

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

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(Incorporated in Malaysia)

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Unaudited consolidated financial statements for the
1st half-year ended 31 December 2020

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS ⁽¹⁾

	INDIVIDUAL 6 MONTHS		CUMULATIVE PERIOD	
	Unaudited Current Year 6 Months	Preceding Year Corresponding 6 Months ⁽²⁾	Unaudited Current Year To-Date	Preceding Year Corresponding Period ⁽²⁾
	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000
Revenue	10,136	6,833	10,136	6,833
Cost of sales	(6,189)	(3,953)	(6,189)	(3,953)
Gross profit	3,947	2,880	3,947	2,880
Other income	108	67	108	67
Administrative expenses	(2,411)	(2,250)	(2,411)	(2,250)
Selling and distribution expenses	(111)	(120)	(111)	(120)
Finance costs	(128)	(170)	(128)	(170)
Profit before tax	1,405	407	1,405	407
Income tax expense	(455)	(158)	(455)	(158)
Profit for the financial period	950	249	950	249
Other comprehensive income	-	-	-	-
Total comprehensive income for the financial period	950	249	950	249
Profit for the financial period attributable:				
- Owners of the Company	950	249	950	249
Earnings per ordinary share (sen) ⁽²⁾				
- Basic	1.08	0.33	1.08	0.33
- Diluted	N/A	N/A	N/A	N/A

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 consolidated financial statements of the Group for the financial year ended ("FYE") 30 June 2020 and the accompanying explanatory notes attached to this interim financial report.

(2) Earnings per share for the 6-month financial period ended 31 December 2020 is computed based on the Company's total number of issued shares of 88,236,002 (31 December 2019: 75,000,002) as at the end of the respective reporting period. During the financial year, there was no shares in issuance which would have a dilutive effect on the earnings per share of the Group.

N/A Not applicable

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION ⁽¹⁾

	Unaudited As at 31.12.2020	Audited As at 30.06.2020
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	6,805	6,894
Investment properties	404	411
Right-of-use assets	191	190
	<u>7,400</u>	<u>7,495</u>
Current assets		
Inventories	2,604	1,781
Receivables	5,106	3,560
Deposits, cash and bank balances	11,259	7,014
Tax assets	200	344
	<u>19,169</u>	<u>12,699</u>
TOTAL ASSETS	<u>26,569</u>	<u>20,194</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	8,382	8,382
Retained profits	7,072	6,122
Merger reserve	(4,800)	(4,800)
Total equity attributable to owners of the Group	<u>10,654</u>	<u>9,704</u>
Non-current liabilities		
Borrowings	4,067	4,304
Deferred tax liabilities	138	118
	<u>4,205</u>	<u>4,422</u>
Current liabilities		
Payables	10,288	3,680
Borrowings	1,422	2,388
	<u>11,710</u>	<u>6,068</u>
Total liabilities	<u>15,915</u>	<u>10,490</u>
TOTAL EQUITY AND LIABILITIES	<u>26,569</u>	<u>20,194</u>
Net asset per share (RM) ⁽²⁾	<u>0.12</u>	<u>0.11</u>

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 consolidated financial statements of the Group for the FYE 30 June 2020 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 based on total number of shares of 88,236,002.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY⁽¹⁾

	Non-distributable		Distributable	Total Equity RM'000
	Share Capital RM'000	Merger Reserve RM'000	Retained Profits RM'000	
Unaudited financial period ended 31 December 2020				
Balance as at 01.07.2020	8,382	(4,800)	6,122	9,704
Total comprehensive income for the period	-	-	950	950
Closing balance as at 31.12.2020	8,382	(4,800)	7,072	10,654
Audited financial year ended 30 June 2020				
Balance as at 01.07.2019	-	-	(57)	(57)
Merger of subsidiary companies	-	-	7,217	7,217
Total comprehensive loss for the year	-	-	(1,038)	(1,038)
Effects arising from merger method of accounting	6,000	(4,800)	-	1,200
Issuance of ordinary shares	2,382	-	-	2,382
Closing balance as at 30.06.2020	8,382	(4,800)	6,122	9,704

Note:

(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 consolidated financial statements of the Group for the FYE 30 June 2020 and the accompanying explanatory notes attached to this interim financial report.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS ⁽¹⁾

	Current Period Ended 31.12.2020 RM'000	Preceding Period Ended 31.12.2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	1,405	407
Adjustments for:		
Allowance for impairment loss on trade receivables	209	-
Depreciation of property, plant and equipment	202	188
Depreciation of investment properties	7	7
Depreciation of right-of-use assets	50	-
Gain on disposal of property, plant and equipment	(3)	-
Property, plant and equipment written off	1	5
Interest expenses	123	170
Interest on lease liabilities	5	-
Interest income	(10)	(21)
Unrealised loss on foreign exchange	166	18
Operating profit before working capital changes	2,155	774
Inventories	(822)	(515)
Receivables	(1,779)	1,747
Payables	6,608	(327)
Cash generated from operations	6,162	1,679
Interest paid	(123)	(170)
Payment of interest on lease liabilities	(5)	-
Interest received	10	21
Tax paid	(291)	(223)
Net cash generated from operating activities	5,753	1,307
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(115)	(133)
Proceeds from disposal of property, plant and equipment	3	-
Net cash used in investing activities	(112)	(133)
CASH FLOWS FROM FINANCING ACTIVITIES		
Changes in deposits with maturity more than 90 days	(1)	(2)
Movement in short term borrowings	(1,178)	(562)
Repayment of hire purchase and lease obligations	(23)	(67)
Repayment of term loans	(4)	(153)
Payment for principal portion of lease liabilities	(49)	-
Net cash used in financing activities	(1,255)	(784)
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,386	390
Effects of exchange rate	(142)	(22)
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	6,988	3,706
CASH AND CASH EQUIVALENTS CARRIED FORWARD	11,232	4,074
Cash and cash equivalents at end of the financial period comprises:		
- Fixed deposits placed with a licensed bank	1,536	226
- Cash and bank balances	9,723	3,874
	11,259	4,100
Less: Deposits with maturity more than 90 days	(27)	(26)
	11,232	4,074

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS ⁽¹⁾

Note:

- (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 consolidated financial statements of the Group for the FYE 30 June 2020 and the accompanying explanatory notes attached to this interim financial report.

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PART A – EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE 6-MONTH FINANCIAL PERIOD ENDED (“FPE”) 31 DECEMBER 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. The Company’s registered office is located at 3rd Floor, No. 17 Jalan Ipoh Kecil, 50350 Kuala Lumpur, Wilayah Persekutuan.

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.

The unaudited interim financial statements for the 6-month FPE 31 December 2020 should be read in conjunction with the audited consolidated financial statements of the Group for the FYE 30 June 2020 and the accompanying explanatory notes attached to this interim financial report.

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 consolidated 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:

		Effective dates
Amendments to:		
MFRS 9	Financial Instruments (Annual Improvement to MFRS Standards 2018 - 2020)	1 st January 2022
MFRS 9, MFRS 139 MFRS 7, MFRS 4 and MFRS 16	Interest Rate Benchmark Reform – Phase 2	1 st January 2021
MFRS 16	Leases (Annual Improvement to MFRS Standards 2018 - 2020)	1 st January 2022
MFRS 101	Classification of Liabilities as Current or Non-current	1 st January 2023
MFRS 116	Property, Plant and Equipment – Proceeds before Intended Use	1 st January 2022
MFRS 137	Onerous Contracts - Cost of Fulfilling a Contract	1 st January 2022

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

A3 Auditors' Report

There was no qualification on the audited consolidated financial statements of the Group for the FYE 30 June 2020.

A4 Seasonal and Cyclical Factors

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

A5 Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

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

A6 Material changes in Estimates

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

A7 Debt and Equity Securities

There were no issuance, cancellation, repurchase, resale and repayment of debts and equity securities during the 6-month FPE 31 December 2020.

A8 Dividends Paid

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

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A9 Segmental Reporting

Our Group is principally engaged in the provision of air pollution control solutions. Through our subsidiaries, we are 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		Unaudited	
	Current 6-month FPE 31 December 2020	%	Preceding year corresponding 6-month FPE 31 December 2019	%
	RM'000		RM'000	
Air pollution control systems	6,505	64.2	4,004	58.6
Air pollution control products and other related environmental engineering products	2,267	22.4	1,638	24.0
Technical consultation and maintenance services	1,364	13.4	1,191	17.4
Total revenue	10,136	100.0	6,833	100.0

- (ii) Analysis of revenue breakdown by geographical locations

	Unaudited		Unaudited	
	Current 6-month FPE 31 December 2020	%	Preceding year corresponding 6- month FPE 31 December 2019	%
	RM'000		RM'000	
<u>Local Revenue</u>				
Malaysia	8,213	81.0	5,187	75.9
Total Local Revenue	8,213	81.0	5,187	75.9
<u>Overseas Revenue</u>				
China	1,053	10.4	976	14.3
USA	576	5.7	324	4.7
India	131	1.3	-	-
Colombia	105	1.0	-	-
Others ⁽¹⁾	58	0.6	346	5.1
Total Overseas Revenue	1,923	19.0	1,646	24.1
Total revenue	10,136	100.0	6,833	100.0

Note:

(1) Others comprise countries such as Saudi Arabia and Indonesia.

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A10 Profit before taxation

Profit before taxation for the 6-month FPE 31 December 2020 is arrived after charging/(crediting):-

	<u>Unaudited</u>	<u>Unaudited</u>
	Current 6-month FPE 31 December 2020	Preceding year corresponding 6- month FPE 31 December 2019
	RM'000	RM'000
Auditors' remuneration	21	16
Allowance for impairment loss on trade receivable	209	-
Depreciation of investment properties	7	7
Depreciation of property, plant and equipment	202	188
Depreciation of right-of-use assets	50	-
Directors' remuneration	452	416
Gain on disposal of property, plant and equipment	3	-
Interest income	(10)	(21)
Listing expenses	-	217
Loss on foreign exchange		
- Realised	10	-
- Unrealised	166	18
Prihatin wages subsidy programme	50	-
Property, plant and equipment written off	1	5
Rental income	(36)	(36)
Staff costs:		
- Salaries, allowances and bonus	2,224	1,938
- Employees' Provident Fund	153	154
- Other employee benefits	29	23

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A11 Valuation of property, plant and equipment

There was no valuation on property and equipment during the 6-month FPE 31 December 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

Save as disclosed below, there were no other contingent liabilities as at the date of this interim report.

	<u>Unaudited</u>	<u>Unaudited</u>
	As at 31.12.2020	As at 30.06.2020
	RM'000	RM'000
Secured		
Bank guarantee of 12 months duration (19 November 2020 to 18 November 2021) given by a financial institution for an advance payment received from a customer	500	N/A

There were no contingent assets as at the date of this 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.

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PART B – ADDITIONAL INFORMATION REQUIRED UNDER THE LEAP MARKET LISTING REQUIREMENTS OF BURSA SECURITIES (“LISTING REQUIREMENTS”)

B1 Review of Performance

The Group recorded revenue of RM10.13 million for the current 6-month FPE 31 December 2020 as compared with RM6.83 million in the preceding corresponding financial period, representing an increase of approximately RM3.30 million or 48.3%. The overall increase in the Group’s revenue was primarily attributable to the increase in orders received during the current financial period particularly from our existing and new customers in the gloves industries, in line with the expansion in gloves industries during the COVID-19 pandemic.

The increase in revenue was mainly derived from air pollution control system segment which increased by RM2.50 million or 62.5% from RM4.00 million in preceding year to RM6.50 million during current financial year under review from the preceding corresponding financial period as demand for scrubber system and glove chlorination system increased in line with the expansion of gloves industries. Meanwhile, the revenue derived from air pollution control products and other related environmental engineering products segment increased by RM0.63 million or 38.4% from RM1.64 million in 6-month FPE 31 December 2019 to RM2.27 million in 6-month FPE 31 December 2020 while revenue from the technical consultation and maintenance services segment increased by RM0.17 million or 14.5% from RM1.19 million in 6-month FPE 31 December 2019 to RM1.36 million in 6-month FPE 31 December 2020.

The Group’s revenue was predominantly generated from local customers who contributed 81.0% of the Group’s revenue in the 6-month FPE 31 December 2020, remained relatively consistent as compared with 75.9% in preceding year.

The Group recorded profit before tax (“PBT”) of RM1.41 million for the current 6-month FPE 31 December 2020 as compared with RM0.41 million in the preceding corresponding financial period. The increase in PBT and PBT margin were mainly due to higher sales and gross profit recorded while expenses remained relatively consistent in the current 6-month FPE 31 December 2020 as compared with the preceding corresponding financial period.

B2 Commentary on Prospect

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.

As at 31 December 2020, as part of its business strategies disclosed in Polydamic’s Information Memorandum dated 21 October 2019, the Group has continued to expand its market presence with the office and workshop set up in Klang, Selangor to act as a sales and marketing arm to explore and capture business opportunities arising from the Central Region and Southern Region of Malaysia.

Currently, the Group plans to increase the production capacity by recruiting new manpower and investment in new machinery and equipment to cater for the expected increase in product demand in future in line with the expansion in some of our clients’ industries such as rubber glove manufacturing, raw water, engineering and electroplating industries.

Premised on the above and barring unforeseen circumstances, the Board of Directors of the Company expects the Group’s financial performance for the current financial year to be satisfactory.

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.

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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 31 December 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	624 ⁽¹⁾	-	Within 12 months
Working capital	658	674 ⁽²⁾	- ⁽²⁾	Within 12 months
Estimated listing expenses	1,100	1,084 ⁽²⁾	- ⁽²⁾	Upon listing
Total	2,382	2,382	-	

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 of RM16,000 allocated for estimated listing expenses had been 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.

C4 Dividend

On 25 February 2021, the Board approved a first interim dividend of 0.4519 sen per share on 88,236,002 shares amounting to RM398,776 in respect of the financial year ending 30 June 2021. The entitlement date for the first interim dividend is 18 March 2021 and will be paid on 15 April 2021.

This interim financial report does not reflect this approved first interim dividend. The dividend will be accounted for in equity as an appropriation of retained profits in the financial statements for the financial year ending 30 June 2021.