| Realised loss on foreign exchange | 28 | 0.8 | 127 | 3.3 | 99 | 3.1 | 18 | 0.5 |
| Others[(1)] | 338 | 9.4 | 326 | 8.5 | 250 | 8.0 | 234 | 6.8 |
| **Total** | **3,575** | **100.0** | **3,867** | **100.0** | **3,133** | **100.0** | **3,437** | **100.0** |

***Note:***

*(1) Comprising, amongst others, write off of property, plant and equipment, security services, gift and donation, insurance and road tax, office expenses, safety equipment and bank charges.*

**Comparison between FYE 2017 and FYE 2018**

Our Group's administrative expenses represented 23.8% and 25.6% of our Group's total revenue for FYE 2017 and FYE 2018 respectively. The increase in our Group's administrative expenses by RM0.29 million or 8.2% from RM3.58 million FYE 2017 to RM3.87 million in FYE 2018 was mainly attributable to increase in directors' remuneration, realised loss on foreign exchange, professional fees, and staff costs.

Directors' remuneration increased by RM0.14 million or 20.1% due to the increment of directors' salaries for both PSB and PHSB, while the increase in realised loss on foreign exchange by RM0.10 million or 353.6% arose from the exchange rate difference between date of invoice issued in foreign currencies and date of payment received due to the strengthening in Malaysian Ringgit. Staff costs increased by RM0.07 million or 4.4% as we recruited a sales manager during the financial year to support the overall increase in business activities in FYE 2018.

**Comparison between FPE 2018 and FPE 2019**

Our Group's administrative expenses represented 27.1% and 26.1% of our Group's total revenue for FPE 2018 and FPE 2019 respectively. Our Group's administrative expenses increased by RM0.30 million or 9.7% was mainly due to professional fees and increase in staff costs.

Our professional fees increased by RM0.34 million or 1,270.4% due to fees paid to advisers arising from our Proposed Listing which are charged out as incurred while increase in staff costs by RM0.05 million or 3.6% was because we recruited more staff to support the overall increase in production and business activities during the financial period.

**(b) Selling and distribution costs**

Our Group's selling and distribution costs consist of transport, shipping and freight charges. For the financial years under review, our Group's selling and distribution costs represented 1.7% of our Group's total revenue for both FYE 2017 and FYE 2018. For the financial periods under review, our Group's selling and distribution costs represented 1.8% and 1.4% of our Group's total revenue for FPE 2018 and FPE 2019 respectively.

### (c) Finance costs

The following table sets out a breakdown of our Group's finance costs for the financial years / periods under review:-

| | Audited | | | | Unaudited | | | |
|---|---|---|---|---|---|---|---|---|
| | FYE 2017 | | FYE 2018 | | 10-month FPE 2018 | | 10-month FPE 2019 | |
| | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| **Interest on:** | | | | | | | | |
| Bank overdraft | 181 | 31.2 | 152 | 35.2 | 121 | 33.3 | 123 | 35.4 |
| Banker's acceptance | 13 | 2.2 | 4 | 0.9 | 2 | 0.6 | 2 | 0.6 |
| Term loan | 379 | 65.2 | 255 | 59.0 | 212 | 58.4 | 207 | 59.7 |
| Hire purchase | 8 | 1.4 | 21 | 4.9 | 28 | 7.7 | 16 | 4.6 |
| Credit card | - | - | - | - | - | - | (1) | (0.3) |
| **Total finance costs** | **581** | **100.0** | **432** | **100.0** | **363** | **100.0** | **347** | **100.0** |

Our finance costs consist of interest on bank overdraft, banker's acceptance, term loan and hire purchase. For the financial years under review, our Group's finance costs represented 3.9% and 2.9% of our Group's total revenue for FYE 2017 and FYE 2018 respectively. For FYE 2018, our Group's finance costs decreased by RM0.15 million or 25.6% as compared to FYE 2017 mainly due to repayment of term loan.

For the financial periods under review, our Group's finance costs represented 3.1% and 2.6% of our Group's total revenue for FPE 2018 and FPE 2019 respectively. For FPE 2019, our Group's finance costs increased slightly from FPE 2018 mainly due to increase in interest paid on bank overdraft.

## 7.1.6 PBT and PBT margin

| | Audited | | Unaudited | |
|---|---|---|---|---|
| | FYE 2017 | FYE 2018 | 10-month FPE 2018 | 10-month FPE 2019 |
| Group PBT (RM'000) | 1,122 | 867 | 345 | 1,841 |
| Group PBT margin (%) | 7.5 | 5.7 | 3.0 | 14.0 |

In FYE 2018, our Group's PBT decreased by RM0.26 million or 22.7% from RM1.12 million in FYE 2017 to RM0.87 million in FYE 2018. Our Group's PBT margin decreased from 7.5% in FYE 2017 to 5.7% in FYE 2018. This is mainly due to the overall decline in GP margin as explained in Section 7.1.3 of this Information Memorandum and increase in administrative expenses as explained in Section 7.1.5 of this Information Memorandum.

In FPE 2019, our Group's PBT increased by RM1.50 million or 433.6% from RM0.35 million in FPE 2018 to RM1.84 million in FPE 2019. Our Group's PBT margin increased from 3.0% in FPE 2018 to 14.0% in FPE 2019. This is mainly due to the overall increase in GP margin as explained in Section 7.1.3 of this Information Memorandum despite the increase in administrative expenses arising from the increase in professional fees from RM0.03 million in FPE 2018 to RM0.37 million in FPE 2019 due to fees mainly paid to advisers for our Proposed Listing which are charged out as incurred as explained in Section 7.1.5 of this Information Memorandum.

### 7.1.7 Tax expense

Our Group's tax expense comprises current and non-current income tax.

| | Audited | | Unaudited | |
|---|---|---|---|---|
| | FYE 2017 | FYE 2018 | 10-month FPE 2018 | 10-month FPE 2019 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Current: | | | | |
| - Income taxation | 267 | 287 | 135 | 495 |
| - Deferred taxation | 8 | 7 | (25) | - |
| Non-current: | | | | |
| - Income taxation | 14 | 32 | 8 | - |
| - Deferred taxation | 1 | 10 | 7 | 65 |
| **Tax expense** | **290** | **336** | **125** | **560** |
| Effective tax rate (%) | 25.8 | 38.8 | 36.2 | 30.4 |

For the financial years under review, PSB and PHSB qualified for SME tax rate of 18.0% on the first RM0.50 million chargeable income and statutory tax rate of 24.0% on the balance chargeable income. Moving forward, after the Proposed Listing, our income will be charged at the applicable statutory tax rate as PSB and PHSB will no longer qualify for SME tax rate post listing.

Our effective tax rate was 25.8%, 38.8%, 36.2% and 30.4% in FYE 2017, FYE 2018, FPE 2018 and FPE 2019 respectively. Our effective tax rate for the financial years and financial periods are higher than the statutory tax rate mainly due to non-deductible expenses, under provision of taxation in prior year and deferred tax liability previously not recognised.

### 7.1.8 Group PAT and PAT margin

Taking into consideration various factors as described in sections above, our Group's PAT during the financial years / periods under review is depicted below:

| | Audited | | Unaudited | |
|---|---|---|---|---|
| | FYE 2017 | FYE 2018 | 10-month FPE 2018 | 10-month FPE 2019 |
| Group PAT (RM'000) | 832 | 531 | 220 | 1,281 |
| Group PAT margin (%) | 5.5 | 3.5 | 1.9 | 9.7 |

The variance between PAT margins for the periods under review as a result of the reasons described in Section 7.1.7 above.

### 7.1.9 Key financial ratios

The following table sets forth certain key financial ratios of our Group:

| | Audited | | Unaudited | |
|---|---|---|---|---|
| | FYE 2017 | FYE 2018 | 10-month FPE 2018 | 10-month FPE 2019 |
| Trade receivables turnover period (days)(1) | 94.9 | 104.9 | 79.4 | 116.7 |
| Trade payables turnover period (days)(2) | 75.1 | 78.9 | 83.2 | 69.0 |
| Inventory turnover period (days)(3) | 30.1 | 45.5 | 60.6 | 55.5 |
| Current ratio (times)(4) | 1.80 | 1.63 | 1.59 | 1.97 |
| Gearing ratio (times)(5) | 1.14 | 1.09 | 1.07 | 0.83 |

***Notes:***

*(1) Computed based on the average trade receivables as at the beginning and ending dates of the respective consolidated statement of financial position over total revenue for the respective financial period, multiplied by number of days in the financial year/period.*

*(2) Computed based on the average trade payables as at the beginning and ending dates of the respective consolidated statement of financial position over total cost of sales for the respective financial period, multiplied by number of days in the financial year/period.*

*(3) Computed based on the average inventories as at the beginning and ending dates of the respective consolidated statement of financial position over total cost of sales for the respective financial period, multiplied by number of days in the financial year/period.*

*(4) Computed based on current assets over current liabilities as at the dates of the respective consolidated statement of financial position.*

*(5) Computed based on total borrowings over total equity as at the dates of the respective consolidated statement of financial position.*

### (i) Trade receivables turnover period

Our Group's trade receivables turnover period stood at 94.9 days and 104.9 days respectively for FYE 2017 and FYE 2018, while it stood at 79.4 and 116.7 days respectively for FPE 2018 and FPE 2019. Our credit terms to customers are assessed on a customer-by-customer basis. Generally, the credit periods granted to customers range from 30 to 90 days.

The credit term to customers are assessed and approved on a case-by-case basis by taking into consideration various factors, such as our business relationship with the customers, our sales and marketing strategy, the customers' payment history and the customers' creditworthiness. Our trade receivables turnover period increased from FYE 2017 to FPE 2019 due to slower payment from customers and retention sum withheld by our customers. Retention sum, recognised as part of trade receivables, is a portion of progress payment withheld by the customer for securing the due performance of our Group. Our Group does not have a retention sum policy for our sales. However, based on case-to-case basis and subject to customer's request at the project negotiation stage, some customers may impose a retention sum on the amount payable by the customers to us to secure due performance of the contracts. As at LPD, we have total retention sum withheld by two of our customers amounting to RM0.31 million. This comprises of 5% of the total billings of RM5.42 million retained by one of our customers as retention sum (subject to 6% of Goods and Services Tax which was applicable then) and this will be released to us by the end of 24 months retention period upon expiry of warranty period. In addition, there is 5% of the total billings of RM0.46 million retained by another one of our customers as retention sum and these will be released to us upon issuance of certificate of making good defects by the customers.

The aging of our trade receivables is as follows:

| | Audited | | Unaudited | |
|---|---|---|---|---|
| | FYE 2017 | FYE 2018 | 10-month FPE 2018 | 10-month FPE 2019 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Neither past due nor impaired | 2,450 | 4,324 | 1,396 | 1,563 |
| Past due | | | | |
| 1 to 30 days | 309 | 307 | 312 | 178 |
| 31 to 60 days | 223 | 60 | 366 | 292 |
| 61 to 90 days | 7 | 166 | 408 | 1,373 |
| 90 days and above but less than 1 year | 18 | 477 | 210 | 733 |
| More than 1 year | 164 | 168 | 187 | 460 |
| | 721 | 1,178 | 1,483 | 3,036 |
| Impaired | 91 | 47 | 47 | 10 |
| Trade receivables (gross) | 3,262 | 5,549 | 2,926 | 4,609 |
| Less: Allowance for impairment loss | (91) | (47) | (47) | (10) |
| Trade receivables (net) | **3,171** | **5,502** | **2,879** | **4,599** |

| | |
|---|---|
| Subsequent collections up to LPD | **3,408** |
| Outstanding balance as at LPD | **1,191** |

The table below shows the subsequent collections up to LPD:

| | | Past due | | | | | |
|---|---|---|---|---|---|---|---|
| | **Current** | **1 – 30 days** | **31- 60 days** | **61 to 90 days** | **90 days and above but less than 1 year** | **More than 1 year** | **Total** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **Trade receivables (net)** | **1,563** | **178** | **292** | **1,373** | **733** | **460** | **4,599** |
| Subsequent collections up to LPD | 1,541 | 166 | 269 | 885 | 415 | 132 | 3,408 |
| Trade receivables net of subsequent collection | 22 | 12 | 23 | 488 | 318 | 328 | 1,191 |
| % of total trade receivables net of subsequent collections | 1.8% | 1.0% | 1.9% | 41.0% | 26.7% | 27.6% | 100.0% |

As at LPD, RM3.41 million which represented 74.1% of the total receivables outstanding as at 30 April 2019 have been collected, out of which RM0.89 million and RM0.55 million, representing trade receivables outstanding between 61 to 90 days and outstanding for more than 90 days as at 30 April 2019 respectively, had been collected as at LPD.

**(ii) Trade payables turnover period**

Our Group's trade payables turnover period stood at 75.1 days and 78.9 days respectively for FYE 2017 and FYE 2018, while it stood at 83.2 and 69.0 days respectively for FPE 2018 and FPE 2019. The trade payables turnover period fell within the normal credit term granted by our suppliers, which ranged from 30 to 90 days.

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**(iii) Inventories turnover period**

Our Group's inventories turnover period increased from 30.1 days for FYE 2017 to 45.5 days in FYE 2018 to fulfil orders in hand while it decreased from 60.6 days for FPE 2018 to 55.5 days for FPE 2019. As shown in the table below, 97.7% of inventory in FYE 2018 and 100.0% of our inventory in FPE 2019 are raw materials and work-in-progress as we produce based on orders from customers.

| | Audited | | Unaudited | |
|---|---|---|---|---|
| | FYE 2017 | FYE 2018 | 10-month FPE 2018 | 10-month FPE 2019 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Raw materials | 812 | 733 | 1,269 | 1,016 |
| Work-in-progress | 144 | 731 | 828 | 262 |
| Finished goods | - | 34 | - | - |
| **Total inventory** | **956** | **1,498** | **2,097** | **1,278** |

Our Group has not experience any write-off due to stock obsolescence during the financial years/periods under review. Our Board is of the opinion that there are no significant slow-moving or obsolete inventories as at 30 April 2019 as our inventories on-hand are primarily to cater for subsequent months' production and sales.

**(iv) Current ratio**

Our Group's recorded current ratio is relatively consistent at 1.80 times, 1.63 times, 1.59 times and 1.97 times as at FYE 2017. FYE 2018, FPE 2018 and FPE 2019 respectively. The Board will endeavour to maintain the current ratio of our Group at a healthy level.

**(v) Gearing ratio**

Our Group's recorded gearing ratio of 1.14 times as at FYE 2017 and 1.09 times as at FYE 2018 respectively, while gearing ratio stood at 1.07 times and 0.83 times as at FPE 2018 and FPE 2019 respectively. Our Group's gearing ratio is relatively consistent with the preceding year. The Board will, from time to time, review our Group's gearing ratio and make adjustments to our Group's capital structure, where appropriate.

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## 7. MANAGEMENT DISCUSSION AND ANALYSIS

### 7.1.10 Working Capital

Our working capital are funded by a combination of internal and external sources of funds. Our internal sources of funds comprise share capital, cash generated from our operating activities and our cash and bank balances, while our external funds are mainly from credit facilities from financial institutions.

As at 30 June 2018, our Group recorded negative cash and cash equivalents of RM0.22 million and have unutilised credit facilities of RM3.92 million.

As at the LPD, our Group recorded cash and cash equivalents of RM2.40 million and have unutilised credit facilities of RM4.75 million.

Based on the above and after taking into consideration our funding requirements for capital commitments, and together with the estimated gross proceeds to be raised from our Proposed Excluded Issue of RM2.38 million, our Board believes that our Group has sufficient working capital resources for our existing and foreseeable requirements for at least 12 months from the date of this Information Memorandum.

### 7.1.11 Summary of combined statements of cash flows

The following sets out a summary of our Group's combined statements of cash flows for the financial years / periods under review, and should be read in conjunction with Section 6.3.

**Net cash (used in)/from operating activities**

In FYE 2017, we generated operating cash flows before working capital changes of RM1.97 million. After adjusting for the following items, our Group's net cash from operating activities was a net cash inflow of RM0.26 million, comprising mainly the following:-

Cash outflow from:-

(i) RM0.79 million in net changes in working capital;

(ii) RM0.53 million in net interest paid; and

(iii) RM0.39 million in net payment of tax.

In FYE 2018, we generated lower operating cash flows before working capital changes of RM1.64 million as compared to FYE 2017 due to lower PBT arising from increase in administrative expenses as explained in Section 7.1.5 above. After adjusting for the following items, our Group's net cash used in operating activities was a net cash outflow of RM0.25 million, comprising mainly the following:-

Cash outflow from:-

(i) RM1.12 million in net changes in working capital due to increase in inventories by RM0.54 million to fulfil orders in hand and increase in receivables by RM1.64 million as more jobs were completed towards the end of our financial year. Notwithstanding the increase in receivables, the cash outflow was offset by cash inflow of RM1.06 million from increase in payables;

(ii) RM0.40 million in net interest paid; and

(iii) RM0.37 million in payment of tax.

## 7. MANAGEMENT DISCUSSION AND ANALYSIS

In FPE 2018, we generated unaudited operating cash flows before working capital changes of RM1.03 million. After adjusting for the following items, our Group's unaudited net cash from operating activities was net cash inflow of RM0.53 million, comprising mainly the following:-

Cash inflow from:-

(i) RM0.13 million in net changes in working capital.

Cash outflow from:-

(i) RM0.33 million in net interest paid; and

(ii) RM0.30 million in net payment of tax.

In FPE 2019, we generated unaudited operating cash flows before working capital changes of RM2.41 million. After adjusting for the following items, our Group's unaudited net cash from operating activities was a net cash inflow of RM1.91 million, comprising mainly the following:-

Cash inflow from:-

(i) RM0.11 million in net changes in working capital.

Offset by cash outflow from:-

(i) RM0.32 million in net payment of tax; and

(ii) RM0.29 million in net interest paid.

**Net cash used in investing activities**

For FYE 2017, we recorded net cash used in investing activities of RM0.23 million due to:-

(i) Cash outflow of RM0.27 million due to purchases of property, plant and equipment, comprising acquisition of plant and machinery of RM0.11 million, motor vehicles of RM0.06 million, computer and office equipment of RM0.06 million, furniture and fittings of RM0.03 million, as well as RM0.01 million in tools, equipment, renovation and electrical installation; and

(ii) Offset by cash inflow of RM0.04 million of proceeds from disposal of motor vehicles.

For FYE 2018, we recorded net cash used in investing activities of RM0.24 million due to:

(i) Cash outflow of RM0.24 million due to purchases of property, plant and equipment, comprising acquisition of plant and machinery of RM0.11 million, motor vehicles of RM0.10 million, computer and office equipment of RM0.02 million, as well as RM0.01 million in tools, equipment, renovation and electrical installation.

For FPE 2018, we recorded unaudited net cash used in investing activities of RM0.15 million due to:-

(i) Cash outflow of RM0.15 million due to purchases of property, plant and equipment, comprising plant and machinery of RM0.10 million, computer and office equipment of RM0.02 million, motor vehicle of RM0.02 million and RM0.01 million in tools, equipment and electrical equipment and fittings.

For FPE 2019, we recorded unaudited net cash used in investing activities of RM0.24 million due to:-

(i) Cash outflow of RM0.24 million due to purchases of property, plant and equipment, comprising acquisition of plant and machinery of RM0.21 million, renovation and electrical installation of RM0.01 million and RM0.02 million in computer and office equipment, renovation and electrical installation; and

(ii) Offset by cash inflow of RM0.001 million of proceeds from disposal of motor vehicle.

**Net cash (used in)/from financing activities**

For FYE 2017, our Group recorded net cash generated from financing activities of RM0.50 million comprising:-

Cash inflow from:-

(i) RM0.19 million of net drawdown of borrowings; and

(ii) RM0.61 million due to release of fixed deposits pledged to licensed banks;

Cash outflow from:-

(i) Dividend paid of RM0.30 million.

For FYE 2018, our Group recorded net cash used in financing activities of RM0.51 million comprising cash outflow from:-

(i) RM0.50 million of repayment of borrowings; and

(ii) RM0.01 million due to fixed deposits pledged to licensed banks.

For FPE 2018, our Group recorded unaudited net cash used in financing activities of RM0.27 million comprising cash outflow from:-

(i) RM0.26 million of repayment of borrowings; and

(ii) RM0.01 million due to fixed deposits pledged to licensed banks.

For FPE 2019, our Group recorded unaudited net cash generated from financing activities of RM0.41 million comprising:-

Cash inflow from:-

(i) RM0.52 million due to release of fixed deposits pledged to licensed banks

Cash outflow from:-

(i) RM0.11 million of net repayment of borrowings.

## 7.2 PROSPECTS AND TRENDS

Based on our performance for the financial years / periods under review, including our segmental analysis of revenue and profitability, and our future plans and business strategies as detailed in Section 3.19 of this Information Memorandum, our Board observes and anticipates the following trends:-

(a) Our revenue is derived from sales to local and overseas customers. As part of our expansion plan, we propose to expand to the Central Region of Malaysia to have physical presence in the region. This can provide us with the platform to explore and capture any business opportunities arising from the Central Region as well as those from the Southern Region of Malaysia;

(b) Our total cost of sales represented approximately 64.2%, 65.3%, 66.2% and 57.8% of our total revenue in FYE 2017, FYE 2018, FPE 2018 and FPE 2019 respectively. The main components of our costs are purchase of raw materials, such as fiberglass resins, chop stranded mat, tissue mat, direct and woven roving, Nexus Veil and others, which contributed approximately 67.2%, 65.3%, 62.5% and 64.9% of our cost of sales in FYE 2017, FYE 2018, FPE 2018 and FPE 2019 respectively; and

(c) We recorded GP margins of 35.8%, 34.7%, 33.8% and 42.2% as well as PAT margins of 5.5%, 3.5%, 1.9% and 9.7% for FYE 2017, FYE 2018, FPE 2018 and FPE 2019 respectively. As part of our future plans, we intend to expand our market presence by establishing an office and workshop in other states in Malaysia should the need arises. We will also continue to expand our business by targeting air pollution control system projects. Our effort can be supported by our Group’s enhanced profile and reputation in the air pollution control industry after the listing of our Group on the LEAP Market.

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## 7.3 DIVIDEND POLICY

As we are an investment holding company, our Company's income and therefore our ability to pay dividends is dependent upon the dividends we receive from our subsidiaries. The payment of dividends or other distributions by our subsidiaries will depend on our subsidiaries' distributable profits, financial performance, cash flow requirements, capital expenditure plans, business expansion plans and other factors.

The declaration of interim dividends and the recommendation of final dividends are subject to the discretion of our Board and any final dividends for the year are subject to shareholders' approval. It is our intention to pay dividends in the future; however, such payments will depend upon a number of factors, including our Group's financial performance, capital expenditure requirements, general financial condition, timing and quantum of the dividends and any other factors considered relevant by our Board.

When recommending the actual dividends for approval by shareholders or when declaring any interim dividends, our Board will consider, amongst others:-

(a) our anticipated future operating conditions as well as future expansion, capital expenditure and investment plans;

(b) our operating cash flow requirements and financing commitments;

(c) our expected financial performance including return on equity and retained earnings;

(d) any restrictive covenants contained in our current and future financing arrangements;

(e) the availability of adequate reserves and cash flows;

(f) any material impact of tax laws and regulatory requirements; and

(g) general economic condition.

Actual dividends proposed and declared may vary depending on the financial performance and cash flows of our Group, and may be waived if the payment of the dividends would adversely affect the cash flows and operations of our Group.

Historically, no dividend was declared and paid by the Company during FYE 2017, FYE 2018, and FPE 2019. However, one of our subsidiaries, PSB, has declared dividend of RM0.30 million in FYE 2017.

## 8. RISK FACTORS

**YOU SHOULD CAREFULLY CONSIDER, ALONG WITH OTHER MATTERS IN THIS INFORMATION MEMORANDUM, THE RISKS AND INVESTMENT CONSIDERATIONS BELOW.**

### 8.1 Risks relating to our business and operations

#### 8.1.1 We rely on our Group MD, Executive Directors and key management in our business and operations

Our Group MD, Executive Directors and key management personnel play a crucial role in our daily operations as well as formulating and implementing strategies to drive the future development and growth of our Group. They are involved in the planning, management and execution of the air pollution control system projects undertaken by us.

We recognise that our Group's continuing success and future development and expansion depend significantly on the capabilities and continuing efforts of our Group MD, Executive Directors and key management personnel as well as our ability to retain and attract skilled engineers and technical personnel. As such, the loss of any of our Group MD, Executive Directors and key management may create an unfavourable or material impact to our Group's operations and future growth of our business, which may ultimately affect the business and financial performance of our Group.

#### 8.1.2 Our reputation may be adversely affected if our air pollution control systems malfunction, as it may lead to potential litigation initiated against us, adverse industry reputation or negative perception towards our air pollution control systems and/or our Group

We have a quality and safety control procedure in place prior to delivering our products and the commissioning of our air pollution control systems at our customers' premises. We also conduct quality checks and test runs after installation of our air pollution control systems at our customers' premises and before hand over to our customers. Our customers are required to follow the operating manuals strictly when operating our air pollution control systems.

While all measures to prevent the occurrence of system malfunction incidents are taken, we are unable to fully guarantee that our air pollution control systems and products will not malfunction which may lead to disruptions to our customers' manufacturing line or in a worst case, the discharge of harmful pollutants to the environment. The release of harmful pollutant to the environment may lead to health issues for the people, flora and fauna at the surrounding area, which in turn may cause our customers to be fined or have litigation initiated against them for releasing the pollutants to the surrounding environment. This may subsequently affect our Group as any form of unfavourable publicity regarding our air pollution control systems, products and services or other negative events occurring such as litigation initiated against us could harm our reputation. Such negative publicity could also adversely affect the future engagement of new customers and loyalty of our existing customers and result in decreased revenue, which could adversely affect our financial position and in turn affect our business.

For FYE 2017, FYE 2018, FPE 2019, and up to the LPD, we have not encountered any such incidents.

### 8.1.3 The project-based nature of our business and timing of delivery and acceptance of our products may lead to fluctuations in our Group's revenue, profit and operating cash flow

Our orders for air pollution control systems are generally secured on project basis pursuant to our customer's requirement as and when needed. Due to the nature of our business and the prevailing industry practice, we do not have long-term contracts with our customers as our Group's sales are based on purchase orders on a project by project basis and on an as-needed basis, subject to timing of delivery and acceptances by our customers.

Our revenue may also fluctuate from year to year depending on the value of projects which we secured, subject to timing of delivery and acceptances by our customers, and such fluctuations may have a material adverse impact on our business operations and financial performance.

In addition, our customers may delay or cancel their projects due to unforeseen circumstances. Delays may arise from unexpected changes in project requirements, implementation timeline or unanticipated difficulties encountered. Any delay in our customer's projects may affect our revenue recognition and collection of payment from our customer. Further, the occurrence of any unforeseen circumstances that could render our customer's projects to be unfavourable may cause cancellation or termination of the relevant projects and hence, may affect our recognition of revenues, profit and operating cash flow from the relevant orders.

For FYE 2017, FYE 2018 and FPE 2019, we have not experienced any major fluctuation to our revenue. Nevertheless, there is no assurance that we will be able to consistently secure sufficient orders from existing and new customers in order to maintain a consistent revenue stream.

### 8.1.4 We are dependent on the continuing availability of foreign workers for our manufacturing activities

We are dependent on foreign workers for our manufacturing operations. As at the LPD, we have 38 foreign workers, which accounted for 42.2% of our total workforce. Our foreign workers are primarily from Nepal and Bangladesh. They are mainly involved in the manufacturing of air pollution control systems, environmental engineering products as well as providing maintenance services, which is led by our local project managers and/or engineers. Currently, there are no additional requirements to comply with for the recruitment of foreign workers specifically from Nepal and Bangladesh.

The recruitment quota for the number of foreign workers that may be employed by Polydamic Group is being imposed by the Ministry of Home Affairs on per application basis. The key regulatory legislations in relation to the hiring of foreign workers in Malaysia include, among others, the Immigration Act 1959 which stipulates the requirements for having valid pass by foreign workers, and the Workmen's Compensation Act 1952 which provides the rules for the employer to have insurance coverage over the foreign workers employed by such employer.

Any changes to policies governing foreign workers such as the changes in permitted working sectors, hiring age, visa policies and recruitment quota in Malaysia, in any way resulting in difficulties for our Group to maintain a sufficient foreign labour workforce, may affect our manufacturing operations and in turn adversely affect our overall performance. In addition, there is no assurance that levy rate for foreign workers will not change in the near future. Any increase in levy rate for foreign workers will increase our cost for labour which may ultimately increase our cost of sales.

### 8.1.5 We are exposed to foreign exchange transaction risks on our revenue derived from overseas and purchases of raw materials from overseas

Since the inception of our business, we have completed many local and overseas projects. For FYE 2017, FYE 2018 and FPE 2019, our overseas revenue contributed to 15.7%, 33.1% and 33.8% of our total revenue respectively. The revenue generated from overseas countries are mainly denominated in USD, thus any fluctuations in USD will have an impact in our financial performance.

In addition, we have made purchases from overseas suppliers and these purchases are denominated in USD, THB and IDR, SGD and/or RMB which amounted to approximately 5.9%, 6.2% and 3.8% of our total purchases in FYE 2017, FYE 2018 and FPE 2019 respectively. As such, any future significant depreciation of the RM against these currencies may increase the cost of our sales and may negatively impact our Group's operating profit if we are unable to pass the increase in the costs to our customers in a timely manner.

### 8.1.6 We are subject to credit risk and default payment by customers

We generally grant our customers credit periods of 30 to 90 days. If there is a delay in payment exceeding the credit terms or default in payment from our customer(s), our operating cash flows or financial results of operations may be adversely affected. To minimise this risk, close monitoring of collection of accounts are being carried out by our finance department.

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.

### 8.1.7 We may be exposed to the risk arising from warranty claims and product liability claims

Our products are manufactured in accordance to environmental standards and customer's requirements. Any non-compliance will result in our products and solutions being rejected by the relevant authorities prior to the commencement of the air pollution control systems. As such, it is crucial that we maintain the quality of our products and ensure all requirements are met before the handover of our products and solutions to our customers.

As disclosed in Section 3.4 of this Information Memorandum, our Group provides warranty for material and workmanship on the products manufactured by us where we replace damaged and/or defective parts and components (such as structural components, electronic components and mechanical components). Warranties for our electrical components and products sourced from third party suppliers comes with warranty provided by such suppliers.

Further, any incidence of product defects or failure that causes serious injury may result in lawsuits and/or product liability claims, and loss of customer's confidence in our products, which could materially impact future demand for our products and thus, adversely affecting the financial performance of our Group as we do not have any insurance for product liability claims.

For FYE 2017, FYE 2018 and FPE 2019 and up to the LPD, we have not encountered any claims on product defects that resulted in lawsuits and/or product liability claims.

#### 8.1.8 We may not be able to secure funding, especially on terms acceptable to us, to meet our future capital needs

Our ability to obtain external financing and to make timely repayments of our debt obligations are subject to various uncertainties, including our future results of operations, financial condition and cash flows, the performance of the Malaysian economy and the markets for our products, the cost of financing and the condition of financial markets, and the continuing willingness of banks to provide new loans. We cannot assure that any required additional financing, either on a short-term or long-term basis, will be made available to us on terms satisfactory to us or at all.

If adequate funding is not available when needed, or is available only on unfavourable terms, meeting our capital needs or otherwise taking advantage of business opportunities or responding to competitive pressures may become challenging, which could have a material and adverse effect on our business, financial condition and results of operations.

### 8.2 Risks relating to our industry in which we operate

#### 8.2.1 Dependence on manufacturers' compliance and commitment placed towards environmental protection as well as level of investments

Compliance with the laws and regulations set by the Government remain a condition to many manufacturers' stand towards environmental protection as it requires the manufacturers to incur additional expenditure to meet certain environmental standards or take certain actions to combat pollution. Failure to do so will lead to fines or measures that are likely to be imposed on the manufacturers depending on the level of non-compliance.

As such, our Group's continued growth is dependent on manufacturers' continued compliance and commitment placed towards environmental protection, and any substantial reduction in investments in air pollution control systems and products may have an adverse impact on our sales and profitability.

### 8.2.2 We face competition from existing industry players and new market entrants

Notwithstanding our competitive strengths, we continue to face competition from existing and new competitors who may be capable of offering similar solutions. Companies in the air pollution control industry generally compete on track record, reputation, product quality, ability to provide relevant solutions, delivery times and pricing. Competitive pressures may also result in competitive pricing in order to secure a contract, which may affect our financial performance. There is no assurance that we can continue to compete against our competitors effectively in the future. Whilst we strive to remain competitive, there can be no assurance that any changes in the competitive environment would not have any material and adverse impact on our business and financial performance.

### 8.2.3 We may be adversely affected by political, economic, regulatory and government policies that are beyond our control

As we continue to expand our business, our financial performance and operations are expected to be increasingly affected by political, economic, regulatory and government policies of Malaysia as well as the countries where we derive our revenue from. Any adverse or unfavourable development of these policies in Malaysia and other countries (in which our Group derives revenue from) may materially and adversely affect the financial results and business prospects of our Group. Amongst the political, economic, regulatory and government policies are changes in inflation rates, tax rates and/or policies, interest rates, expropriations and political leadership.

There is no assurance that any adverse or unfavourable changes of these policies will be mitigated and will not materially and adversely affect our financial performance. For FYE 2017, FYE 2018 and FPE 2019 and up to the LPD, there has not been any political, economic, regulatory and government policies considerations which had a material adverse impact on our business operations and financial performance.

### 8.2.4 We may be affected by the price volatility of raw materials used for the production of our air pollution control systems and products

The raw materials purchased by our Group are disclosed in Section 3.15 of this Information Memorandum. For FYE 2017, FYE 2018 and FPE 2019, the total purchases of raw materials amounted to approximately RM6.8 million, RM7.0 million and RM4.7 million respectively, representing approximately 70.6%, 70.8% and 62.0% of our total cost of sales respectively.

The prices of our raw materials, such as fibreglass resins, chop stranded mat, tissue mat, direct and woven roving, Nexus Veil, mild steel and plastic sheet may be subject to price fluctuations as a result of demand and supply conditions. Any material changes to the prices of our raw materials will lead to a rise in the cost of manufacturing. If the increase in the cost of raw materials cannot be passed to our customers in a timely manner or at all, our profitability, financial condition and results of operations may be adversely affected.

## 8.3 Risks of Investing in our Shares

### 8.3.1 We may not be able to proceed with or experience a delay for our Proposed Listing

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:-

(i) the identified Sophisticated Investors fail to subscribe for the portions of the Issue Shares allotted to them; or

(ii) 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 Listing Requirements for our successful listing on the LEAP Market.

In the event that our Proposed Listing does not take place within six (6) months from the date of Bursa Securities' approval-in principle for the Proposed Listing (or such further extension of time as Bursa Securities may allow), or we abort the Proposed Listing on the LEAP Market of Bursa Securities, the Sophisticated Investors will not receive any Issue Shares but will be returned in full, without interest, all monies paid in respect of any application for our Issue Shares within fourteen (14) days. Should we fail to do so, our Board shall be jointly and severally liable to repay such money 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.

In the event our Proposed Listing is aborted and/or terminated, and our Shares have been allotted to the Sophisticated Investors, it is possible that the return of monies can only be achieved via cancellation of share capital as provided under the Act and its related rules. Such cancellation will require the sanction of our shareholders by special resolution in a general meeting, the consent of our creditors (unless dispensation with such consent has been granted by the High Court of Malaysia) and the confirmation of the High Court of Malaysia, or alternatively the issuance of a solvency statement by the Board pursuant to the provisions of sections 116 and 117 respectively of the Act. Accordingly, there can be no assurance that such monies can be recovered within a timely manner in such circumstances.

### 8.3.2 There may not be an active or liquid market for our Shares

The listing and quotation of 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 also be no assurance that the Issue Price, which has been determined after taking into consideration the factors as set out in Section 5.1.2 of this Information Memorandum, 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.

### 8.3.3 We may not be able to pay dividends

In determining the size of any dividend recommendation, we will also take into consideration a number of factors, including but are not limited to our financial performance, cash flow requirements, debt servicing and financing commitments, capital expenditure plans, loan covenants and compliance with regulatory requirements. Whilst we will endeavour to make dividend payments, there is a risk of us not being able to pay any dividends in the future as a result of the factors stated above. Please refer to Section 7.3 of this Information Memorandum for further information on our dividend policy.

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# 9. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST

## 9.1 Related Party Transactions

Under the Listing Requirements, a 'related party transaction' is a transaction entered between the 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 issuer is:

(i) a director having the same meaning given in Section 2(1) of the CMSA 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 or a chief executive of the listed corporation; or

(ii) a major shareholder who has an interest of 10% or more of the total number of voting shares in a corporation; or

(iii) a person connected with such director or major shareholder.

As at the LPD, our Board confirms that there are no existing or presently proposed related party transactions entered into between our Group and our Directors, major shareholders and/or persons connected with them for FYE 2017, FYE 2018, FPE 2019 and for the subsequent period up to the LPD.

## 9.2 Interests in Similar Businesses and other Conflict of Interest Situations

As at the LPD, none of our Promoters, Board, Substantial Shareholders and/or key management personnel has any interest, direct or indirect in other businesses and/or corporations carrying on a trade similar to our Group or businesses or corporations which are the customers or suppliers of our Group, which would give rise to a conflict of interest situation.

## 9.3 Declaration by our Advisers

(i) BDO confirms that there are no existing or potential conflicts of interest in its capacity as the Approved Adviser, Placement Agent and Continuing Adviser to our Company in relation to the Proposed Listing;

(ii) Peter Chong & Co confirms that there are no existing or potential conflict of interest in its capacity as the Auditor and Reporting Accountant to our Company in relation to the Proposed Listing;

(iii) Messrs. Lee Choon Wan & Co. confirms that there are no existing or potential conflicts of interest in its capacity as the Solicitor to our Company in relation to the Proposed Listing;

(iv) Smith Zander International Sdn Bhd confirms that there are no existing or potential conflicts of interest in its capacity as the Independent Market Researcher to our Company in relation to the Proposed Listing.

## 9. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST

(v) Tricor Investor & Issuing House Services Sdn Bhd confirms that there are no existing or potential conflicts of interest in its capacity as the Share Registrar and Custodian to our Company in relation to the Proposed Listing.

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## 10. ADDITIONAL INFORMATION

### 10.1 Directors' Responsibility Statement

This Information Memorandum has been seen and approved by our Board and they collectively and individually accept full responsibility for the accuracy of the information contained herein and confirm that, after having made all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or information contained in the Information Memorandum, and there are no other facts and information the omission of which would make any statement in this Information Memorandum false or misleading.

BDO acknowledge that, based on all available information and to the best of its knowledge and belief, this Information Memorandum constitutes a full and true disclosure of all material facts concerning the Proposed Listing.

### 10.2 Consents

The written consents of the Approved Adviser, Placement Agent, Continuing Adviser, Reporting Accountant, Company Secretary, Independent Market Researcher, Share Registrar, Custodian and Solicitors to the inclusion in this Information Memorandum of their names in the form and context in which such names appear have been given before the issue of this Information Memorandum and have not subsequently been withdrawn.

### 10.3 Material Litigation and Contingent Liabilities

As at the LPD, we are not engaged in any material litigation, claim 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.

As at the LPD, there is no contingent liability which, upon becoming enforceable, may have material impact on our financial position or business.

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## 10. ADDITIONAL INFORMATION

### 10.4 Material Contracts

Save as disclosed below, there are no contracts which are or may be material (not being contracts entered into in the ordinary course of business) which have been entered into by our Company or our subsidiary companies within the past two (2) years immediately preceding the date of this Information Memorandum:

(i) Tenancy Agreement dated 1 September 2017 entered between PHSB as the landlord and Tan Poh Teik as the tenant in relation to the rental of the property located at No. 44, Lorong Mak Mandin 5/3, Kaw Perindustrian Mak Mandin, 13400 Butterworth, Pulau Pinang commencing from 1 September 2017 till 31 March 2019;

(ii) Tenancy Agreement dated 1 April 2019 entered between PHSB as the landlord and Subco Sdn Bhd as the tenant in relation to the rental of the property located at No. 44, Lorong Mak Mandin 5/3, Kaw Perindustrian Mak Mandin, 13400 Butterworth, Pulau Pinang commencing from 1 April 2019 till 31 March 2022;

(iii) Tenancy Agreement dated 27 May 2019 entered between Poon Kuan Yooi as the landlord and PSB as the tenant in relation to the rental of the property located at No. 29, Jalan Perindustrian 4/KU8, Kawasan Perindustrian Meru Selatan, 41050 Klang, Selangor commencing from 1 June 2019 till 31 May 2021;

(iv) PHSB Share Sale Agreement; and

(v) PSB Share Sale Agreement.

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# APPENDIX I

# INDEPENDENT MARKET RESEARCH REPORT

SMITH ZANDER INTERNATIONAL SDN BHD (1058128-V)
15-01, Level 15, Menara MBMR, 1 Jalan Syed Putra, 58000 Kuala Lumpur, Malaysia
T : +603 2732 7537    W : www.smith-zander.com

SMITH ZANDER

**Date: 15 October 2019**

The Board of Directors

Polydamic Group Berhad
3rd Floor, No.17
Jalan Ipoh Kecil
50350 Kuala Lumpur

Dear Sirs/ Madams,

**Independent Market Research ("IMR") Report on the Air Pollution Control Industry in Malaysia ("IMR Report")**

This IMR Report has been prepared by SMITH ZANDER INTERNATIONAL SDN BHD ("SMITH ZANDER") for inclusion in the draft Information Memorandum in conjunction with the proposed listing of Polydamic Group 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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The research for this IMR Report was completed on 15 October 2019.

For further information, please contact:

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15-01, Level 15, Menara MBMR
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58000 Kuala Lumpur
Tel: + 603 2732 7537

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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 Polydamic Group Berhad and its subsidiaries ("Polydamic Group") on the LEAP Market of Bursa Malaysia Securities Berhad.

The objective of this IMR Report is to provide an independent view of the industry in which Polydamic Group operates and to offer a clear understanding of the industry dynamics.

## Rationale and Scope of Work

Polydamic Group is principally involved in the provision of air pollution control solutions.

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

(i) The air pollution control industry in Malaysia, which is the industry in which Polydamic Group operates;

(ii) The drivers and risk factors of the air pollution control industry in Malaysia; and

(iii) The competitive overview of the air pollution control industry in Malaysia.

# 2 AIR POLLUTION CONTROL INDUSTRY IN MALAYSIA

## Introduction

Air pollution is the contamination of air by chemical, physical or biological agents that modify the natural characteristics of the atmosphere to the extent that it causes adverse effects to the environment. The contaminants are amongst others, particulate matter[1], carbon monoxide, ground level ozone, nitrogen dioxide and sulphur dioxide, that are emitted from household combustion devices, motor vehicles, industrial machines and facilities and forest fires.

Air pollution poses risks and effects to the environment as well as the health of living things. To the environment, air pollution causes acid rain, eutrophication[2], haze, ozone depletion, and global climate change, amongst others which consequently causes destruction to buildings due to corrosion, and severely, the reoccurrence of natural disaster. The health of living things will also be adversely affected with long term exposure to air pollution or direct exposure to hazardous gases. Some consequences are respiratory and other diseases, birth defects, reproductive failures, gene mutations, and death.

Air pollution, along with other types of pollution (i.e. water, soil, noise and light pollution), are grouped as environmental pollution. With the increase in environmental pollution, preventive measures or monitoring are required in order to curb worsening environmental conditions. Be it the air pollution control systems that treat air pollutants; effluent treatment systems that treat water pollutants; or noise control systems that reduce noise exposure, these systems are required to function effectively to ensure discharged pollutants are within the acceptable range.

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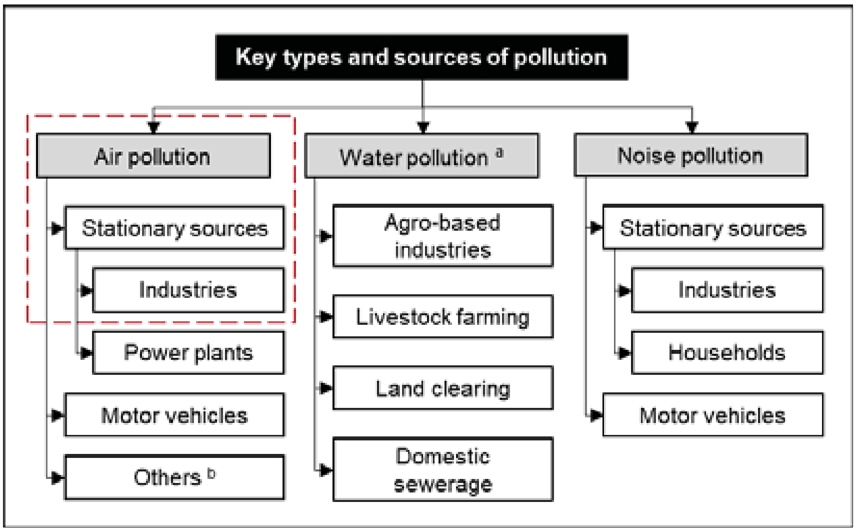
[1] *Particulate matter comprises sulphate, nitrate, ammonia, sodium chloride, black carbon, mineral dust and water*

[2] *Eutrophication is the over-enrichment of plant nutrients in water, typically nitrogen and phosphorus, which causes enhanced growth of algae, periphyton or macrophytes. Eutrophication will lead to depletion of oxygen levels and poor water quality*

**Key types and sources of pollution**




*Notes:*

*a. Water pollution comprises surface water pollution and groundwater pollution.*

*b. Others comprise hotels, commercial centres, institutions, night markets, and open burning activities.*

- *denotes the industry segment in which Polydamic Group is principally involved in.*

*Sources: Department of Statistics Malaysia ("DOSM"), SMITH ZANDER analysis*

With increasing emissions from various air pollution sources, air pollution control systems for abatement, control or prevention are becoming more relevant.

Industry players in the air pollution control industry engage in the design, manufacturing, installation and commissioning of air pollution control equipment that forms the abatement, control and prevention systems. Industry players also include players that provide services for treatment and/or removal of exhaust gases and particulate matter from both stationary and mobile sources. These air pollution control systems and services remove or reduce pollutants such as sulphur gas, oxides of carbon, nitrogen gases, halogens, halides, photochemical products, odour, cyanides and ammonia from emissions and allow the resultant air to be readily discharged into the atmosphere.

## Fibreglass Reinforced Plastics as a Material for Air Pollution Control Systems

Due to the corrosive nature of inorganic pollutants where the inorganic pollutants corrode storage materials, piping systems, apparatus and other industrial process equipment that handle them, coupled with the exposure to weather differences, air pollution control systems should be manufactured from durable and anti-corrosive materials. Currently, materials such as fibreglass reinforced plastics ("FRP"), polyvinyl chloride ("PVC"), polypropylene ("PP"), and stainless steel are used to fabricate air pollution control systems by industry players. Polydamic Group primarily uses FRP as raw material for the body of air pollution control systems. To a smaller extent, Polydamic Group also uses steel, polypropylene ("PP"), polyvinyl chloride ("PVC"), chlorinated polyvinyl chloride ("CPVC"), polyvinylidene difluoride ("PVDF") as raw materials.

FRP is a composite material of thermosetting resin and glass fibre. The combination of resins such as polyester, vinyl ester or epoxy, which acts as a binder, and glass fibre, which is typically flattened into a sheet (known as a chopped strand mat), randomly arranged or woven into a fabric, forms the FRP structural laminate of an equipment or infrastructure.

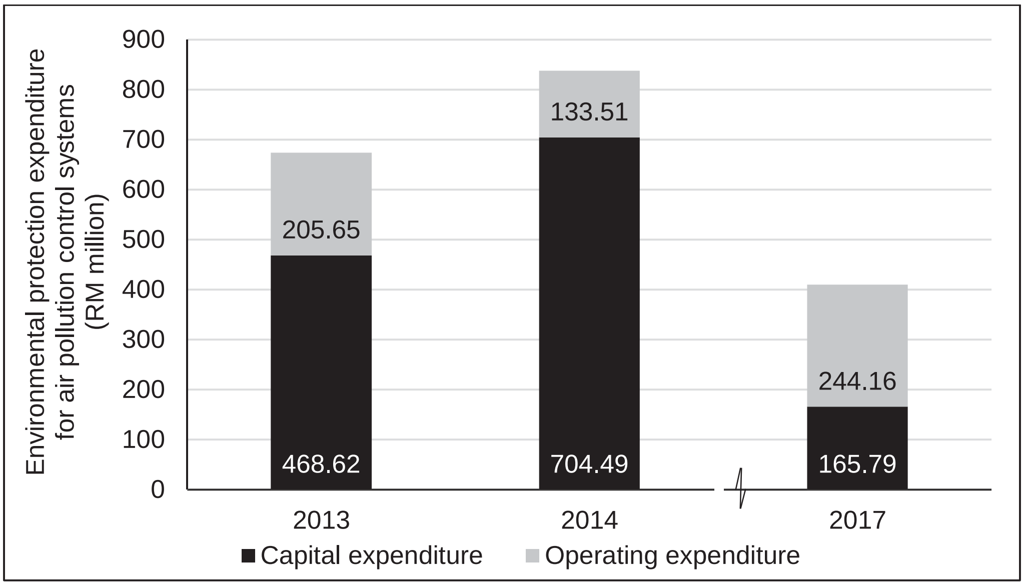
FRP is resistant to chemical, temperature and environmental corrosion, has high strength to weight ratio, long life cycle, requires minimal maintenance and can be easily shaped into different structures. Due to these characteristics, FRP is used as a material for industrial process equipment and air pollution control systems, specifically for industrial facilities that handle corrosive or harmful substances such as strong acids and bases. These industrial facilities are required by the relevant authorities to have air pollution systems in their facilities.

FRP fabricated air pollution control systems include scrubber system, cyclone and dust collector system, and exhaust and ventilation system.

## Industry Size and Growth

Total expenditure for air pollution control systems in Malaysia increased by 24.28% from RM674.27 million in 2013 to RM838.00 million in 2014. However, total expenditure for air pollution control systems in Malaysia reduced to RM409.95 million in 2017. While operating expenditure for air pollution control systems in Malaysia in 2017 was the highest among the years with available data (i.e. 2013, 2014 and 2017), the decrease in capital expenditure for air pollution control systems contributed to the decrease in total expenditure for air pollution control system in Malaysia in 2017.

**Environmental protection expenditure for air pollution control systems**




*Note:*

- *The environmental protection expenditure for air pollution control systems for 2015, 2016 and 2018 is not publicly available.*

*Source: DOSM*

The air pollution control industry in Malaysia is represented by the expenditure for air pollution control systems, consisting of expenditure incurred by companies in order to comply with environmental laws, regulations and standards. According to DOSM, the expenditure for air pollution control system comprises capital expenditure and operating expenditure. Capital expenditure includes all outlays of machinery and equipment and their installation and repair, construction cost associated with demolition, planning, design and installation, as well as the cost associated to the purchase of land for the construction. Operating expenditure includes expenses related to labour, materials and supplies, maintenance, and expenses to operate the air pollution control system.

The major end-user segment for air pollution control are companies in manufacturing, followed by services (which includes utility services such as power plants), mining and quarrying, construction and agriculture.

The air pollution control industry in Malaysia is expected to be driven by factors such as the introduction of standards and enforcement of laws and regulations by the Department of Environment (“DOE”), establishment of industries with high pollutant emission in Malaysia, as well as the awareness for a greener environment.

# 3 DRIVERS AND RISK FACTORS OF THE AIR POLLUTION CONTROL INDUSTRY IN MALAYSIA

## Industry Drivers

- **The introduction of standards and the enforcement of laws and regulations by the Government of Malaysia ("Government") drives the air pollution control industry**

Compliance with the laws and regulations set by the Government remain a forceful condition to companies' stand towards environmental protection as it requires companies to meet certain environmental standards or take certain actions to combat pollution. Failure to do so will lead to fines or measures that are likely to be imposed. As such, approaches by the Government to combat air pollution will continue to drive the air pollution control industry.

In Malaysia, regulations and standards for environmental protection such as the Environmental Quality (Clean Air) Regulations 1978 was established by the Government to regulate the emission of pollutants into the environment by a trade, process or industry.

The Government has also introduced the New Ambient Air Quality Standard that was adapted from the World Health Organisation ("WHO") Air Quality Guidelines, that states the milestones to reduce pollutant emission with full implementation of the standard by 2020. This standard adopts six (6) air pollutant criteria, namely, particulate matter with the size of less than 10 micron ("$PM_{10}$"), particulate matter with the size of less than 2.5 micron ("$PM_{2.5}$"), sulphur dioxide ("$SO_2$"), nitrogen dioxide ("$NO_2$"), ground level ozone ("$O_3$") and carbon monoxide ("CO").

Currently, the emission of air pollutants is aimed to achieve the level at interim target for 2018, and is targeted to further reduce by 2020.

| Air pollutants | Averaging time | Interim targets | | |
|---|---|---|---|---|
| | | 2015 | 2018 | 2020 |
| $PM_{10}$ (µg/m$^3$) | 1 year [a] | 50 | 45 | 40 |
| | 24 hours [b] | 150 | 120 | 100 |
| $PM_{2.5}$ (µg/m$^3$) | 1 year | 35 | 25 | 15 |
| | 24 hours | 75 | 50 | 35 |
| $SO_2$ (µg/m$^3$) | 24 hours | 105 | 90 | 80 |
| | 1 hour | 350 | 300 | 250 |
| $NO_2$ (µg/m$^3$) | 24 hours | 75 | 75 | 70 |
| | 1 hour | 320 | 300 | 280 |
| $O_3$ (µg/m$^3$) | 8 hours [c] | 120 | 120 | 100 |
| | 1 hour | 200 | 200 | 180 |
| CO (mg/m$^3$) | 8 hours | 10 | 10 | 10 |
| | 1 hour | 35 | 35 | 30 |

*Notes:*

*a. The emission of air pollutants with an average time of 1 year represents the maximum reading of air pollutants emission allowed in the New Ambient Air Quality Standard over 1 year.*

*b. The emission of air pollutants with an average time of 24 hours represents the maximum reading of air pollutants emission allowed in the New Ambient Air Quality Standard over 24 hours.*

*c. The emission of air pollutants with an average time of 8 hours represents the maximum reading of air pollutants emission allowed in the New Ambient Air Quality Standard over 8 hours.*

*Source: DOE*

Further, to ensure uninterrupted and efficient operation of the air pollution control systems, companies are required to conduct periodic preventive maintenance and performance monitoring to ensure that the air pollution control systems are in good working condition and are being operated optimally.

- **Establishment of industries with high pollutant emission drives the demand for the air pollution control industry**

The manufacturing sector in Malaysia is the second highest contributor towards the GDP, with substantial growth from RM273.90 billion in 2016 to RM304.85 billion in 2018 at a CAGR of 5.50%. The mining and quarrying sector ranked third, however, the sector experienced a slight decline, from RM105.37 billion in 2016 to RM103.14 billion in 2018 at a negative CAGR of 1.06%. Both of these sectors are stationary sources with high pollutant emission.

Certain industries such as the rubber glove industry, chemical manufacturing industry, oil and gas industry, power production industry and textile industry, besides emitting large amount of pollutants also emit harmful gaseous and/or metals and metallic compounds such as chlorine gas, sulphur gas and mercury. These substances are required to be filtered or treated before being released into the environment.

As such, the growth of these sectors and/or the increase in production lines will increase the demand for air pollution control systems, which in turn will drive the air pollution control industry.

- **The awareness for a greener environment drives the air pollution control industry**

Air pollution causes health deterioration, low visibility, acid rain formation, and global climate change which leads to adverse effect towards all living things, as well as the environment and the ecosystem. With these effects becoming more visible, there is growing awareness for a greener environment, led by the influence of non-profit organisations, Government, activists and media.

Companies have begun to realise the need to take responsibilities towards environmental and social issues as an avenue to enhance corporate image. Therefore, these companies adopt environmental protection measures as part of their corporate social responsibility programmes. For companies with operations that emit large amount of pollutants, harmful gaseous, and metals and metallic compounds, the best way to contribute towards the environment is to ensure proper installation of air pollution control systems.

The Government has provided special capital allowance incentive for companies that install pollution control equipment during the setting up of their plants to promote a greener environment. Under the Income Tax Act 1967, Income Tax (Qualifying Plant Allowances) (Control Equipment) Rules 1998, the Government will provide qualified plants with the following allowances:

- an initial rate of 40% based on the original cost of the pollution control equipment at the time when the pollution control equipment is bought; and
- an annual rate of 20% based on the original cost of the pollution control equipment which will be provided each year until the pollution control equipment is fully written off. A balancing allowance or balancing charge will be calculated if the pollution control equipment is sold, scrapped or disposed.

As part of the global initiative for a greener environment, government officials globally meet in conferences, conventions and summits to respond to the overall worsening air conditions. For instance, the conference "Call for Urgent Action" with agreement to meet WHO Air Quality Guidelines and reduce climate emissions, targets to reduce approximately 7 million deaths a year due to air pollution by 2030; and the Paris Agreement which aims to strengthen global response to the threat of climate change, in the context of sustainable development and efforts to eradicate poverty.

The awareness by individuals, companies as well as the initiatives by various governments and non-profit organisations will continue to drive the air pollution control industry.

## Industry Risk Factors

- **Dependence on customers' compliance and commitment placed towards environmental protection as well as level of investments**

Compliance with the laws and regulations set by the Government remains a forceful condition to many manufacturers' stand towards environmental protection as it requires the manufacturers to incur additional expenditure to meet certain environmental standards or take certain actions to combat pollution, and failure to do so will lead to fines or measures that are likely to be imposed on the manufacturers depending on the level of non-compliance.

As such, the continued growth of industry players is dependent on the manufacturers' continued compliance and commitment placed towards environmental protection, and any substantial reduction in investments in air pollution control systems and products may have an adverse impact on the sales and profitability of industry players.

▶ **Competition from industry players may affect demand for air pollution control systems**

The air pollution control industry in Malaysia is niche in nature, where industry players compete in terms of technical expertise, product quality, customer service levels and pricing to obtain and retain customers. Thus, industry players need to maintain their competitive edge by taking measures such as providing excellent product offerings at competitive prices, ensuring excellent customer service and employing effective marketing strategies. Any failure to remain competitive in the air pollution control industry could impact the financial performance of the industry players.

# 4 COMPETITIVE OVERVIEW OF THE AIR POLLUTION CONTROL INDUSTRY IN MALAYSIA

The air pollution control industry in Malaysia is niche in nature. Industry players such as Polydamic Group design and manufacture air pollution control systems based on the needs of customers and to adhere to the standards required by the DOE, Malaysia. Industry players are required to have in-depth technical knowledge of the mechanisms of the air pollution control systems as well as strong understanding of the customers' operations. Due to the specialised nature of the industry, the competitive landscape in Malaysia comprises a selected group of industry players, making the industry moderately competitive. Industry players generally compete on technical expertise, product quality, customer service levels and pricing.

## Key Industry Players

A list of key industry players listed in this IMR Report has been identified on the following basis:

- Industry players that are involved in the design and manufacturing of air pollution control systems in Malaysia; and
- Industry players that recorded more than RM10.00 million revenue based on their respective latest available financial year.

This list of key industry players below is representative of the air pollution control industry in Malaysia and the closest competitors to Polydamic Group, based on the extensive research carried out by SMITH ZANDER manually and the availability of information such as the internet, published documents and industry directories. It is not an exhaustive list of all air pollution control industry players in Malaysia.

| Company name | Examples of products and services involving air pollution control system | Other products and services | Latest available financial year | Revenue [a] (RM '000) |
|---|---|---|---|---|
| Alloyplas Engineering Sdn Bhd | Air pollution control system<br>• Fume scrubber<br>• Dust collector<br>• Welding fume collector<br>• Oil mist collector | • Chemical resistant piping and accessories<br>• Chemical resistant tank and ducting fabrication<br>• Fume hood cabinets<br>• Chlorination tumbler<br>• Electroplating line<br>• Garbage processor<br>• Interactive whiteboard | 31 December 2018 | 15,772.36 |
| Chemresistrol Engineering Sdn Bhd | Air pollution control system<br>• Fume scrubber | • Industrial piping and tankage<br>• Surface protection, lining and coating<br>• FRP camouflage | 31 October 2018 | 15,739.61 |

| Company name | Examples of products and services involving air pollution control system | Other products and services | Latest available financial year | Revenue [a] (RM '000) |
|---|---|---|---|---|
| Hexagon Composite Engineering Sdn Bhd | Air pollution control system<br>• Odour control system<br>• Fume scrubber | • FRP or glass reinforced plastic tanks and vessels<br>• Pipes and fittings | 31 December 2018 | 11,539.33 |
| JM Jas Maju Services (M) Sdn Bhd | Air pollution control system<br>• Fume scrubber<br>• Dust collector and cyclone<br>• Mist or smoke collector<br>• Odour control system<br>• Dampers and fans | • Process piping and corrosion control system<br>• Filtration and water treatment system<br>• Electrical and instrumentation works<br>• Factory and machining facilities | 31 January 2018 | 18,828.41 |
| MagAir (M) Sdn Bhd | Air pollution control system<br>• Dust collector and cyclone | • Pneumatic conveying equipment<br>• Bulk material handling equipment<br>• Vibratory system and equipment<br>• Electronic weighing system<br>• Detectors and analysers | 31 July 2018 | 11,768.38 |
| Polydamic Group | Air pollution control system<br>• Scrubber system<br>• Cyclone dust collector system<br>• Exhaust and ventilation system<br>• Glove chlorination system | • Other related engineering products | 30 June 2018 | 15,090.00 |
| RIPCOL Industries Sdn Bhd | Air pollution control system<br>• Fume scrubber | • Rubber glove manufacturing line engineering<br>• FRP engineering and fabrication | 31 December 2017 | 14,969.19 |

*Notes:*

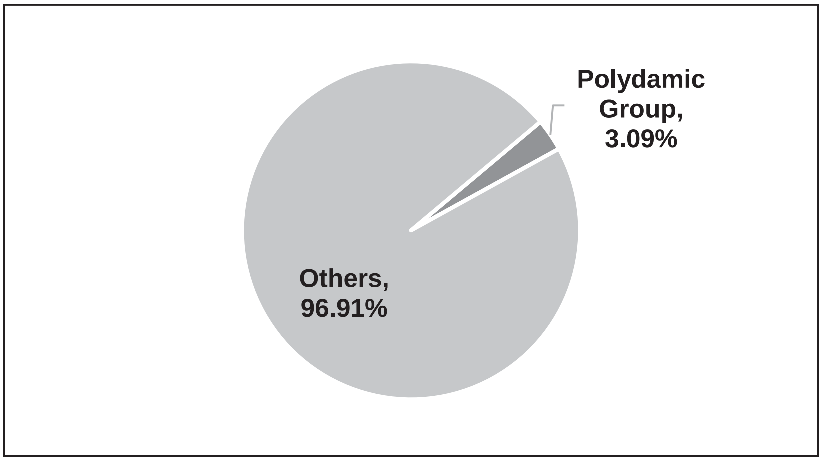
a. *Revenue may derive from other businesses and countries outside Malaysia as segmental revenue is not publicly available from the Companies Commission of Malaysia.*

- *Latest available as at 15 October 2019.*
- *The key 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.*

*Sources: Polydamic Group, Companies Commission of Malaysia, SMITH ZANDER analysis*

## Market Share

Polydamic Group captured a market share in Malaysia of 3.09% in 2017, by computing the Group's segmental revenue derived from Malaysia of RM12.65 million for the FYE 2017 against the total expenditure for air pollution control systems in Malaysia of RM409.95 million in 2017.




*Note:*

- *The market share is computed based on the latest publicly available data on the total expenditure for air pollution control systems in Malaysia.*

*Sources: DOSM, SMITH ZANDER analysis*

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# APPENDIX II

## AUDITED COMBINED FINANCIAL STATEMENTS FOR FYE 2017 AND FYE 2018

**APPENDIX II**

# POLYDAMIC GROUP BERHAD

**Company No. 1299943-W**
**Incorporated in Malaysia**

## COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 30TH JUNE 2018 AND 30TH JUNE 2017

Certified True Copy

Koay Phaik Cheng
(MIA NO.: 9616)

Company No.
1299943-W

# POLYDAMIC GROUP BERHAD

Incorporated in Malaysia

## COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 30TH JUNE 2018 AND 30TH JUNE 2017

**Contents** **Pages**

Peter Chong & Co. AF 0165
Chartered Accountants

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# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

## POLYDAMIC GROUP BERHAD

**Company No: 1299943-W**
Incorporated in Malaysia

### Report on the combined financial statements

Polydamic Group Berhad has not been established as at the end of financial year 30th June 2018 and hence, there are no consolidated financial statements of the Group for the financial years ended 30th June 2018 and 30th June 2017.

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

The combined group of companies comprise of Polydamic Group Berhad, Polydamic Sdn. Bhd. and Polydamic Holdings Sdn. Bhd. ("Combined Group").

We have audited the combined financial statements of **POLYDAMIC GROUP BERHAD** (the "Company") and its subsidiaries ("Group"), which comprise the combined statements of financial position as at 30th June 2018 and 30th June 2017 of the Group, the combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 6 to 71.

In our opinion, the accompanying combined financial statements give a true and fair view of the financial position of the Group as at 30th June 2018 and 30th June 2017 and of its fianeial performance and its cash flows for the years then ended, in accordance with Malaysian Finaneial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

**Basis for Opinion**
We eonducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Combined Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Independence and Other Ethical Responsibilities**
We are independent of the Group in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

**Responsibilities of the Directors for the Financial Statements**
The Directors of the Company are responsible for the preparation of combined financial statements of the Group that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

**POLYDAMIC GROUP BERHAD**
**Company No: 1299943-W**
Incorporated in Malaysia
**(cont'd)**

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

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

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

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

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

**POLYDAMIC GROUP BERHAD**
**Company No: 1299943-W**
Incorporated in Malaysia
**(cont'd)**

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whcther a material uncertainty exists relatcd to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the combined financial statements of the Group or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF (cont'd)**

**POLYDAMIC GROUP BERHAD**
**Company No: 1299943-W**
Incorporated in Malaysia
**(cont'd)**

**Other Matters**
This report is made solely for the inclusion in the information memorandum of Polydamic Group Berhad in connection with the proposed listing of and quotation of the enlarged issued share capital of Polydamie Group Berhad on the LEAP Market of Bursa Malaysia Securities Berhad. As such, this letter should not be used for any other purpose without our prior written consent. Neither the firm nor any member of employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this letter contrary to the aforesaid purpose.

Polydamic Holdings Sdn. Bhd., a wholly-owned subsidiary company of the Combined Group, prepared its annual financial statements ending 28th February. The financial year end was changed to 30th June 2018 to be coterminous with Polydamic Group Berhad.

- The financial statements for the financial years cnded 30th June 2018 was prepared based on the 8-month result ended 28th February 2018 and a 4-month result ended 30th June 2018.

- The financial statement for the financial years ended 30th June 2017 was prepared based on the 8-month result ended 28th February 2017 and a 4-month result ended 30th June 2017.

We were appointed auditors for the subsidiary eompanies for the following financial years/period ended:

| | |
|---|---|
| (i) Polydamic Sdn. Bhd. | - financial year ended 30th June 2018; |
| (ii) Polydamic Holdings Sdn. Bhd. | - financial year ended 28th February 2018; and<br>- period from 1st March 2018 to 30th June 2018 |

| | |
|---|---|
| **Peter Chong & Co.**<br>No. AF 0165<br>Chartered Accountants | **Chong Ton Nen @ Peter Chong**<br>No. 00394/03/2020 J<br>Chartered Accountant |

Kuala Lumpur
Dated: 3 October 2019

**POLYDAMIC GROUP BERHAD**
Incorporated in Malaysia

## COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30TH JUNE 2018 AND 30TH JUNE 2017

| | Note | 2018 RM | 2017 RM |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 5 | 7,076,109 | 7,152,723 |
| Investment properties | 6 | 440,059 | 454,631 |
| | | 7,516,168 | 7,607,354 |
| **Current assets** | | | |
| Inventories | 7 | 1,497,674 | 955,544 |
| Receivables | 8 | 6,720,788 | 5,051,019 |
| Tax assets | 9 | 21,677 | - |
| Deposits, cash and bank balances | 10 | 2,657,427 | 2,959,334 |
| | | 10,897,566 | 8,965,897 |
| **TOTAL ASSETS** | | 18,413,734 | 16,573,251 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity attributable to owners of the Company** | | | |
| Share capital | 11 | 1,200,000 | 1,200,000 |
| Retained profits | | 5,659,004 | 5,127,881 |
| **Total equity** | | 6,859,004 | 6,327,881 |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Borrowings | 12 | 4,735,347 | 5,122,144 |
| Deferred tax liabilities | 13 | 149,000 | 132,025 |
| | | 4,884,347 | 5,254,169 |

The attached notes form an integral part of these financial statements.

## COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30TH JUNE 2018 AND 30TH JUNE 2017 (cont'd)

| | Note | 2018 RM | 2017 RM |
|---|---|---|---|
| **Current liabilities** | | | |
| Payables | 14 | 3,931,852 | 2,873,284 |
| Tax liabilities | 9 | - | 32,260 |
| Borrowings | 12 | 2,738,531 | 2,085,657 |
| | | 6,670,383 | 4,991,201 |
| **Total liabilities** | | 11,554,730 | 10,245,370 |
| **TOTAL EQUITY AND LIABILITIES** | | 18,413,734 | 16,573,251 |

The attached notes form an integral part of these financial statements.

**POLYDAMIC GROUP BERHAD**
Incorporated in Malaysia

## COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEARS ENDED 30TH JUNE 2018 AND 30TH JUNE 2017

| | Note | 2018 RM | 2017 RM |
|---|---|---|---|
| REVENUE | 15 | 15,089,566 | 15,013,671 |
| COST OF SALES | 16 | (9,852,866) | (9,636,953) |
| GROSS PROFIT | | 5,236,700 | 5,376,718 |
| OTHER OPERATING INCOME | | 152,659 | 160,017 |
| RECOVERY OF ALLOWANCE FOR IMPAIRMENT LOSS | | 30,000 | - |
| SELLING AND DISTRIBUTION COSTS | | (254,161) | (258,422) |
| ADMINISTRATIVE EXPENSES | | (3,866,764) | (3,574,909) |
| PROFIT FROM OPERATIONS | 17 | 1,298,434 | 1,703,404 |
| FINANCE COSTS | 18 | (431,667) | (580,941) |
| PROFIT BEFORE TAXATION | | 866,767 | 1,122,463 |
| TAXATION | 9 | (335,644) | (290,239) |
| PROFIT FOR THE FINANCIAL YEAR | | 531,123 | 832,224 |

The attached notes form an integral part of these financial statements.

**COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEARS ENDED 30$^{TH}$ JUNE 2018 AND 30$^{TH}$ JUNE 2017 (cont'd)**

| | Note | 2018 RM | 2017 RM |
|---|---|---|---|
| **OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR** | | - | - |
| **TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY** | | 531,123 | 832,224 |
| **EARNINGS PER SHARE (SEN)** | | | |
| - **Basic** | 19 | 44.26 | 69.35 |
| - **Diluted** | 19 | N/A | N/A |

The attached notes form an integral part of these financial statements.

## POLYDAMIC GROUP BERHAD
Incorporated in Malaysia

## COMBINED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEARS ENDED 30TH JUNE 2018 AND 30TH JUNE 2017

| | | Attributable to owners of the Company | | |
|---|---|---|---|---|
| | Note | Share capital RM | Retained profits RM | Total RM |
| As at 1st July 2016 | | 1,200,000 | 4,595,657 | 5,795,657 |
| Dividends | 20 | - | (300,000) | (300,000) |
| Total comprehensive income | | - | 832,224 | 832,224 |
| As at 30th June 2017/ 1st July 2017 | | 1,200,000 | 5,127,881 | 6,327,881 |
| Total comprehensive income | | - | 531,123 | 531,123 |
| As at 30th June 2018 | | 1,200,000 | 5,659,004 | 6,859,004 |

The attached notes form an integral part of these financial statements.

**POLYDAMIC GROUP BERHAD**
Incorporated in Malaysia

## COMBINED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEARS ENDED 30TH JUNE 2018 AND 30TH JUNE 2017

| | Note | 2018 RM | 2017 RM |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| **Profit before taxation** | | 866,767 | 1,122,463 |
| Adjustments for: | | | |
| Bad debts written off | | - | 2,000 |
| Depreciation of investment properties | | 14,572 | 14,632 |
| Depreciation of property, plant and equipment | | 377,946 | 368,361 |
| Gain on disposal of property, plant and equipment | | - | (42,452) |
| Interest expense | | 431,667 | 580,941 |
| Interest income | | (37,340) | (49,721) |
| Property, plant and equipment written off | | 31,635 | 5,841 |
| Unrealised gain on foreign exchange | | (46,819) | (28,568) |
| Operating profit before working capital changes | | 1,638,428 | 1,973,497 |
| Inventories | | (542,130) | (324,722) |
| Receivables | | (1,639,501) | (71,319) |
| Payables | | 1,058,568 | (394,513) |
| **Cash generated from operations** | | 515,365 | 1,182,943 |
| Interest paid | | (431,667) | (580,941) |
| Interest received | | 37,340 | 49,721 |
| Tax paid | 9 | (372,606) | (396,377) |
| Tax refunded | 9 | - | 6,205 |
| **Net cash (used in)/ generated from operating activities** | | (251,568) | 261,551 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Purchase of property, plant and equipment | 21 | (238,967) | (274,574) |
| Proceed from disposal of property, plant and equipment | | - | 42,452 |
| **Net cash used in investing aetivities** | | (238,967) | (232,122) |

The attached notes form an integral part of these financial statements.

**POLYDAMIC GROUP BERHAD**
Incorporated in Malaysia

**COMBINED STATEMENTS OF CASH FLOWS**
**FOR THE FINANCIAL YEARS ENDED 30TH JUNE 2018 AND 30TH JUNE 2017 (cont'd)**

| | Note | 2018 RM | 2017 RM |
|---|---|---|---|
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Change in fixed deposits pledged to licensed banks | | (9,793) | 614,346 |
| Change in short term borrowing | | (118,000) | (47,000) |
| Dividend paid | | - | (300,000) |
| Drawdown of term loans | | - | 4,300,000 |
| Repayment of hire purchase and lease obligations | | (93,034) | (77,471) |
| Repayment of term loans | | (289,354) | (3,987,873) |
| **Net cash (used in)/ generated from financing activities** | | (510,181) | 502,002 |
| **NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS** | | (1,000,716) | 531,431 |
| Effect of exchange rate changes | | 16,551 | 28,568 |
| **CASH AND CASH EQUIVALENTS BROUGHT FORWARD** | | 769,075 | 209,076 |
| **CASH AND CASH EQUIVALENTS CARRIED FORWARD** | 22 | (215,090) | 769,075 |

The attached notes form an integral part of these financial statements.

**COMBINED STATEMENTS OF CASH FLOWS**
**FOR THE FINANCIAL YEARS ENDED 30TH JUNE 2018 AND 30TH JUNE 2017 (cont'd)**

**RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES**

| | Bills payable (Note 12) RM | Hire purchase obligations (Note 12) RM | Term loans (Note 12) RM |
|---|---|---|---|
| At 1 July 2016 | 165,000 | 286,868 | 4,816,228 |
| Cash flows | (47,000) | (77,471) | 312,127 |
| New hire purchase (Note 21) | - | 100,000 | - |
| At 30 June 2017 | 118,000 | 309,397 | 5,128,355 |
| At 1 July 2017 | 118,000 | 309,397 | 5,128,355 |
| Cash flows | (118,000) | (93,034) | (289,354) |
| New hire purchase (Note 21) | - | 94,000 | - |
| At 30 June 2018 | - | 310,363 | 4,839,001 |

## 1. GENERAL INFORMATION

The Company is a public company limited by shares and is incorporated under the Companies Act 2016 in Malaysia. The domicile of the Company is Malaysia.

The address of the registered office of the Company is 3rd Floor, No.17 Jalan Ipoh Kecil, 50350 Kuala Lumpur, Malaysia.

The principal place of business of the Company is at 1059, Lorong Perindustrian Bukit Minyak 17, Kawasan Perindustrian Bukit Minyak, 14100 Simpang Ampat, Pulau Pinang.

The principal activity of Polydamic Group Berhad is that of investment holding.

The details of the subsidiary companies and their business activities are disclosed in Note 2(a) to the financial statements.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of preparation

Polydamic Group Berhad has not been established as at the end of financial year 30th June 2018 and hence, there are no consolidated financial statements of the Group for the financial years ended 30th June 2018 and 30th June 2017.

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (a) Basis of preparation (cont'd)

The combined financial statements consist of the financial statements of combining entities which were under common control throughout the reporting year by virtuc of common controlling shareholders as follows:

| | Effective equity interest | |
|---|---|---|
| | **2018** | **2017** |
| **Name of combining entities** | **%** | **%** |
| Polydamic Sdn. Bhd. | 100 | 100 |
| Polydamic Holdings Sdn. Bhd. | 100 | 100 |

Both of the combining entities are principally engaged in the provision of air pollution control solutions, including:

(i) designing, manufaeturing, installing and commissioning of air pollution control systems;
(ii) manufacturing and sale of air pollution control products and other related environmental engineering products; and
(iii) provision of air pollution control services comprising technical consultation and maintenance services.

The financial information as presented in the combined financial statements do not correspond to the consolidated financial statements of the Company, as the combined financial statements reflect business combinations under common control for the purpose of the proposed listing. Consequently, the financial information from the combined financial statements do not purport to predict the financial positions, results of operations and cash flows of the combining entities during the reporting years.

The combined financial statcments have been prepared by using financial information obtained from the records of the combining entities during the reporting years.

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (a) Basis of preparation (cont'd)

Polydamic Holdings Sdn. Bhd., a wholly-owned subsidiary company of the Combined Group, prepared its annual financial statements ending 28th February. The financial year end was changed to 30th June 2018 to be coterminous with Polydamic Group Berhad.

- The financial statements for the financial years ended 30th June 2018 was prepared based on the 8-month result ended 28th February 2018 and a 4-month result ended 30th June 2018.

- The financial statement for the financial years ended 30th June 2017 was prepared based on the 8-month result ended 28th February 2017 and a 4-month result ended 30th June 2017.

We were appointed auditors for the subsidiary companies for the following financial years/period ended:

(i) Polydamic Sdn. Bhd.
- financial year ended 30th June 2018

(ii) Polydamic Holdings Sdn. Bhd.
- financial year ended 28th February 2018; and
- period from 1st March 2018 to 30th June 2018

The audited financial statements of Polydamic Group Berhad have not been presented in these combined financial statements as it is not meaningful since it only exists to facilitate the proposed listing of and quotation for the enlarged issued share capital of Polydamic Group Berhad on the LEAP Market of Bursa Malaysia Securities Berhad.

The combined financial statements have been prepared under the historical cost convention except as disclosed in summary of significant accounting policies.

The combined financial statements are presented in Ringgit Malaysia ("RM"), which is also the functional currency of combining entities.

The combined financial statements of the Group for the financial years ended 30th June 2018 and 30th June 2017 represent the financial statements prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (a) Basis of preparation (cont'd)

The Group has consistently applied the same accounting policies in its opening MFRSs statements of financial position as at 1st July 2016 (date of transition to MFRSs) and throughout all financial years presented, as if these policies had always been in effect.

In the previous financial years, the financial statements of the Group were prepared in accordance with Malaysian Private Entity Reporting Standards ("MPERS").

The preparation of combined financial statements in conformity with MFRSs requires thc use of certain critical accounting estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilitics at the date of the combined financial statements, and the reported amount of revenues and expenses during the reported period. All material intra group transactions and balances have been eliminated on combination.

Directors exercise their judgement in the process of applying the Group's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statcments are disclosed in Note 4.

### (b) Change in accounting policies and disclosures

**Early adoption of Standards effective for the financial periods beginning on or after 1st January 2018**

| | |
|---|---|
| MFRS 9 | Financial Instruments |
| MFRS 15 | Revenue from Contracts with Customers |

The Group has elected to early adopt MFRS 9 Finaneial Instrumcnts and MFRS 15 Revenue from Contracts with Customers, which are mandatory for the financial periods beginning on or after 1st January 2018. The impacts of the adoption of these Standards on the Group's financial statements are as follows:

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**(b) Change in accounting policies and disclosures (cont'd)**

**(i) MFRS 9 Financial Instruments**
The adoption of this Standard resulted in changes in accounting policies and adjustments to the financial statements.

The accounting policies that relate to the recognition, classification, measurement and derecognition of financial instruments and impairment of financial assets are amended to comply with the provisions of this Standard, while the hedge accounting requirements under this Standard are not relevant to the Group.

**(a) Financial assets**
The Group classifies the financial assets into the following measurement categories depending on the Group's business model for managing the financial assets and the terms of contractual cash flows of the financial assets:

- Those to be measured at amortised cost; and
- Those to be measured subsequently at fair value either through other comprehensive income or through profit or loss.

There is no impact on the classification and measurement of the Group's financial assets.

**(b) Financial liabilities**
There is no impact on the classification and measurement of the Group's financial liabilities.

**(c) Impairment of financial assets**
MFRS 9 Financial Instruments requires impairment assessments to be based on an Expected Credit Loss ("ECL") model, replacing the incurred loss model under MPERS.

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (b) Change in accounting policies and disclosures (cont'd)

#### (i) MFRS 9 Financial Instruments (cont'd)

**(c) Impairment of financial assets (cont'd)**

The key changes in relation to impairment of financial assets are as follows:

**(i) Deposits, cash and bank balances**

The amount of ECL is measured as the probability-weighted present value of all cash shortfalls over the expected life of the financial asset discounted at its original effective interest rate. The cash shortfall is the difference between all contractual cash flows that are due to the Group, and all the cash flows that the Group expect to receive.

The Group applies a two-step approach to measure the ECL on cash and bank balances:

**12-months ECL**

For a financial asset for which there is no significant increase in credit risk since initial recognition, the Group shall measure the allowance for impairment for that financial asset at an amount based on the probability of default occurring within the next 12 months considering the loss given default of that financial asset.

**Lifetime ECL**

For a financial asset for which there is a significant increase in credit risk since initial recognition, a lifetime ECL for that financial asset is recognised as allowance for impairment by the Group. If, in a subsequent period the significant increase in credit risk since initial recognition is no longer evident, the Group shall revert the loss allowance measurement from lifetime ECL to 12-months ECL.

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**(b) Change in accounting policies and disclosures (cont'd)**

**(i) MFRS 9 Financial Instruments (cont'd)**

**(c) Impairment of financial assets (cont'd)**

**(i) Deposits, cash and bank balances (cont'd)**
At each financial year end, the Group assesses whether there is a significant increase in credit risk for cash and bank balances since initial recognition by comparing the risk of default on these financial assets as at the financial year end with the risk of default as at the date of initial recognition. The Group considers external credit rating and other supportive information to assess deterioration in credit quality of these financial assets.

**(ii) Trade and other receivables which are financial assets**
The Group applies the simplified approach prescribed by MFRS 9 Financial Instruments, which requires a lifetime ECL to be recognised from initial recognition of the trade and other reccivables which are financial assets.

**(ii) MFRS 15 Revenue from Contracts with Customers**

The Group has elected to early adopt MFRS 15 Revcnue from Contracts with Customers with a date of initial application of 1st July 2017. This Standard establishes a five-step model that will apply to recognition of revenue arising from contracts with customers, and provide a more structured approach in measuring and recognising revenue. Under this Standard, revenue will be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

As a result, the Group has changed its accounting policy for revenue reeognition as detailed below.

The Group applied MFRS 15 retrospectively using the practical expedient in paragraph C5(a) of MFRS 15, under which the Group does not disclose the amount of consideration allocated to the remaining performance obligations or an explanation of when the Group expects to recognise that amount as revenue for all reporting periods presented before the date of initial application 1st July 2017.

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (c) Property, plant and equipment and depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

All property, plant and equipment are depreciated on a straight line basis to write off the cost of each asset to their residual values over the following estimated useful lives:

| | Number of years |
|---|---|
| Leasehold land and buildings | 60 - 99 |
| Motor vehicles | 5 - 10 |
| Plant and machinery | 8 - 10 |
| Tools and equipment | 10 |
| Furniture and fittings | 10 - 12 |
| Computer and office equipment | 10 |
| Renovation and electrical installation | 10 |

The residual value and the useful life of an asset is reviewed at least at each financial year-end and, if expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate, and the depreciation charge for the current and future periods are adjusted. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item and recognised in the profit or loss.

Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount.

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (d) Investment properties

Investment property is a property which is held either to earn rental ineome or for capital appreciation or both. Investment properties are stated at cost less any accumulated depreciation and impairment losses.

Investment properties are depreciated on the straight-line basis over its estimated useful life. The estimated useful life of the leasehold land and buildings are 50 to 60 years.

The residual values, useful lives and depreciation methods are reviewed at each financial year end to ensure that the amount, method and pcriod of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits of investment properties.

### (e) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises the original cost of purchase plus the cost of bringing the inventories to their intended location and condition.

Cost is determined using the first-in, first-out method. Thc cost of raw material comprises the original cost of purchase plus the cost of bringing the inventories to their intended location and condition. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and an appropriate proportion of production overheads.

Net realisable value is the estimated selling price in the ordinary course of business, less cost of completion and selling expenses.

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (f) Financial instruments

#### (i) Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

When financial assets are initially recognised, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss ("FVTPL"), directly attributable transaction costs.

**(a) Financial assets measured at amortised cost**

Financial assets that are debt instruments are measured at amortised cost if they are held within a business model whose objective is to collect contractual cash flows and have contractual terms which give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss through the amortisation process and when the financial assets are impaired or derecognised.

**(b) Financial assets measured at fair value**

Financial assets that are debt instruments are measured at fair value through other comprehensive income ("FVTOCI") if they are held within a business model whose objectives are to collect contractual cash flows and selling the financial assets, and have contractual terms which give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (f) Financial instruments (cont'd)

#### (i) Financial assets (cont'd)

**(b) Financial assets measured at fair value (cont'd)**

Subsequent to initial recognition, financial assets that are debt instruments are measured at fair value. Any gains or losses arising from the changes in fair value of these financial assets are recognised in other comprehensive income, except impairment losses, exchange differences and interest income which are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Financial assets that are debt instruments which do not satisfy the requirements to be measured at amortised cost or FVTOCI are measured at FVTPL. The Group does not have any financial assets measured at FVTPL as at 30th June 2018.

Equity instruments are classified as financial assets measured at FVTPL if they are held for trading or are designated as such upon initial recognition. Financial assets are classified as held for trading if they are acquired principally for sale in the near term or are derivatives that do not meet the hedge accounting criteria (including separated embedded derivatives). The Group elects an irrevocable option to designate its equity financial instruments at initial recognition as financial assets measured at FVTOCI if the equity instruments are not held for trading.

Subsequent to initial recognition, financial assets that are equity instruments are measured at fair value. Any gains or losses arising from the changes in fair value of these financial assets are recognised in other comprehensive income and are not subsequently transferred to profit or loss. Dividends on equity instruments are recognised in profit or loss when the Group's right to receive payment is established.

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**(f) Financial instruments (cont'd)**

**(i) Financial assets (cont'd)**

**(b) Financial assets measured at fair value (cont'd)**
A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the settlement date, i.e. the date that the asset is delivered to or by the Group.

**(ii) Financial liabilities**
Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest related charges are recognised as an expense in "finance costs" in the profit or loss. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Borrowings are recognised initially at fair value of proceeds received less attributable transaction costs, if any. Borrowings are subsequently stated at amortised cost which is the initial fair value less any principal repayments. Any difference between the proceeds (net of transaction costs) and the redemption value is taken to the profit or loss over the period of the borrowings using the effective interest method. The interest expense is chargeable on the amortised cost over the period of the borrowings using the effective interest method.

Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the amortisation process.

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (f) Financial instruments (cont'd)

#### (ii) Financial liabilities (cont'd)

Borrowings which are due to be settled within 12 months after the reporting date are included in current liabilities in the statements of financial position even though the original terms were for a period longer than 12 months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting date. Borrowings to be settled within the Group's normal operating cycle are considered as eurrent. Other borrowings due to be settled more than 12 months after the reporting date are included in non-current liabilities in the statements of financial position.

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost, using the effective interest method.

#### (iii) Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are accounted for in shareholders' equity as an appropriation of retained earnings and accrued as a liability in the financial year in which the obligation to pay is established.

The transaction costs of an equity transaction are accountcd for as a deduction from equity, net of tax. Equity transaction costs eomprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

### (g) Impairment of financial assets

The Group assesses at each financial year end whether there has been a significant increase in credit risk for financial assets by comparing the risk of default occurring over the expected life with the risk of default since initial recognition.

In determining whether credit risk on a financial asset has increased significantly since initial recognition, the Group uses external credit rating and other supportive information to assess deterioration in credit quality of a financial asset. The Group assesses whether the credit risk on a financial asset has increased significantly on an individual or collective basis. For collective basis evaluation, financial assets are grouped on the basis of similar risk characteristics.

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (g) Impairment of financial assets (cont'd)

The Group considers past loss experience and observable data such as current changes and future forecasts in economic conditions to estimate the amount of expeeted impairment loss. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

The amount of impairment loss is measured as the probability-weighted present value of all cash shortfalls over the expected life of the financial asset discounted at its original effective interest rate. The cash shortfall is the difference between all contractual cashflows that are due to the Group and all the cash flows that the Group expects to receive. The carrying amount of the financial asset is reduced through the use of an allowance account and the impairment loss is recognised in profit or loss. When a financial asset becomes uncollectible, it is written off against the allowance account.

The Group measures the impairment loss on cash and bank balances based on the two-step approach as disclosed in Note 2(b)(i)(c). If in a subsequent period, the credit quality improves and reverses any previously assessed significant increase in credit risk since initial recognition, then the impairment loss reverts from lifetime expected credit loss ("ECL") to 12-months ECL.

### (h) Impairment of non-financial assets

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the ease, reeovcrable amount is determined for the cash-generating unit ("CGU") to which the asset belongs to.

An asset's recoverable amount is thc higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the timc value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverablc amount, the asset is considered impaired and is written down to its recoverable amount.

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (h) Impairment of non-financial assets (cont'd)

An impairment loss is recognised in the profit or loss in the period in which it arises. Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in the profit or loss.

### (i) Taxation and deferred taxation

Income tax on the results for the financial year comprises current and deferred tax. Current tax is the expected amount of income tax payable in respect of the taxable profits for the financial year and is measured using the tax rates at the reporting date.

Deferred taxation liabilities and assets are provided using the liability method in respeet of all temporary differences between the carrying amount of an asset or liability in the statements of financial position and its tax base including unused tax losses and capital allowances.

Deferred tax liabilitics and assets are measured at the tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profit will be available against which the deduetible temporary differences can be utilised. The carrying amount of a deferred tax asset is reviewed at each reporting date. If it is no longer probable that sufficient future taxable profit will be available to allow the benefit of part or that entire deferred tax assct to be utilised, thc carrying amount of the deferred tax asset will be reduced accordingly. When it becomes probable that sufficient future taxable profit will be available, such reductions will be reversed.

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (j) Leases

**As lessor**
Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

**As lessee**
Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

### (k) Foreign currencies

In preparing the financial statements of the individual entities, transactions in currencies other than entity's functional currency are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are translated at the rates prevailing on the reporting date.

Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**(k) Foreign currencies (cont'd)**

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the profit or loss for the period except for the differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income. Exchange differences arising from such non-monetary items are also recognised directly in other comprehensive income.

**(l) Revenue and other income recognition**

The Group applied the five-step model for revenue recognition under MFRS 15 Revenue from Contracts with Customers effective from 1st July 2017. The adoption of this Standard results in changes in the accounting policy for revenue recognition.

The Group recognises revenue from contracts with customers for the provision of services and sale of goods based on the five-step model as set out in this Standard:

(i) Identify contract(s) with a customer. A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.

(ii) Identify performance obligations in the contract. A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

(iii) Determine the transaction price. The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

(iv) Allocate the transaction price to the performance obligations in the contract. For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

(v) Recognise revenue when (or as) the Group satisfies a performance obligation.

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (l) Revenue and other income recognition (cont'd)

The Group satisfies a performance obligation and recognise revenue over time if the Group's performance:

(i) Do not create an asset with an alternative use to the Group and have an enforceable right to payment for performance completed to-date; or

(ii) Create or enhance an asset that the customer controls as the asset is created or enhanced; or

(iii) Provide bencfits that the customer simultaneously receives and consumes as the Group performs.

For performance obligations where any one of the above conditions is not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

When the Group satisfies a performance obligation by dclivering the promised goods or services, it creates a contract-based asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of rcvenue recognised, this gives rise to a contract liability.

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## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (l) Revenue and other income recognition (cont'd)

Performance obligations are as follows:

**(i) Construction, sale and installation of equipment and parts**
Contracts that bundle the construetion, sale and installation of equipment and parts are recognised as a single performance obligation as the installation includes a significant integration service. Revenue is recognised progressively based on the percentage of completion determined by reference to the completion of a physical proportion of contract work to-date.

Consistent with market practice, the Group colleets deposits from customers for sale of equipment. A contract liability is recognised for the customer deposits as thc Group has an obligation to transfer equipment to the customer in respect of deposits received. Customer deposits would be recognised as revenue by reference to the completion of a physical proportion of contract work to-date.

No element of financing is deemed present as the sales are made with a credit term of 30 to 90 days, which is consistent with market practice. The Group's obligation to provide warranty for the equipment and parts under the standard warranty terms is recognised as a provision.

**(ii) After-sales service**
The Group provides after-sales service or routine equipment maintenance scrvices within and/or outside of the warranty period in relation to the equipment that the Group sells. The performance of maintenance services is often accompanied with the sale of parts.

The sale of equipment to customer may be bundled together with after-sales service. The after-sales service provide assurance to the customer that the equipment parts comply with agreed-upon specifications. The after-sales service are separate performance obligations and the transaetion price is allocated to the service obligations based on its relative standalone selling prices. The after-sales service is deferred and recognised at point in time upon fulfilment of warranty period by the Group.

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (l) Revenue and other income recognition (cont'd)

**(ii) After-sales services (cont'd)**
There is no significant financing eomponent in the after-sales service as the sales are made on the normal credit terms not exceeding 12 months. Where consideration is collected from customers in advance of services being performed, a contract liability is recognised. The contract liability would be recognised as revenue when the related services are rendered.

**Other income**
Rental income is recognised on an accrual basis in accordance with the substance of the relevant agreement unless collectability is in doubt.

Interest income is recognised on an accrual basis using effective interest method.

### (m) Employee benefits

**Short term employee benefits**
Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leaves are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absenees such as sick leaves are recognised when the absences occur.

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

### (n) Borrowing costs
Borrowing costs incurred to finance the eonstruction of property, plant and equipment are capitalised as part of the cost of the asset during the period of time that is required to complete and prepare the asset for its intended use. Borrowing costs incurred to finance property development activities and construction contracts are accounted for in a similar manner. All other borrowing costs are expensed.

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (o) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each rcporting date and adjusted to reflect the current best estimate. Where the effeet of the time value of money is material, provisions are discounted using a current pre-tax that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recogniscd as finance cost.

**Warranty**

The Group recognises the estimated liability on all products still under warranty at the reporting date. This provision is computed based on the expected warranty claims on product sold during the last three to five financial years.

The amount of provision of warranty claims will be charged to profit or loss and any unutilised portion of the warranty provision will be written back to profit or loss in the following financial year. Sales of parts are exempted from any warranty provision. For products which have exceeded the warranty period, the Group will undertake to inspect, repair or replace the parts at an appropriate cost.

### (p) Contingent liabilities and contingent assets

The Group does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of rcsources will be required to settle the obligation. A contingent liability also arises in the extremely rare circumstances where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts.

A contingent asset is a possiblc asset that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Group. Thc Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (q) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, bank overdrafts and short term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

### (r) Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market's participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;

Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (s) Segment reporting

Operating segments are defined as components of the Group that:

(i) Engage in business aetivities from which it could earn revenues and incur expenses (including revcnues and expenses relating to transactions with othcr components of the Group);

(ii) Whose operating results are regularly reviewed by the chief operating decision maker of the Group in making deeisions about resources to be allocated to the segment and assessing its performance; and

(iii) For which discrete financial information is available.

An operating segment may engage in business activities for which it has yet to earn revenues.

The Group reports separately information about each operating segment that meets any of the following quantitative thresholds:

(i) Its reported revenue, including both sales to external customers and intersegment sales or transfers, is ten percent (10%) or more of the combincd revenue, internal and extcrnal, of all operating segments.

(ii) The absolute amount of its reported profit or loss is ten percent (10%) or more of the greater, in absolute amount of:

(a) The combined reported profit of all operating segments that did not report a loss; and

(b) The combined reported loss of all operating segments that reported a loss.

(iii) Its assets are ten percent (10%) or more of the combined assets of all operating segments.

Operating segments that do not meet any of the quantitative thrcsholds may be considered reportable, and separately disclosed, if the management believes that information about the segment would be useful to users of the financial statements.

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (s) Segment reporting (cont'd)

Total external revenue reported by operating segments shall constitute at least seventy-five percent (75%) of the revenue of the Group. Operating segments identified as reportable segments in the current financial year in accordance with thc quantitative thresholds would result in a restatement of prior period segment data for comparative purposes.

The Group evaluates performance on the basis of profit or loss from operations before tax not ineluding non-recurring losses, sueh as goodwill impairment.

Inter-segment revenue is priced along the same lines as sales to external customers and is eliminated in the consolidated finaneial statements. These policies have been applied consistently throughout the current and previous financial years.

Segment assets exclude tax assets and assets used primarily for corporate purposes.

Segment liabilities exclude tax liabilities and unallocated liabilities. Even though loans and borrowings arise from financing activities rather than operating aetivities, they are allocated to thc segments based on relevant factors (e.g. funding requirements).

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## 3. MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRSs") AND AMENDMENTS TO MFRSs, ISSUES COMMITTEE INTERPRETATION ("IC INTERPRETATION") AND AMENDMENT TO IC INTERPRETATIONs

New and revised MFRSs, Amendments to MFRSs, IC Interpretation and Amendment to IC Interpretations which have been issued but not yet effective and relevant to the Company:

| | | **Effective dates** |
|---|---|---|
| MFRS 16 | Leases | 1st January 2019 |
| Amendments to MFRS 9 | Prepayment Features with Negative Compensation | 1st January 2019 |
| Amendments to MFRS 101 | Presentation of Financial Statements | 1st January 2020 |
| Amendments to MFRS 101 and MFRS 108 | Definition of Material | 1st January 2020 |
| Amendments to MFRS 108 | Accounting Policies, Changes in Accounting Estimates and Errors | 1st January 2020 |
| Amendments to MFRS 112 | Income Taxes (Annual Improvements to MFRS Standards 2015 – 2017 Cycle) | 1st January 2019 |
| Amendments to MFRS 119 | Employee Benefits (Plan Amendment, Curtailment and Settlcment) | 1st January 2019 |
| Amendments to MFRS 123 | Borrowing Costs (Annual Improvements to MFRS Standards 2015– 2017 Cycle) | 1st January 2019 |
| Amendments to MFRS 137 | Provisions, Contingent Liabilities and Contingent Assets | 1st January 2020 |
| Amendment to IC Interpretation 19 | Extinguishing Financial Liabilities with Equity Instruments | 1st January 2020 |
| Amendment to IC Interpretation 22 | Foreign Currency Transaction and Advance Consideration | 1st January 2020 |
| IC Interpretation 23 | Uncertainty over Income Tax Treatments | 1st January 2019 |

It is anticipated that the adoption of the abovementioned Standards and Interpretation will not have significant impact on the financial statements of the Group.

## 4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements involved making certain estimates, judgements and assumptions concerning the future. They affect the accounting policies applied, amounts of assets, liabilities, income and expenses reported and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Changes in these estimates and assumptions by management may have an effect on thc balances as reported in financial statements. Significant accounting estimates and judgements, where used, have been disclosed in the relevant notes to the financial statements.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next finaneial year are discussed below.

**(i) Classification between investment properties and property, plant and equipment**

The Group determines whether a property qualifies as an investment property based on criteria developed by the Group. An investment property is a property held to earn rentals or for capital appreciation or both. Thcrefore, the Group will consider whether a property generates cash flows largely independent of the other assets held by the Group in making its assessment.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. When the portions cannot be sold separatcly, the property will be recognised as an invcstment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

The carrying amounts of property, plant and equipment and investment properties as at 30th June 2018 are disclosed in Note 5 and Note 6.

## 4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (cont'd)

### (ii) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. The Group estimates the useful lives of these assets to be within 5 to 99 years. Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, and therefore future depreciation charges could be revised. The net carrying amount of the property, plant and equipment is disclosed in Notc 5.

### (iii) Income taxes

Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Details of income taxes are disclosed in Note 9.

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## 5. PROPERTY, PLANT AND EQUIPMENT

| | Leasehold lands and buildings RM | Motor vehicles RM | Plant and machinery RM | Tools and equipment RM | Furniture and fittings RM | Computer and office equipment RM | Renovation and electrical installation RM | Total RM |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| As at 1st July 2016 | 7,551,720 | 1,368,597 | 822,462 | 194,873 | 211,887 | 307,398 | 373,641 | 10,830,578 |
| Additions | - | 162,115 | 112,848 | 3,486 | 29,748 | 63,677 | 2,700 | 374,574 |
| Disposals | - | (152,243) | - | - | - | - | - | (152,243) |
| Written off | - | - | (15,147) | (10,800) | - | (25,231) | (16,882) | (68,060) |
| As at 30th June/ 1st July 2017 | 7,551,720 | 1,378,469 | 920,163 | 187,559 | 241,635 | 345,844 | 359,459 | 10,984,849 |
| Additions | - | 194,846 | 106,836 | 1,870 | - | 23,210 | 6,205 | 332,967 |
| Written off | - | (65,389) | (115,584) | (40,671) | (38,841) | (109,545) | (49,614) | (419,644) |
| As at 30th June 2018 | 7,551,720 | 1,507,926 | 911,415 | 148,758 | 202,794 | 259,509 | 316,050 | 10,898,172 |

## 5. PROPERTY, PLANT AND EQUIPMENT (cont'd)

| | Leasehold lands and buildings RM | Motor vehicles RM | Plant and machinery RM | Tools and equipment RM | Furniture and fittings RM | Computer and office equipment RM | and electrical installation RM | Total RM |
|---|---|---|---|---|---|---|---|---|
| **Accumulated depreciation** | | | | | | | | |
| As at 1st July 2016 | 1,112,258 | 999,708 | 735,256 | 81,751 | 171,349 | 256,028 | 321,877 | 3,678,227 |
| Charged for the year | 160,388 | 97,004 | 47,635 | 18,756 | 11,121 | 20,961 | 12,496 | 368,361 |
| Disposals | - | (152,243) | - | - | - | - | - | (152,243) |
| Written off | - | - | (15,116) | (6,480) | - | (23,759) | (16,864) | (62,219) |
| As at 30th June/ 1st July 2017 | 1,272,646 | 944,469 | 767,775 | 94,027 | 182,470 | 253,230 | 317,509 | 3,832,126 |
| Charged for the year | 144,462 | 117,328 | 49,634 | 14,875 | 13,570 | 21,831 | 16,246 | 377,946 |
| Written off | - | (62,774) | (114,568) | (22,995) | (38,654) | (101,924) | (47,094) | (388,009) |
| As at 30th June 2018 | 1,417,108 | 999,023 | 702,841 | 85,907 | 157,386 | 173,137 | 286,661 | 3,822,063 |

## 5. PROPERTY, PLANT AND EQUIPMENT (cont'd)

| | Leasehold lands and buildings RM | Motor vehicles RM | Plant and machinery RM | Tools and equipment RM | Furniture and fittings RM | Computer and office equipment RM | Renovation and electrical installation RM | Total RM |
|---|---|---|---|---|---|---|---|---|
| **Net carrying amounts** | | | | | | | | |
| As at 30$^{th}$ June 2018 | 6,134,612 | 508,903 | 208,574 | 62,851 | 45,408 | 86,372 | 29,389 | 7,076,109 |
| As at 30$^{th}$ June 2017 | 6,279,074 | 434,000 | 152,388 | 93,532 | 59,165 | 92,614 | 41,950 | 7,152,723 |

## 5. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Included in net carrying amounts of property, plant and equipment are:

(i) Assets pledged as security for bank borrowings, as disclosed in Note 12(ii):

| | 2018 RM | 2017 RM |
|---|---|---|
| Leasehold land and buildings | 6,134,612 | 6,279,074 |

(ii) Assets held under hire purchase:

| | 2018 RM | 2017 RM |
|---|---|---|
| Motor vehicles | 289,975 | 386,079 |
| Plant and machinery | 126,600 | 48,391 |
| | 416,575 | 434,470 |

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## 6. INVESTMENT PROPERTIES

| **Leasehold land and buildings** | **2018 RM** | **2017 RM** |
|---|---|---|
| **Cost** | | |
| At 30th June | 728,596 | 728,596 |
| **Accumulated depreciation** | | |
| At 1st July | 273,965 | 259,333 |
| Depreciation charge | 14,572 | 14,632 |
| At 30th June | 288,537 | 273,965 |
| **Net carrying amounts** | 440,059 | 454,631 |
| **Fair value** | 1,320,000 | 1,320,000 |

(i) Investment properties represent:
   (a) Two units of leasehold shop lots located at Ipoh, Perak; and
   (b) One unit of leasehold factory located at Mak Mandin, Butterworth, Penang.

   The fair value measurement of investment properties are disclosed in Note 25.

(ii) The rental income and operating expenses relating to the investment properties recognised for the financial year are as follows:

| | **2018 RM** | **2017 RM** |
|---|---|---|
| Rental income | 68,500 | 35,784 |
| Direct operating expenses of revenue-generating investment properties | 12,764 | 10,747 |

## 7. INVENTORIES

| | 2018 RM | 2017 RM |
|---|---|---|
| **At cost** | | |
| Raw matcrials | 732,990 | 811,555 |
| Work-in-progress | 730,851 | 143,989 |
| Finished goods | 33,833 | - |
| | 1,497,674 | 955,544 |

The cost of inventories recognised as expenses during the financial year was RM6,339,659 (2017: RM7,308,271).

## 8. RECEIVABLES

| | 2018 RM | 2017 RM |
|---|---|---|
| Trade receivables | 5,548,898 | 3,261,797 |
| Less: Allowance for impairment loss | (46,782) | (90,502) |
| | 5,502,116 | 3,171,295 |
| Contract assets (Note 15) | 537,192 | 1,335,317 |
| Other receivables, deposits and prepayments | 374,087 | 252,855 |
| Due from a Director | 307,393 | 291,552 |
| | 6,720,788 | 5,051,019 |

(i) The Group's normal trade reeeivablcs credit periods rangc from 30 to 90 days (2017: 30 to 90 days). Other credit terms are assessed and approved on a case-by-case basis.

(ii) As at the reporting date, the Group is exposed to significant concentration of credit risk whereby a substantial balance of the total trade receivables is due from one (1) (2017: one (1)) major customer, representing approximately 42% (2017: 47%) of the total outstanding trade receivables of the Group.

(iii) The balance due from a Director is unsecured, interest-free and repayable upon demand.

## 8. RECEIVABLES (cont'd)

(iv) The related party transactions are disclosed in Note 23.

(v) The currency exposure profile of the trade receivables is as follows:

| | 2018 RM | 2017 RM |
|---|---|---|
| Ringgit Malaysia | 4,794,539 | 3,150,793 |
| US Dollars | 754,359 | 111,004 |
| | 5,548,898 | 3,261,797 |

(vi) The ageing analysis of the Group's trade receivables, including the trade balanees from its related party as at 30th June 2018 and 30th June 2017 are as follows:

| | 2018 RM | 2017 RM |
|---|---|---|
| Neither past due nor impaired | 4,323,802 | 2,450,466 |
| Past due but not impaired | | |
| 1 to 30 days | 306,740 | 308,850 |
| 31 to 60 days | 60,142 | 223,289 |
| 61 to 90 days | 166,016 | 6,625 |
| 90 days and above but less than 1 year | 477,016 | 18,022 |
| More than 1 year | 168,400 | 164,043 |
| | 1,178,314 | 720,829 |
| Impaired | 46,782 | 90,502 |
| | 5,548,898 | 3,261,797 |

## 8. RECEIVABLES (cont'd)

(vi) The Group does not hold any collateral or other credit enhancement over the balances.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivable that is past due but not impaired
Included in trade receivables that are past due but not impaired is unsecured in nature. The Group considers the outstanding amounts are still recoverable and there has not been a significant change in credit quality.

Management periodically monitors the balances and is in the opinion that current allowance is adequate.

Receivable that are impaired
The Group applies the simplified approach whereby allowance for impairment loss is measured at lifetime ECL.

As at the current finaneial year end, there is no significant increase in credit risk for trade receivables and other receivables since initial recognition. The movement of the allowance for impairment loss is as follows:

| **Trade receivables** | **2018 RM** | **2017 RM** |
|---|---|---|
| At 1st July | 90,502 | 93,823 |
| Reversals | (30,000) | - |
| Written off against allowance | (13,720) | (3,321) |
| At 30th June | 46,782 | 90,502 |

| **Other receivables** | **2018 RM** | **2017 RM** |
|---|---|---|
| At 1st July | - | 50,000 |
| Written off against allowance | - | (50,000) |
| At 30th June | - | - |

## 8. RECEIVABLES (cont'd)

(vi) Receivable that are impaired (cont'd)

The allowance for impairment loss on trade receivables decreased by RM30,000 (2017: RMNil) during the current financial year resulting from recovery of previous doubtful debts.

These receivables are not secured by any collateral or credit enhancements.

## 9. TAXATION

| | 2018<br>RM | 2017<br>RM |
|---|---|---|
| Net tax liabilities as at 1st July | 32,260 | 141,987 |
| Malaysian taxation | | |
| - Based on the results for the financial year | 286,598 | 266,854 |
| - Under provision in prior years | 26,963 | - |
| Tax refund | - | 6,205 |
| Tax penalty | 5,108 | 13,591 |
| Payment made during the year | (372,606) | (396,377) |
| Net tax (assets)/ liabilities as at 30th June | (21,677) | 32,260 |
| **Disclosed as:** | | |
| Tax assets | (21,677) | - |
| Tax liabilities | - | 32,260 |
| | (21,677) | 32,260 |

## 9. TAXATION (cont'd)

**The taxation expenses comprise:**

| | 2018 RM | 2017 RM |
|---|---|---|
| **Current** | | |
| - Income taxation | 286,598 | 266,854 |
| - Deferred taxation (Note 13) | 7,000 | 8,438 |
| **Non-current** | | |
| - Income taxation | 32,071 | 13,591 |
| - Deferred taxation (Note 13) | 9,975 | 1,356 |
| | 335,644 | 290,239 |

Reconciliation of tax expense with accounting profit:

| | 2018 RM | 2017 RM |
|---|---|---|
| Profit before taxation | 866,767 | 1,122,463 |
| Tax at current income tax rate at 24% | 208,024 | 269,391 |
| Tax effects in respect of: | | |
| - Non-allowable expenses | 118,464 | 86,505 |
| Adjustment in respect of prior years | | |
| - Income tax | 32,071 | 13,591 |
| - Deferred tax | 9,975 | 1,356 |
| Deferred tax liability not recognised | - | (47,718) |
| Tax savings on first RM500,000 of chargeable income | (32,890) | (32,886) |
| | 335,644 | 290,239 |

The subsidiary companies are qualified for small and medium enterprise tax rate on the first RM500,000 chargeable income at 18%.

## 10. DEPOSITS, CASH AND BANK BALANCES

| | 2018 RM | 2017 RM |
|---|---|---|
| Fixed deposits with licensed bank | 548,003 | 538,210 |
| Cash and bank balances | 2,109,424 | 2,421,124 |
| | 2,657,427 | 2,959,334 |

(i) The average interest rate for fixed deposits with licensed bank during the financial year range from 3.10% to 3.35% (2017: 3.30% to 3.35%) per annum and are maturing annually.

(ii) The fixed deposits are pledged to licensed bank for bank facilities granted to the Group as disclosed in Note 12(ii).

(iii) Fixed deposits amounting to RM523,831 (2017: RM514,340) is registered under the Directors' name and being held in trust by the Directors for the Group.

(iv) The currency exposure profile of the deposits, cash and bank balances is as follows (foreign currency balances are unhedged):

| | 2018 RM | 2017 RM |
|---|---|---|
| Ringgit Malaysia | 1,438,965 | 2,485,356 |
| US Dollar | 1,213,519 | 468,995 |
| China Renminbi | 4,943 | 4,983 |
| | 2,657,427 | 2,959,334 |

(v) As at the reporting date, the Group is exposed to significant concentration of credit risk whereby a substantial balance of the total cash and bank balances is due from two (2) (2017: three (3)) major bank balances, representing approximately 94% (2017: 78%) of the total deposits, cash and bank balanees of the Group.

## 11. SHARE CAPITAL

| | 2018 No. of shares | 2017 No. of shares | 2018 RM | 2017 RM |
|---|---|---|---|---|
| **Issued and fully paid** | | | | |
| Ordinary shares with no par value | | | | |
| At 30th June | 1,200,000 | 1,200,000 | 1,200,000 | 1,200,000 |

**Capital management**

The primary objective of the Group's capital management is to safeguard the Group's ability to provide return for shareholders, benefits for other stakeholders and to maintain an optimal capital structure. The Group's overall strategy remain unchanged from that in the financial years ended 30th June 2018 and 30th June 2017.

There are no changes made to the capital management, policies and procedures of the Group during the financial year. The net debt-to-equity ratios at 30th June 2018 and 30th June 2017 were as follows:

| | 2018 | 2017 |
|---|---|---|
| Total borrowings (RM) (Note 12) | 7,473,878 | 7,207,801 |
| Less: Deposits, cash and bank balances (RM) (Note 10) | (2,657,427) | (2,959,334) |
| Net debts (RM) | 4,816,451 | 4,248,467 |
| Total equity (RM) | 6,859,004 | 6,327,881 |
| Net debt-to-equity ratio | 0.70 | 0.67 |

## 12. BORROWINGS

| | 2018<br>RM | 2017<br>RM |
|---|---|---|
| **Secured** | | |
| **Current** | | |
| Bank overdrafts (Note 22) | 2,324,514 | 1,652,049 |
| Bills payable | - | 118,000 |
| Hire purchase obligations | 110,682 | 72,083 |
| Term loans | 303,335 | 243,525 |
| | 2,738,531 | 2,085,657 |
| **Secured** | | |
| **Non-current** | | |
| Hire purchase obligations | 199,681 | 237,314 |
| Term loans | 4,535,666 | 4,884,830 |
| | 4,735,347 | 5,122,144 |
| **Grand total** | 7,473,878 | 7,207,801 |

(i) Interests charged are as follows:
- bank overdrafts – 5.15% to 6.10% (2017: 5.40% to 6.10%) per annum.
- hire purchase obligations – 4.74% to 6.54% (2017: 4.74% to 6.54%) per annum.
- term loans – 5.15% to 5.35% (2017: 5.10% to 10.51%) per annum.
- bills payable – 4.90% (2017: 4.90% per annum).

(ii) The term loans are secured as follows:
- Leasehold land and buildings of the Group as disclosed in Note 5(i); and
- Fixed deposits as disclosed in Note 10(ii); and
- Joint and several guarantee by the Directors.

## 12. BORROWINGS (cont'd)

(iii) The outstanding term loans as at the end of the financial year are repayable as follows:

| | 2018 RM | 2017 RM |
|---|---|---|
| Not later than 1 year | 303,335 | 243,525 |
| Between 1 to 5 years | 1,377,785 | 1,305,538 |
| Later than 5 years | 3,157,881 | 3,579,292 |
| | 4,839,001 | 5,128,355 |

(iv) Outstanding hire purchase obligations at the end of the financial year are repayable as follows:

| | 2018 RM | 2017 RM |
|---|---|---|
| Minimum hire purchase payment | | |
| - Not later than 1 year | 125,364 | 91,248 |
| - Between 1 to 5 years | 212,180 | 256,686 |
| | 337,544 | 347,934 |
| Less: Unexpired finance charges | (27,181) | (38,537) |
| | 310,363 | 309,397 |
| Present value of hire purchase obligations | | |
| - Current | 110,682 | 72,083 |
| - Non-current | 199,681 | 237,314 |
| | 310,363 | 309,397 |

## 13. DEFERRED TAXATION

| | 2018<br>RM | 2017<br>RM |
|---|---|---|
| Deferred tax liabilities as at 1$^{st}$ July | 132,025 | 122,231 |
| Transferred from profit or loss | | |
| - Current (Note 9) | 7,000 | 8,438 |
| - Non-current (Note 9) | 9,975 | 1,356 |
| Deferred tax liabilities as at 30$^{th}$ June | 149,000 | 132,025 |

| | 2018<br>RM | 2017<br>RM |
|---|---|---|
| Tax effect of temporary difference arising from: | | |
| - Temporary difference between accounting depreciation and related capital allowance | 147,000 | 129,000 |
| - Others | 2,000 | 3,025 |
| | 149,000 | 132,025 |

## 14. PAYABLES

| | 2018<br>RM | 2017<br>RM |
|---|---|---|
| Trade payables | 2,400,198 | 1,857,688 |
| Contract liability (Note 15) | 991,659 | 508,072 |
| Other payables and accruals | 503,681 | 362,867 |
| Due to a Director | 36,314 | 144,657 |
| | 3,931,852 | 2,873,284 |

(i) The normal trade credit periods granted to the Group range from 30 to 90 days (2017: 30 to 90 days) or such other period as negotiated with the suppliers.

(ii) The amount due to a Director is unsecured, interest-free and repayable upon demand.

## 15. REVENUE

| | 2018 RM | 2017 RM |
|---|---|---|
| Revenue from contracts with customers | 15,089,566 | 15,013,671 |

Disaggregation of the Group's revenue from contracts with customers:

| | 2018 RM | 2017 RM |
|---|---|---|
| **Geographical market** | | |
| Local | 10,098,503 | 12,651,734 |
| Overseas | 4,991,063 | 2,361,937 |
| | 15,089,566 | 15,013,671 |
| **Major segments** | | |
| Air pollution control system | 6,835,743 | 8,350,575 |
| Air pollution control products and other related environmental engineering products | 4,258,041 | 3,893,224 |
| Technical consultation and maintenance services | 3,995,782 | 2,769,872 |
| | 15,089,566 | 15,013,671 |
| **Timing of revenue recognition** | | |
| At point in time | 15,089,566 | 15,013,671 |
| Over time | - | - |
| | 15,089,566 | 15,013,671 |

## 15. REVENUE (cont'd)

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

| | 2018<br>RM | 2017<br>RM |
|---|---|---|
| Trade receivables (Note 8) | 5,548,898 | 3,261,797 |
| Contract assets (Note 8) | 537,192 | 1,335,317 |
| Contract liabilities (Note 14) | 991,659 | 508,072 |

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. The contract liabilities primarily relate to the advance consideration received from customers, for which revenue is recognised upon completion of a physical proportion of contract work to-date.

The movement in the contract assets and the contract liabilities balances during the year are as follows:

| | 2018<br>RM | 2017<br>RM |
|---|---|---|
| **Contract assets** | | |
| At 1st July | 1,335,317 | - |
| Transfer from contract assets recognised to trade receivables | (1,335,317) | - |
| Increase as a result of changes in the measure of progress | 537,192 | 1,335,317 |
| At 30th June | 537,192 | 1,335,317 |
| **Contract liabilities** | | |
| At 1st July | 508,072 | 80,630 |
| Revenue recognised | (506,718) | - |
| Cash received, excluding amount recognised as revenue during the year | 990,305 | 427,442 |
| At 30th June | 991,659 | 508,072 |

## 15. REVENUE (cont'd)

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date:

| | 2019<br>RM | 2020<br>RM | 2021<br>RM |
|---|---|---|---|
| Air pollution control system | 9,250,630 | 150,833 | 36,989 |
| Air pollution control products and other related environmental engineering products | 1,830,134 | 2,890 | - |
| Technical consultation and maintenance services | 187,887 | - | - |

No consideration from contracts with customers is excluded from the amounts presented above.

The Group applies the practical expedient in paragraph 121 of MFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

The Group applies the practical expedient in paragraph C5(a) of MFRS 15 and does not disclose the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the Group expects to recognise that amount as revenue for the year ended 30th June 2017.

## 16. COST OF SALES

| | 2018<br>RM | 2017<br>RM |
|---|---|---|
| Cost of goods manufactured | 9,886,699 | 9,636,953 |
| Changes in inventories of finished goods | (33,833) | - |
| | 9,852,866 | 9,636,953 |

## 17. PROFIT FROM OPERATIONS

The following items have been charged/ (credited) in arriving at profit from operations:

| | 2018<br>RM | 2017<br>RM |
|---|---|---|
| Auditors' remuneration | 39,000 | 17,500 |
| Bad debts written off | - | 2,000 |
| Depreciation of investment properties | 14,572 | 14,632 |
| Depreciation of property, plant and equipment | 377,946 | 368,361 |
| Directors' remunerations | | |
| - Salaries, allowances and bonus | 678,150 | 561,750 |
| - Employees' Provident Fund | 136,268 | 117,610 |
| - Other emoluments | 45,000 | 36,657 |
| Hostel rental | 11,932 | 7,200 |
| Interest income | (37,340) | (49,721) |
| Gain on disposal of property, plant and equipment | - | (42,452) |
| Loss/ (gain) on foreign exchange | | |
| - Realised | 126,976 | 27,813 |
| - Unrealised | (46,819) | (28,568) |
| Property, plant and equipment written off | 31,635 | 5,841 |
| Recovery of allowance for impairment on trade receivables | (30,000) | - |
| Rental of premises | 15,683 | 11,580 |
| Rental income | (68,500) | (35,784) |
| Staff costs: | | |
| - Salaries, allowances and bonus | 4,008,752 | 3,728,030 |
| - Employees' Provident Fund | 283,688 | 287,150 |
| - Other employee benefits | 135,247 | 73,876 |

## 18. FINANCE COSTS

| | 2018 RM | 2017 RM |
|---|---|---|
| Interest on: | | |
| - Bank overdrafts | 151,606 | 181,035 |
| - Bills payable interest | 3,638 | 13,227 |
| - Hire purchase | 255,461 | 378,372 |
| - Term loans | 20,962 | 8,307 |
| | 431,667 | 580,941 |

## 19. EARNINGS PER SHARE

**Basic Earnings Per Share**
Basic earnings per share for the financial year is calculated by dividing the profit for the financial year attributable to common controlling shareholders of the combining entities by the expected number of ordinary shares of the combining entities upon completion of the proposed listing.

| | 2018 RM | 2017 RM |
|---|---|---|
| Profit attributable to common controlling shareholders of the combining entities | 531,123 | 832,224 |
| | **Number of shares** | |
| | **2018** | **2017** |
| Expected number of shares upon completion of the proposed listing | 1,200,000 | 1,200,000 |
| | **Sen** | **Sen** |
| Basic earnings per share (sen) | 44.26 | 69.35 |

**Diluted Earnings Per Share**
Diluted earnings per ordinary share equals basic earnings per ordinary share because there are no potentially dilutive instruments in existence as at the end of each reporting period.

## 20. DIVIDENDS

| | 2018 RM | 2017 RM |
|---|---|---|
| **Recognised and paid during the financial year** | | |
| In respect of the financial year ended 30th June 2017: | | |
| First interim single tier dividend of 200% per share: | | |
| - paid on 27th July 2016 by Polydamic Sdn. Bhd. | - | 200,000 |
| First interim single tier dividend of 100% per share: | | |
| - paid on 9th November 2016 by Polydamic Sdn. Bhd. | - | 100,000 |
| | - | 300,000 |

## 21. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

| | 2018 RM | 2017 RM |
|---|---|---|
| Additions to property, plant and equipment | 332,967 | 374,574 |
| Financed by hire purchase | (94,000) | (100,000) |
| | 238,967 | 274,574 |

## 22. CASH AND CASH EQUIVALENTS

| | 2018 RM | 2017 RM |
|---|---|---|
| **Represented by:** | | |
| Deposits, cash and bank balances | 2,657,427 | 2,959,334 |
| Less: Bank overdrafts (Note 12) | (2,324,514) | (1,652,049) |
| Less: Fixed deposits with licensed bank (Note 10) | (548,003) | (538,210) |
| | (215,090) | 769,075 |

## 23. SIGNIFICANT RELATED PARTY DISCLOSURES

In addition to related party disclosure mentioned elsewhere in the financial statements, the other related party relationships and significant transactions are set out as follows:-

### (a) Related party relationships

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and opcrating deeisions, or vice versa, or where the Group and the party are subject to common control or eommon significant influence. Thc Group has related party relationships with the following:-

(i) Key management personnel are referred as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indircctly. The Company defines its Directors as key management.

### (b) Significant related party transactions

In the normal course of business, the Group undertakes on agreed terms and prices, the following significant transactions with its related parties:

| | 2018<br>RM | 2017<br>RM |
|---|---|---|
| **Transaction entered into with the Directors** | | |
| - Repayment to | (145,447) | (305,133) |
| - Advance from | 52,945 | 327,268 |

Information regarding outstanding balances arising from related party transactions as at 30th June 2018 and 30th June 2017 are disclosed in Notes 8 and 14.

### (c) Compensation of key management personnel

The key management's remuneration includes fees, salary, bonus, allowances and other benefits computed based on the cost incurred by the Group. The Group defines its Directors as key management and their compensation are stated in Note 17 to the financial statements.

## 24. FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(i) Financial assets measured at amortised cost ("FA")
(ii) Financial liabilities measured at amortised cost ("FL")

| | Carrying amount RM | FA/ (FL) RM |
|---|---|---|
| **2018** | | |
| **Financial assets** | | |
| Receivables* | 5,933,215 | 5,933,215 |
| Deposits, cash and bank balances | 2,657,427 | 2,657,427 |
| | 8,590,642 | 8,590,642 |
| **Financial liabilities** | | |
| Borrowings | (7,473,878) | (7,473,878) |
| Payables# | (2,899,979) | (2,899,979) |
| | (10,373,857) | (10,373,857) |

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## 24. FINANCIAL INSTRUMENTS (cont'd)

### (a) Categories of financial instruments (cont'd)

| | Carrying amount RM | FA/ (FL) RM |
|---|---|---|
| **2017** | | |
| **Financial assets** | | |
| Receivables* | 3,627,322 | 3,627,322 |
| Deposits, cash and bank balances | 2,959,334 | 2,959,334 |
| | 6,586,656 | 6,586,656 |
| **Financial liabilities** | | |
| Borrowings | (7,207,801) | (7,207,801) |
| Payables# | (2,352,903) | (2,352,903) |
| | (9,560,704) | (9,560,704) |

* Receivables exclude prepayments, contract assets and GST claimable as they do not meet the definition of a financial instrument.

\# Payables exclude contract liability and GST payable as they do not meet the definition of a financial instrument.

### (b) Financial risk management

The Group is exposed to a variety of financial risks, including interest rate risk, credit risk and liquidity risk. The Group's overall risk management objective is to ensure that the Group creates value for its shareholders whilst minimising the potential adverse effects on the performance of the Group. The Group does not trade in finaneial instruments or engage in speculative transactions.

#### (i) Interest rate risk

The Group is exposed to interest rate risk mainly from borrowings. The Group mitigates the exposure on interest rate fluctuation by borrowing at both fixed and floating rate of interest.

The interest rate risk is monitored on an on-going basis and the Group endeavors to keep the exposure at an acceptable level. The Group considers interest rate risk exposure for its deposits as minimal as they are short term in nature and not held for speculative purposes.

**24. FINANCIAL INSTRUMENTS (cont'd)**

**(b) Financial risk management (cont'd)**

**(ii) Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to the financial instrument fails to meet its contractual obligations. The Group is exposed to credit risk mainly from trade receivables, amount due from a Director and deposit, cash and bank balances.

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amounts in the statements of financial position.

<u>Trade receivables</u>
In respect of trade receivables, the Group trades only with recognised and creditworthy third parties, In addition, receivables balances are monitored on an ongoing basis to ensure that the Group's exposure to bad debts is kept to a minimum.

Information regarding trade receivables that are neither past due nor impaired and concentration of eredit risk are disclosed in Note 8.

<u>Amount due from a Director</u>
The credit risk arising from amount due from a Director is monitored closely to ensure that risk of losses incurred by the Group due to non-repayment by Director is minimal.

At the end of the reporting period, there was no indication that the balances due from a Director is not recoverable.

<u>Cash and cash equivalents</u>
In respect of cash and cash equivalents, the Group's policy is to place surplus cash with licensed banks in Malaysia. The likelihood of default by licensed banks is remote based on their high credit ratings.

Information regarding concentration of risk is disclosed in Note 10(v).

## 24. FINANCIAL INSTRUMENTS (cont'd)

### (b) Financial risk management (cont'd)

#### (iii) Foreign currency risk

The Group incurs foreign currency risk on sales that are denominated in currencies other than Ringgit Malaysia.

Foreign currency risk is monitored closely and managed to an acceptable level.

The net carrying amounts of financial assets and financial liabilities stated at currencies other than the functional currencies are as follows:

| | 2018<br>RM | 2017<br>RM |
|---|---|---|
| Financial assets | | |
| - US Dollar | 1,967,878 | 579,999 |
| - Others | 4,943 | 4,983 |
| **Net exposure in the statement of financial position** | 1,972,821 | 584,982 |

A 5% (2017: 5%) weakening of the Malaysian Ringgit ("RM") against the US Dollar ("USD") at the end of the reporting period would have increased equity and profit net of tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

| | 2018<br>RM | 2017<br>RM |
|---|---|---|
| **RM against USD, weakened by 5%** | | |
| - Increase in profit, net of tax | 74,779 | 22,040 |

Conversely, a (2017: 5%) strengthening of RM against the USD at the end of the reporting period would have the equal but opposite effect on the above currency to the amounts shown above assuming that all other variables remained constant.

## 24. FINANCIAL INSTRUMENTS (cont'd)

### (b) Financial risk management (cont'd)

#### (iv) Liquidity risk

The Group practices prudent liquidity risk management by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

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

| | Carrying amount RM | Contractual interest rate % | Contractual cash flows RM | Under 1 year RM | 1 - 5 years RM | More than 5 years RM |
|---|---|---|---|---|---|---|
| **2018** | | | | | | |
| Borrowings | 7,473,878 | 4.74 - 6.54 | 9,110,577 | 2,880,059 | 2,362,763 | 3,867,755 |
| Payables | 2,940,193 | - | 2,940,193 | 2,940,193 | - | - |
| | 10,414,071 | | 12,050,770 | 5,820,252 | 2,362,763 | 3,867,755 |
| **2017** | | | | | | |
| Borrowings | 7,207,801 | 4.74 - 6.54 | 9,220,350 | 2,406,250 | 2,408,413 | 4,405,687 |
| Payables | 2,365,212 | - | 2,365,212 | 2,365,212 | - | - |
| | 9,573,013 | | 11,585,562 | 4,771,462 | 2,408,413 | 4,405,687 |

## 25. FAIR VALUE OF ASSETS AND LIABILITIES

**Fair value information**
The carrying amounts of the financial assets and liabilities of the Group at the reporting date approximated or were at their fair values.

In respect of amounts due from/to other receivables, other payables, related party, deposits, cash and bank balance, the carrying amounts approximate their fair values due to the relatively short term maturity of these financial instruments.

The following table provides the fair value measurement hierarchy of the Group:

| | Level 1 | Level 2 | Level 3 | Total | Carrying amount |
|---|---|---|---|---|---|
| | RM | RM | RM | RM | RM |
| **Liability not carried at fair value** | | | | | |
| Borrowings | | | | | |
| - 2018 | - | 4,735,347 | - | 4,735,347 | 4,735,347 |
| - 2017 | - | 5,122,144 | - | 5,122,144 | 5,122,144 |
| **Asset not carried at fair value** | | | | | |
| Investment properties | | | | | |
| - 2018 | - | - | 1,320,000 | 1,320,000 | 440,059 |
| - 2017 | - | - | 1,320,000 | 1,320,000 | 454,631 |

There were no transfers between Level 1, Level 2 and Level 3 fair value measurements during the financial years ended 30th June 2018 and 30th June 2017.

## 25. FAIR VALUE OF ASSETS AND LIABILITIES (cont'd)

**Fair value measurement hierarchy**

The fair value of the investment properties includes the application of the following valuation processes:

(i) Comparison of the Group's investment properties with similar properties that were listed for sale within the same locality or other comparable localities; and

(ii) Enquiries from relevant property valuers and real estate agents on market conditions and changing market trends.

**Sensitivity to changes in the assumptions applied**
With regards to the assessment of the fair value of investment properties, the management believes that no reasonably possible movements would cause the fair value of the investment property to vary significantly from the fair value disclosure.

## 26. SEGMENTAL INFORMATION

Information about operating segments had not been reported separately as the Group's revenue, profit or loss, assets and liabilities are mainly confined to a single operating segment, namely provision of air pollution control solutions related business.

Information related to the reportable segment is set out below:

(i) Products and services information
The information about products and services is disclosed in Note 15.

## 26. SEGMENTAL INFORMATION (cont'd)

Information related to the reportable segment is set out below: (cont'd)

(ii) Geographical information
The information below analyses the Group's segment revenue based on the geographic location of customers.

| | 2018 RM | 2017 RM |
|---|---|---|
| Malaysia | 10,098,503 | 12,651,734 |
| Thailand | 2,431,881 | 657,572 |
| United States | 1,774,433 | 680,859 |
| Indonesia | 729,136 | 777,550 |
| China | - | 200,256 |
| Others | 55,613 | 45,700 |
| | 15,089,566 | 15,013,671 |

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

| | | Revenue | | | |
|---|---|---|---|---|---|
| | | 2018 | | 2017 | |
| | Segment | Percentage % | RM'000 | Percentage % | RM'000 |
| Customer #1 | United States | 12 | 1,774 | 5 | 681 |
| Customer #2 | Thailand | 16 | 2,387 | 3 | 477 |
| Customer #3 | Malaysia | 18 | 2,700 | 42 | 6,395 |
| | | 46 | 6,861 | 50 | 7,553 |
| Others | | 54 | 8,229 | 50 | 7,461 |
| Total | | 100 | 15,090 | 100 | 15,014 |

## 27. SUBSEQUENT EVENTS

(a) On 3rd October 2019, the Polydamic Group Berhad increased its ordinary shares from RM2 to RM6,000,002 through issuance of 75,000,000 ordinary shares at issue price of RM0.08 each for total cash consideration of RM6,000,000.

(b) On 3rd October 2019, a group of companies comprising Polydamie Group Berhad, Polydamic Sdn. Bhd. and Polydamic Holdings Sdn. Bhd. had been formed after the corporate restructuring. The corporate restructuring had been completed through the acquisition of 100% equity interests of Polydamic Sdn. Bhd. and Polydamic Holdings Sdn. Bhd. for the total purchase consideration of RM3,751,088 and RM2,248,912 respectively by the Company, which was satisfied in full by the issuance of 75,000,000 new ordinary shares of the Company. Consequently, Polydamic Sdn. Bhd. and Polydamic Holdings Sdn. Bhd. becamc wholly-owned subsidiary companics of the Company.

## 28. COMMITMENT

| | 2018<br>RM | 2017<br>RM |
|---|---|---|
| **Non-cancellable lease of premise and hostel** | | |
| - Not later than one year | 10,880 | 4,820 |
| - Later than one year but not later than five years | 5,850 | - |
| | 16,730 | 4,820 |

**APPENDIX III**

**UNAUDITED COMBINED FINANCIAL STATEMENTS FOR FPE 2019**

## APPENDIX III

### UNAUDITED COMBINED INTERIM FINANCIAL STATEMENTS FOR THE 10-MONTH PERIOD ENDED 30TH APRIL 2019

Company No.
1299943-W

**POLYDAMIC GROUP BERHAD**
Incorporated in Malaysia

# UNAUDITED COMBINED INTERIM FINANCIAL STATEMENTS FOR THE 10-MONTH PERIOD ENDED 30TH APRIL 2019

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1299943-W

**POLYDAMIC GROUP BERHAD**
Incorporated in Malaysia

## UNAUDITED COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30TH APRIL 2019

| | Unaudited | |
|---|---|---|
| | **2019** | **2018** |
| | **RM** | **RM** |
| **ASSETS** | | |
| **Non-current assets** | | |
| Property, plant and equipment | 7,005,000 | 7,084,987 |
| Investment properties | 427,916 | 442,488 |
| | 7,432,916 | 7,527,475 |
| **Current assets** | | |
| Inventories | 1,278,424 | 2,096,481 |
| Receivables | 6,046,907 | 5,214,815 |
| Tax assets | 4,821 | 152,846 |
| Deposits, cash and bank balances | 3,652,431 | 3,033,682 |
| | 10,982,583 | 10,497,824 |
| **TOTAL ASSETS** | 18,415,499 | 18,025,299 |
| **EQUITY AND LIABILITIES** | | |
| **Equity attributable to owners of the Company** | | |
| Share capital | 1,200,000 | 1,200,000 |
| Retained profits | 6,939,633 | 5,348,334 |
| **Total equity** | 8,139,633 | 6,548,334 |
| **Non-current liabilities** | | |
| Borrowings | 4,494,437 | 4,767,019 |
| Deferred tax liabilities | 214,000 | 114,000 |
| | 4,708,437 | 4,881,019 |

**POLYDAMIC GROUP BERHAD**
Incorporated in Malaysia

## UNAUDITED COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30TH APRIL 2019 (cont'd)

| | Unaudited | |
|---|---|---|
| | **2019** | **2018** |
| | **RM** | **RM** |
| **Current liabilities** | | |
| Payables | 3,132,959 | 4,309,742 |
| Tax liabilities | 156,826 | 26,179 |
| Borrowings | 2,277,644 | 2,260,025 |
| | 5,567,429 | 6,595,946 |
| **Total liabilities** | 10,275,866 | 11,476,965 |
| **TOTAL EQUITY AND LIABILITIES** | 18,415,499 | 18,025,299 |

**POLYDAMIC GROUP BERHAD**
Incorporated in Malaysia

## UNAUDITED COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE 10-MONTH PERIOD ENDED 30TH APRIL 2019

| | Unaudited | |
|---|---|---|
| | **2019** | **2018** |
| | **RM** | **RM** |
| **REVENUE** | 13,158,426 | 11,581,315 |
| **COST OF SALES** | (7,607,140) | (7,661,921) |
| **GROSS PROFIT** | 5,551,286 | 3,919,394 |
| **OTHER OPERATING INCOME** | 215,004 | 95,202 |
| **RECOVERY OF ALLOWANCE FOR IMPAIRMENT LOSS ON TRADE RECEIVABLES** | 36,800 | 30,000 |
| **SELLING AND DISTRIBUTION COSTS** | (178,310) | (203,529) |
| **ADMINISTRATIVE EXPENSES** | (3,437,161) | (3,133,148) |
| **PROFIT FROM OPERATIONS** | 2,187,619 | 707,919 |
| **FINANCE COSTS** | (347,359) | (362,645) |
| **PROFIT BEFORE TAXATION** | 1,840,260 | 345,274 |
| **TAXATION** | (559,631) | (124,821) |
| **PROFIT FOR THE FINANCIAL PERIOD** | 1,280,629 | 220,453 |

## POLYDAMIC GROUP BERHAD
Incorporated in Malaysia

### UNAUDITED COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE 10-MONTH PERIOD ENDED 30TH APRIL 2019 (cont'd)

| | Unaudited | |
|---|---|---|
| | **2019** | **2018** |
| | **RM** | **RM** |
| **OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD** | - | - |
| **TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY** | 1,280,629 | 220,453 |
| **EARNINGS PER SHARE (SEN)** | | |
| - **Basic** | 106.72 | 18.37 |
| - **Diluted** | N/A | N/A |

**Company No.**
**1299943-W**

## POLYDAMIC GROUP BERHAD
Incorporated in Malaysia

## UNAUDITED COMBINED STATEMENTS OF CHANGES IN EQUITY FOR THE 10-MONTH PERIOD ENDED 30$^{TH}$ APRIL 2019

| | Attributable to owners of the Company | | |
|---|---|---|---|
| | Share capital RM | Retained profits RM | Total RM |
| As at 1$^{st}$ July 2017 | 1,200,000 | 5,127,881 | 6,327,881 |
| Total comprehensive income | - | 220,453 | 220,453 |
| As at 30$^{th}$ April 2018 | 1,200,000 | 5,348,334 | 6,548,334 |
| As at 1$^{st}$ July 2018 | 1,200,000 | 5,659,004 | 6,859,004 |
| Total comprehensive income | - | 1,280,629 | 1,280,629 |
| As at 30$^{th}$ April 2019 | 1,200,000 | 6,939,633 | 8,139,633 |

**POLYDAMIC GROUP BERHAD**
Incorporated in Malaysia

## UNAUDITED COMBINED STATEMENTS OF CASH FLOWS FOR THE 10-MONTH PERIOD ENDED 30TH APRIL 2019

| | Unaudited | |
|---|---|---|
| | **2019** | **2018** |
| | **RM** | **RM** |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| **Profit before taxation** | 1,840,260 | 345,274 |
| Adjustments for: | | |
| Depreciation of investment properties | 12,143 | 12,143 |
| Depreciation of property, plant and equipment | 311,738 | 309,040 |
| Gain on disposal of property, plant and equipment | (1,499) | - |
| Interest expense | 347,359 | 362,645 |
| Interest income | (55,209) | (32,797) |
| Porperty, plant and equipment written off | 159 | 2,616 |
| Unrealised (gain)/ loss on foreign exchange | (48,813) | 31,578 |
| Operating profit before working capital changes | 2,406,138 | 1,030,499 |
| Inventories | 219,250 | (1,140,937) |
| Receivables | 692,756 | (163,796) |
| Payables | (798,893) | 1,436,458 |
| **Cash generated from operations** | 2,519,251 | 1,162,224 |
| Interest paid | (347,359) | (362,645) |
| Interest received | 55,209 | 32,797 |
| Tax paid | (351,274) | (301,773) |
| Tax refunded | 30,325 | - |
| **Net cash generated from operating activities** | 1,906,152 | 530,603 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchase of property, plant and equipment | (240,789) | (149,920) |
| Proceed from disposal of property, plant and equipment | 1,500 | - |
| **Net cash used in investing activities** | (239,289) | (149,920) |

**POLYDAMIC GROUP BERHAD**
Incorporated in Malaysia

**UNAUDITED COMBINED STATEMENTS OF CASH FLOWS
FOR THE 10-MONTH PERIOD ENDED 30TH APRIL 2019 (cont'd)**

| | Unaudited 2019 RM | Unaudited 2018 RM |
|---|---|---|
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Change in fixed deposits pledged to licensed banks | 523,081 | (9,793) |
| Change in short term borrowing | 176,000 | 49,000 |
| Repayment of hire purchase and lease obligations | (43,618) | (65,475) |
| Repayment of term loans | (241,151) | (243,182) |
| **Net cash generated from/ (used in) financing activities** | 414,312 | (269,450) |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | 2,081,175 | 111,233 |
| Effect of exchange rate changes | 29,938 | (31,578) |
| **CASH AND CASH EQUIVALENTS BROUGHT FORWARD** | (215,090) | 769,075 |
| **CASH AND CASH EQUIVALENTS CARRIED FORWARD** | 1,896,023 | 848,730 |
| **Cash and cash equivalents comprise the following:** | | |
| Cash and bank balances | 3,627,509 | 2,485,679 |
| Fixed deposits with a licensed bank | 24,922 | 548,003 |
| | 3,652,431 | 3,033,682 |
| Less: Bank overdraft | (1,731,486) | (1,636,949) |
| Less: Fixed deposits pledged with a licensed bank | (24,922) | (548,003) |
| | 1,896,023 | 848,730 |

**UNAUDITED COMBINED STATEMENTS OF CASH FLOWS FOR THE 10-MONTH PERIOD ENDED 30TH APRIL 2019 (cont'd)**

## RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

| | Bills payable (Note 11) RM | Hire purchase obligations (Note 11) RM | Term loans (Note 11) RM |
|---|---|---|---|
| At 1st July 2018 | - | 310,363 | 4,839,001 |
| Cash flows | 176,000 | (43,618) | (241,151) |
| At 30th April 2019 | 176,000 | 266,745 | 4,597,850 |
| | | | |
| At 1st July 2017 | - | 309,397 | 5,128,355 |
| Purchase of property, plant and equipment financed by hire purchase obligations | - | 94,000 | - |
| Cash flows | 167,000 | (65,475) | (243,182) |
| At 30th April 2018 | 167,000 | 337,922 | 4,885,173 |

## 1. BASIS OF PREPARATION

The interim financial statements of Polydamic Group Berhad and its subsidiaries (the "Group") are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standard ("MFRS") 134: Interim Financial Reporting and in compliance with the LEAP Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements"). The financial information of the Company has not been presented in the combined financial statements because it was only incorporated on 17th October 2018 to facilitate the listing of the Group on the LEAP Market of Bursa Malaysia Securities Berhad and has remained dormant since incorporation.

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

This unaudited interim financial report should be read in conjunction with the Audited Combined Financial Statements as disclosed in Appendix II of the Information Memorandum and the accompanying explanatory notes attached to this unaudited interim financial report.

## 2. CHANGES IN ACCOUNTING POLICIES

The significant accounting policies and methods of computation adopted by the Group in this unaudited interim financial report are consistent with those adopted in the Audited Combined Financial Statements as disclosed in Appendix II of the Information Memorandum, except for the following:

| | | **Effective dates** |
|---|---|---|
| MFRS 16 | Leases | 1st January 2019 |
| Amendments to MFRS 9 | Prepayment Features with Negative Compensation | 1st January 2019 |
| Amendments to MFRS 101 | Presentation of Financial Statements | 1st January 2020 |
| Amendments to MFRS 101 and MFRS 108 | Definition of Material | 1st January 2020 |
| Amendments to MFRS 108 | Accounting Policies, Changes in Accounting Estimates and Errors | 1st January 2020 |
| Amendments to MFRS 112 | Income Taxes (Annual Improvements to MFRS Standards 2015 – 2017 Cycle) | 1st January 2019 |

## 2. CHANGES IN ACCOUNTING POLICIES (cont'd)

The significant accounting policies and methods of computation adopted by the Group in this unaudited interim financial report are consistent with those adopted in the Audited Combined Financial Statements as disclosed in Appendix II of the Information Memorandum, except for the following: (cont'd)

| | | **Effective dates** |
|---|---|---|
| Amendments to MFRS 119 | Employee Benefits (Plan Amendment, Curtailment and Settlement) | 1st January 2019 |
| Amendments to MFRS 123 | Borrowing Costs (Annual Improvements to MFRS Standards 2015– 2017 Cycle) | 1st January 2019 |
| Amendments to MFRS 137 | Provisions, Contingent Liabilities and Contingent Assets | 1st January 2020 |
| Amendment to IC Interpretation 19 | Extinguishing Financial Liabilities with Equity Instruments | 1st January 2020 |
| Amendment to IC Interpretation 22 | Foreign Currency Transaction and Advance Consideration | 1st January 2020 |
| IC Interpretation 23 | Uncertainty over Income Tax Treatments | 1st January 2019 |

The Group is in the process of assessing the impact of implementing these accounting standards and amendments, since the effects would only be observable for the future financial years.

## 3. SEASONAL AND CYCLICAL FACTORS

Generally, our Group's business is not subject to any significant cyclical or seasonal trend.

## 4. UNUSUAL ITEMS AFFECTING ASSETS, LIABILITIES, EQUITY, NET INCOME OR CASHFLOWS

There were no material unusual items affecting assets, liabilities, equity, net income or cash flows of the Group during the 10-month financial period ended 30th April 2019.

## 5. MATERIAL CHANGES IN ESTIMATES

There were no material changes in critical accounting estimates during the 10-month financial period ended 30th April 2019.

## 6. DEBT AND EQUITY SECURITIES

There were no issuance, cancellation, repurchase, resale and repayment of debts and equity securities during the 10-month period ended 30th April 2019.

## 7. DIVIDEND PAID/ DECLARED

The Board of Directors did not recommend any payment of dividend during the 10-month period ended 30th April 2019.

## 8. SEGMENTAL INFORMATION

Our Group is principally engaged in the provision of air pollution control solutions. Through our subsidiaries, we are primarily involved in:

(i) designing, manufacturing, installing and commissioning of air pollution control systems;
(ii) manufacturing and sale of air pollution control products and other related environmental engineering products; and
(iii) provision of air pollution control services comprising technical consultation and maintenance services.

The reportable segments are summarised as follows:

(i) Air pollution control system
(ii) Air pollution control products and other related environmental engineering products
(iii) Technical consultation and maintenance services

Please refer to Section 6 of the Information Memorandum for details of the Group's segmental information during the 10-month period ended 30th April 2019.

## 9. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE CURRENT FINANCIAL PERIOD

(a) On 3rd October 2019, the Polydamic Group Berhad increased its ordinary shares from RM2 to RM6,000,002 through issuance of 75,000,000 ordinary shares at issue price of RM0.08 each for total cash consideration of RM6,000,000.

(b) On 3rd October 2019, a group of companies comprising Polydamic Group Berhad, Polydamic Sdn. Bhd. and Polydamic Holdings Sdn. Bhd. had been formed after the corporate restructuring. The corporate restructuring had been completed through the acquisition of 100% equity interests of Polydamic Sdn. Bhd. and Polydamic Holdings Sdn. Bhd. for the total purchase consideration of RM3,751,088 and RM2,248,912 respectively by the Company, which was satisfied in full by the issuance of 75,000,000 new ordinary shares of the Company. Consequently, Polydamic Sdn. Bhd. and Polydamic Holdings Sdn. Bhd. became wholly-owned subsidiary companies of the Company.

## 10. TAXATION

| | Unaudited | |
|---|---|---|
| | **2019** | **2018** |
| | **RM** | **RM** |
| Net tax (assets)/ liabilities as at 1st July | (21,677) | 32,260 |
| Malaysian taxation | | |
| - Based on the results for the financial year | 494,631 | 142,846 |
| Tax refund | 30,325 | - |
| Payment made during the year | (351,274) | (301,773) |
| Net tax liabilities/ (assets) as at 30th April | 152,005 | (126,667) |
| **Disclosed as:** | | |
| Tax assets | (4,821) | (152,846) |
| Tax liabilities | 156,826 | 26,179 |
| | 152,005 | (126,667) |

## 10. TAXATION (cont'd)

| | Unaudited 2019 RM | Unaudited 2018 RM |
|---|---|---|
| **The taxation expenses comprise:** | | |
| **Current** | | |
| - Income taxation | 494,631 | 134,598 |
| - Deferred taxation | - | (25,000) |
| **Non-current** | | |
| - Income taxation | - | 8,248 |
| - Deferred taxation | 65,000 | 6,975 |
| | 559,631 | 124,821 |

Reconciliation of tax expense with accounting profit:

| | Unaudited 2019 RM | Unaudited 2018 RM |
|---|---|---|
| Profit before taxation | 1,840,260 | 345,274 |
| Tax at current income tax rate at 24% | 441,662 | 82,866 |
| Tax effects in respect of: | | |
| - Non-allowable expenses | 176,801 | 74,668 |
| - Non-taxable income | (31,732) | - |
| Adjustment in respect of prior year | | |
| - Income tax | - | 8,248 |
| - Deferred tax | 65,000 | 6,975 |
| Deferred tax (liabilities)/ assets not recognised | (5,508) | 2,376 |
| Utilisation of deferred tax asset not recognised | (16,592) | - |
| Tax savings on first RM500,000 of chargeable income | (70,000) | (50,312) |
| | 559,631 | 124,821 |

## 11. BORROWINGS

| | Unaudited 2019 RM | 2018 RM |
|---|---|---|
| **Secured** | | |
| **Current** | | |
| Bank overdrafts | 1,731,486 | 1,636,949 |
| Bills payable | 176,000 | 167,000 |
| Hire purchase obligations | 75,075 | 69,970 |
| Term loans | 295,083 | 386,106 |
| | 2,277,644 | 2,260,025 |
| **Secured** | | |
| **Non-current** | | |
| Hire purchase obligations | 191,670 | 267,952 |
| Term loans | 4,302,767 | 4,499,067 |
| | 4,494,437 | 4,767,019 |
| **Grand total** | 6,772,081 | 7,027,044 |

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## 12. PROFIT FROM OPERATIONS

| | Unaudited 2019 RM | Unaudited 2018 RM |
|---|---|---|
| Depreciation of investment properties | 12,143 | 12,143 |
| Depreciation of property, plant and equipment | 311,738 | 309,040 |
| Directors' remunerations | 719,904 | 706,045 |
| Hostel rental | 33,730 | 19,624 |
| Interest income | (55,209) | (32,797) |
| Gain on disposal of property, plant and equipment | (1,499) | - |
| (Gain)/ Loss on foreign exchange | | |
| - Realised | (568) | 94,134 |
| - Unrealised | (48,813) | 31,578 |
| Recovery of allowance for impairment on trade receivables | (36,800) | (30,000) |
| Rental of premises | 11,200 | - |
| Rental income | (55,800) | (57,500) |
| Staff costs: | | |
| - Salaries, allowances and bonus | 3,288,279 | 3,367,014 |
| - Employees' Provident Fund | 251,144 | 262,010 |
| - Other employee benefits | 195,296 | 246,773 |

## 13. SIGNIFICANT RELATED PARTY DISCLOSURES

### (a) Related party relationships

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. The Group has related party relationships with the following:-

(i) Key management personnel are referred as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The Group defines its Directors as key management.

## 13. SIGNIFICANT RELATED PARTY DISCLOSURES (cont'd)

### (b) Significant related party transactions

In the normal course of business, the Group undertakes on agreed terms and prices, the following significant transactions with its related parties:

| | Unaudited 2019 RM | Unaudited 2018 RM |
|---|---|---|
| **Transaction entered into with the Directors** | | |
| - Repayment to | (36,314) | (278,391) |
| - Repayment from | 307,393 | 2,158 |

### (c) Compensation of key management personnel

The key management's remuneration includes fees, salary, bonus, allowances and other benefits computed based on the cost incurred by the Group. The Group defines its Directors as key management and their compensation are stated in Note 12 to the explanatory notes pursuant to Malaysian Financial Reporting Standard 134.

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## 14. FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(i) Financial assets measured at amortised cost ("FA")
(ii) Financial liabilities measured at amortised cost ("FL")

| | Unaudited Carrying amount RM | FA/ (FL) RM |
|---|---|---|
| **2019** | | |
| **Financial assets** | | |
| Receivables* | 4,733,934 | 4,733,934 |
| Deposits, cash and bank balances | 3,652,431 | 3,652,431 |
| | 8,386,365 | 8,386,365 |
| **Financial liabilities** | | |
| Borrowings | (6,772,081) | (6,772,081) |
| Payables# | (2,180,940) | (2,180,940) |
| | (8,953,021) | (8,953,021) |

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## 14. FINANCIAL INSTRUMENTS (cont'd)

### (a) Categories of financial instruments (cont'd)

| | Unaudited | |
|---|---|---|
| | **Carrying amount RM** | **FA/ (FL) RM** |
| **2018** | | |
| **Financial assets** | | |
| Receivables* | 3,379,173 | 3,379,173 |
| Deposits, cash and bank balances | 3,033,682 | 3,033,682 |
| | 6,412,855 | 6,412,855 |
| **Financial liabilities** | | |
| Borrowings | (7,027,044) | (7,027,044) |
| Payables# | (3,103,516) | (3,103,516) |
| | (10,130,560) | (10,130,560) |

* Receivables exclude prepayments and contract assets as they do not meet the definition of a financial instrument.

\# Payables exclude contract liability as it does not meet the definition of a financial instrument.

## 15. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE CURRENT FINANCIAL PERIOD

There were no material events subsequent to the end of financial period under review that have not have been reflected in this interim unaudited financial report, save as disclosed below:

(i) Proposed Excluded Issue
The Company has initiated an excluded issue of 13,235,293 new shares at the issue price of RM0.18 per share representing 15% of the Company's enlarged issued share capital, to be made available to sophisticated investors.

## 16. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the 10-month period ended $30^{th}$ April 2019.

## 17. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

There were no contingent assets and contingent liabilities as at the date of this unaudited interim financial report.

## 18. CAPITAL COMMITMENTS

There are no other material capital commitments as at the end of the 10-month period ended $30^{th}$ April 2019.

## 19. REVIEW OF GROUP'S PERFORMANCE

The Group's performance for the 10-month financial period ended $30^{th}$ April 2019 versus the corresponding period of the previous financial year are as follows:

(i) For the 10-month financial period ended $30^{th}$ April 2019, the Group achieved sales revenue of RM13.16 million, an improvement of RM1.58 million or 13.6% as compared with RM11.58 million in the corresponding period of the preceding year, mainly attributable to the increase in revenue in air pollution control systems category as well as air pollution control products and other related environmental engineering products category, partially offset by the decrease in revenue in technical consultation and maintenance services category.

(ii) Profit before tax also registered an increase of RM1.50 million or 433% driven by the overall increase in the gross profit margin due to better margin of oversea projects under the air pollution control systems category despite the increase in administrative expenses arising from the increase in professional fees.