

POLYDAMIC GROUP BERHAD
Company No: 201801037913 (1299943-W)
(Incorporated in Malaysia)

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Unaudited consolidated financial statements for the
2nd half-year ended 30 June 2020

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	INDIVIDUAL 6 MONTHS		CUMULATIVE PERIOD	
	Unaudited Current Year 6 Months ⁽¹⁾	Preceding Year Corresponding 6 Months ⁽²⁾	Unaudited Current Year To-Date ⁽¹⁾	Preceding Year Corresponding Period ⁽³⁾
	30.06.2020 RM'000	30.06.2019 RM'000	30.06.2020 RM'000	30.06.2019 RM'000
Revenue	4,947	N/A	11,780	15,953
Cost of sales	(3,930)	N/A	(7,883)	(9,230)
Gross profit	1,017	N/A	3,897	6,723
Other operating income	341	N/A	407	235
Recovery of allowance for impairment loss	1	N/A	1	37
Administrative expenses	(2,429)	N/A	(4,679)	(4,355)
Selling and distribution expenses	(106)	N/A	(226)	(168)
Finance costs	(162)	N/A	(332)	(410)
(Loss)/ Profit before tax	(1,338)	N/A	(932)	2,062
Tax income/(tax expenses)	51	N/A	(106)	(561)
(Loss)/ Profit for the financial period	(1,287)	N/A	(1,038)	1,501
Other comprehensive income	-	N/A	-	-
Total comprehensive (loss)/income for the financial period	(1,287)	N/A	(1,038)	1,501
(Loss)/Profit for the financial period attributable:				
- Owners of the Company	(1,287)	N/A	(1,038)	1,501
(Loss)/Earnings per ordinary share (sen)				
- Basic	(1.46)	N/A	(1.18)	1.70
- Diluted	N/A	N/A	N/A	N/A

* Total number of shares of 88,236,002.

Notes:

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statements of Profit or Loss are disclosed in Note A1 and should be read in conjunction with the audited combined financial statements of the Group for the financial year ended ("FYE") 30 June 2019 and the accompanying explanatory notes attached to this interim financial report.
- (2) There are no comparative figures for the preceding 6-month financial period ended ("FPE") 30 June 2019 year as this is the second interim financial report announced in compliance with the LEAP Market

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Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") ("**Listing Requirements**").

- (3) The comparative figures for the preceding year ended 30 June 2019 were 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.

N/A Not applicable

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited As at 30.06.2020⁽¹⁾	Audited As at 30.06.2019⁽³⁾
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	6,894	7,024
Investment properties	411	425
Right-of-use assets	190	-
	<u>7,495</u>	<u>7,449</u>
Current assets		
Inventories	1,781	1,101
Receivables	3,560	6,125
Deposits, cash and bank balances	7,014	3,731
Tax assets	344	-
	<u>12,699</u>	<u>10,957</u>
TOTAL ASSETS	<u>20,194</u>	<u>18,406</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	8,382	1,200
Retained profits	6,122	7,160
Merger reserve	(4,800)	-
Total equity attributable to owners of the Group	<u>9,704</u>	<u>8,360</u>
Non-current liabilities		
Borrowings	4,304	4,354
Deferred tax liabilities	118	155
	<u>4,422</u>	<u>4,509</u>
Current liabilities		
Payables	3,680	3,367
Tax liabilities	-	227
Borrowings	2,388	1,943
	<u>6,068</u>	<u>5,537</u>
Total liabilities	<u>10,490</u>	<u>10,046</u>
TOTAL EQUITY AND LIABILITIES	<u>20,194</u>	<u>18,406</u>
Net asset per share (RM) ⁽²⁾	<u>0.11</u>	<u>0.09</u>

Notes:

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statements of Financial Position are disclosed in Note A1 and should be read in conjunction with the audited combined financial statements of the Group for the FYE 30 June 2019 and the accompanying explanatory notes attached to this interim financial report.
- (2) Net assets per share is calculated based on the Group's total number of issued shares as at the end of the respective financial reporting period of 88,236,002.
- (3) The comparative figures for the preceding year ended 30 June 2019 were 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.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Non-distributable		Distributable	Total Equity RM'000
	Share Capital RM'000	Merger Reserve RM'000	Retained Profits RM'000	
Unaudited financial period ended 30 June 2020 ⁽¹⁾				
Balance as at 01.07.2019	-	-	(57)	(57)
Acquisition of subsidiary companies	-	-	7,217	7,217
Total comprehensive income for the period	-	-	(1,038)	(1,038)
Effects arising from merger method of accounting	6,000	(4,800)	-	1,200
Issuance of shares	2,382	-	-	2,382
Closing balance as at 30.06.2020	8,382	(4,800)	6,122	9,704
Audited financial year ended 30 June 2019				
Balance as at 17.10.2018 (date of incorporation)	- ⁽²⁾	-	-	- ⁽²⁾
Total comprehensive loss for the year	-	-	(57)	(57)
Closing balance as at 30.06.2019	- ⁽²⁾	-	(57)	(57)

Note:

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statement of Changes in Equity are disclosed in Note A1 and should be read in conjunction with the audited combined financial statements of the Group for the FYE 30 June 2019 and the accompanying explanatory notes attached to this interim financial report.
- (2) Negligible, the issuance of share of RM2 arose from incorporation of Polydamic Group Berhad.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Current Year Ended	Preceding Year Corresponding Period
	30.06.2020⁽¹⁾	30.06.2019⁽²⁾
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/ Profit before taxation	(932)	2,062
Adjustments for:		
Allowance for impairment loss in trade receivables	200	33
Bad debts written off	23	-
Depreciation of property, plant and equipment	393	321
Depreciation of investment properties	15	15
Depreciation of right-of-use assets	74	-
Property, plant and equipment written off	10	1
Gain on disposal of property, plant and equipment	-	(2)
Interest expenses	332	410
Interest income	(36)	(63)
Recovery of allowance for impairment loss	(1)	(37)
Unrealised loss on foreign exchange	(92)	(37)
Operating (loss)/ profit before working capital changes	(14)	2,703
Inventories	(680)	397
Receivables	2,357	600
Payables	312	(566)
Cash generated from operations	1,975	3,134
Interest paid	(332)	(410)
Interest received	36	63
Tax paid	(706)	(422)
Tax penalty	(8)	-
Tax refunded	-	115
Net cash generated from operating activities	965	2,480
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(273)	(269)
Proceed from disposal of property, plant and equipment	-	2
Net cash generated from investing activities	(273)	(267)
CASH FLOWS FROM FINANCING ACTIVITIES		
Changes in deposits with maturity more than 90 days	(1)	523
Movement in short term borrowings	204	82
Payment for the principal portion of lease liabilities	(69)	-
Proceeds from issuance of shares	2,382	⁽³⁾
Repayment of hire purchase and lease obligations	(105)	(66)
Repayment of term loans	(188)	(292)
Net cash used in financing activities	2,223	247
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,915	2,460
Effects of exchange rate	78	37
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	2,282	(215)
CASH AND CASH EQUIVALENTS CARRIED FORWARD	5,275	2,282

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Cash and cash equivalents at end of the financial period comprises:

- Fixed deposits placed with a licensed bank	530	25
- Cash and bank balances	6,484	3,706
- Bank overdrafts	(1,713)	(1,424)
	<u>5,301</u>	<u>2,307</u>
Less: Deposits with maturity more than 90 days	(26)	(25)
	<u>5,275</u>	<u>2,282</u>

Note:

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statements of Cash Flows are disclosed in Note A1 and should be read in conjunction with the audited combined financial statements of the Group for the FYE 30 June 2019 and the accompanying explanatory notes attached to this interim financial report.
- (2) The comparative figures for the preceding year ended 30 June 2019 were 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.
- (3) Negligible, the issuance of share of RM2 arose from incorporation of Polydamic Group Berhad.

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PART A – EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE 6-MONTH FPE 30 JUNE 2020

A1 Basis of Preparation

Polydamic Group Berhad (“**Polydamic**” or the “**Company**”) was incorporated in Malaysia on 17 October 2018 as a public limited company under the Companies Act 2016 with an issued share capital of RM2 comprising two ordinary shares. The Company’s registered office is located at 3rd Floor, No. 17 Jalan Ipoh Kecil, 50350 Kuala Lumpur, Wilayah Persekutuan.

On 3 October 2019, Polydamic has acquired the entire equity interest in Polydamic Sdn Bhd (“**PSB**”) and Polydamic Holdings Sdn Bhd (“**PHSB**”) with 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. Upon completion of the acquisitions, the share capital of Polydamic is RM6,000,002 comprising 75,000,002 shares. On 19 March 2020, Polydamic allotted 13,236,000 shares, amounting to RM2,382,000 and subsequently admitted into the LEAP Market on 23 March 2020.

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 Standards (“**MFRS**”) 134: Interim Financial Reporting.

This is the second interim financial report on the consolidated results for the half-year ended 30 June 2020 announced by the Company in compliance with Paragraph 6.12 of the LEAP Market’s Listing Requirements of Bursa Securities.

The unaudited interim financial statements for the 6-month FPE 30 June 2020 should be read in conjunction with the audited combined financial statements of the Group for the FYE 30 June 2019 and the accompanying explanatory notes attached to this interim financial report.

The comparative figures for the preceding year ended 30 June 2019 were 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.

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A2 Significant Accounting Policies

The significant accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the audited combined financial statements for the FYE 30 June 2020 of the Company.

The following are MFRSs, Amendments to MFRSs and IC Interpretations that have been issued by Malaysian Accounting Standards Board (“**MASB**”) but are not yet effective and have not been adopted by the Group:

		<u>Effective dates</u>
Amendments to:		
- MFRS 3	Business Combinations	1 st January 2022
- MFRS 9, MFRS 139 and MFRS 7	Interest Rate Benchmark Reform	1 st January 2020
- MFRS 16	Leases	1 st June 2020
- MFRS 101	Presentation of Financial Statements	1 st January 2022
- MFRS 101 and MFRS 108	Definition of Material	1 st January 2020
- MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors	1 st January 2020
- MFRS 116	Property, Plant and Equipment - Proceeds before Intended Use	1 st January 2022
- MFRS 134	Interim Financial Reporting	1 st January 2020
- MFRS 137	Provisions, Contingent Liabilities And Contingent Assets	1 st January 2022
- IC Interpretation 19	Extinguishing Financial Liabilities With Equity	1 st January 2020
- IC Interpretation 22	Foreign Currency Transaction and Advance Consideration	1 st January 2020

It is anticipated that the adoption of the abovementioned amendments will not have significant impact on the financial statements of the Group.

A3 Seasonal and Cyclical Factors

The business operations of the Group are not materially affected by any seasonal or cyclical factors.

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

The COVID-19 pandemic and implementation of Movement Control Order (“**MCO**”) by the Malaysian Government have caused temporary suspension of the Group’s business during the period. Consequently, this has adversely affected the Group’s operations and performance during the period under review.

Save as the above, there were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group during the financial period under review.

A5 Material changes in Estimates

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

A6 Debt and Equity Securities

On 3 October 2019, the Company increased its issued and paid-up capital from RM2 to RM6,000,002 by way of creation of 75,000,000 ordinary shares of RM0.08 each, for the acquisition of both subsidiary companies Polydamic Sdn Bhd and Polydamic Holdings Sdn Bhd.

On 19 March 2020, Polydamic allotted 13,236,000 shares, amounting to RM2,382,000 prior to the admission into the LEAP Market on 23 March 2020.

There were no issuance, cancellation, repurchase, resale and repayment of debts securities during the 6-month FPE 30 June 2020.

A7 Dividends Paid

There were no dividends paid during the financial period under review.

A8 Segmental Reporting

The Group is principally engaged in the provision of air pollution control solutions. Through its subsidiaries, the Group is primarily involved in:

- (i) designing, 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.

The reportable segments are summarised as follows:

- (i) Analysis of revenue breakdown by product/service category

	Unaudited	
	6-month FPE	
	30 June 2020	
	RM'000	%
Air pollution control systems	2,705	54.7
Air pollution control products and other related environmental engineering products	1,072	21.7
Technical consultation and maintenance services	1,170	23.6
Total revenue	4,947	100.0

A8 Segmental Reporting (cont'd)

(ii) Analysis of revenue breakdown by geographical locations

	Unaudited	
	6-month FPE	
	30 June 2020	
	RM'000	%
<u>Local Revenue</u>		
Malaysia	3,839	77.6
Total Local Revenue	3,839	77.6
<u>Overseas Revenue</u>		
China	904	18.3
Thailand	108	2.2
USA	43	0.8
Others ⁽¹⁾	53	1.1
Total Overseas Revenue	1,108	22.4
Total revenue	4,947	100.0

Note:

(1) Others comprise countries such as Indonesia, Qatar and Ecuador.

A9 Profit before taxation

Profit before taxation for the 6-month FPE 30 June 2020 is arrived after charging/(crediting):-

	Unaudited
	6-month FPE
	30 June 2020
	RM'000
Auditors' remuneration	
- current year	22
- under provision in prior year	4
Allowance for impairment of trade receivables	199
Bad debts written off	23
Depreciation of investment properties	7
Depreciation of property, plant and equipment	205
Depreciation of right-of-use assets	74
Directors' remuneration	399
Hire of equipment	10
Interest expenses	162
Interest income	(15)
Listing expenses	295
Property, plant and equipment written off	10
Rental income	(37)
Staff costs:	
- Salaries, allowances and bonus	2,053
- Employees' Provident Fund	214
- Other employee benefits	120
Recovery of allowance for impairment loss for trade receivables	(1)
Realised gain on foreign exchange	(4)
Unrealised gain on foreign exchange	(110)

A10 Taxation

Taxation income comprising of the following:

	<u>Unaudited</u> <u>6-month FPE</u> <u>30 June 2020</u> RM'000
Income taxation	
- current year	115
- prior year	(109)
Deferred taxation	
- current year	54
- prior year	(1)
Tax penalty	(8)
	<u>51</u>

A11 Valuation of property, plant and equipment

There was no valuation on property, plant and equipment during the 6-month FPE 30 June 2020.

A12 Material Events after the End of the Reporting Period

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

A13 Contingent Liabilities and Contingent Assets

There were no contingent liabilities and contingent assets as at the date of this unaudited interim report.

A14 Capital Commitments

There are no material capital commitments as at the date of this unaudited interim report.

A15 Significant related party transactions

There were no significant related party transactions in the financial period under review.

A16 Financial Liabilities

The Group has not entered into any derivatives and do not have any financial liabilities arising from it.

PART B – ADDITIONAL INFORMATION REQUIRED UNDER THE LISTING REQUIREMENTS

B1 Review of Performance

The Group recorded revenue of RM4.95 million for the current 6-month FPE 30 June 2020 with 54.7% of the revenue derived from air pollution control system segment, 23.6% from the technical consultation and maintenance services while 21.7% from the air pollution control products and other related environmental engineering products. The Group's revenue was predominantly generated from local customers who contributed 77.6% of the Group's revenue in the 6-month FPE 30 June 2020. The Group recorded a loss before tax of RM1.34 million for the current 6-month FPE 30 June 2020 after deducting one-off listing expenses of RM0.30 million which was charged out to the statements of profit or loss during the current financial period under review. No comparative figures for the preceding 6-month FPE 30 June 2020 are available as this is the second interim financial report announced in compliance with the Listing Requirements.

The Group's revenue and profitability had been affected by the COVID-19 pandemic which disrupted businesses globally and the implementation of MCO by the Malaysian Government which have caused temporary suspension of the Group's business during the period. This had affected the timing of delivery and acceptances by some of the Group's customers and adversely impact the Group's business operations, revenue recognition and financial performance. In addition, the Group had incurred fixed overhead costs during the period when the business operations were temporary suspended, including staff cost and wages,

B2 Commentary on Prospect

As at 30 June 2020, as part of its business strategies disclosed in Polydamic's Information Memorandum dated 21 October 2019, the Group has rented a unit of light industry premise in Klang, Selangor to set up an office and workshop in the Central Region of Malaysia to expand its market presence and to act as a sales and marketing arm to explore and capture business opportunities arising from the Central Region and Southern Region of Malaysia.

The outbreak of COVID-19 pandemic has adversely affected both the local and global economies, resulting in suspensions of businesses, imposition of travel restrictions and border control. The recovery from the impact of COVID-19 pandemic may take longer time and cannot be ascertained at this juncture. If the on-going outbreak of COVID-19 worsen, this may impact the business operations and financial performance of the Group.

The Group anticipates the economic outlook arising from the outbreak of COVID-19 will continue to be challenging for FYE 2021. Nevertheless, the Group will consider cost cutting measures if required to improve its operational efficiency. The Group will also continue to focus on increasing revenue by leveraging on its presence in the Northern Region and Central Region of Malaysia to expand its business in the air pollution control solutions systems and other related environmental engineering products as well as provision of technical consultation and maintenance services in both local and overseas markets.

B3 Profit Forecast, Profit Guarantee and Internal Targets

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

PART C – OTHER INFORMATION

C1 Status of Corporate Proposal

There was no corporate proposal announced but pending completion as at the date of this unaudited interim report.

C2 Utilisation of Proceeds Raised from Proposed Listing

As at 30 June 2020, the status of utilisation of the proceeds from the Excluded Issue amounting to RM2.38 million is as follow:

Details of utilisation	Proposed utilisation	Actual utilisation	Balance Unutilised	Estimated timeframe for utilisation upon listing
	RM'000	RM'000	RM'000	
Establishment of office and workshop to expand our physical presence to the Central Region of Malaysia	624	200 ⁽¹⁾	424	Within 12 months
Working capital	658	184	474	Within 12 months
Estimated listing expenses	1,100	1,084	16 ⁽²⁾	Upon listing
Total	2,382	1,456	914	

Notes:

(1) Expenses for new office and workshop in Klang, Selangor, including rental expenses, purchased of tools and equipment, motor vehicles, staff cost, purchased of raw material and working capital.

(2) The excess will be reallocated for working capital purposes as disclosed in Section 5.1.3 of the Information Memorandum dated 21 October 2019.

The utilisation of proceeds as disclosed above should be read in conjunction with the Information Memorandum dated 21 October 2019.

C3 Material Litigation

The Company was not engaged in any material litigation as at the date of this unaudited interim report.

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