

POLYDAMIC

POLYDAMIC GROUP BERHAD

(Incorporated in Malaysia)

Company No: 201801037913 (1299943-W)

**Unaudited Condensed Consolidated Financial Statements for the
1st Half-Year Ended 31 December 2023**

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

THE LEAP MARKET HAS BEEN POSITIONED AS A MARKET DESIGNED TO ACCOMMODATE CORPORATIONS TO WHICH A HIGHER INVESTMENT RISK MAY BE ATTACHED THAN OTHER CORPORATIONS LISTED ON THE ACE MARKET AND MAIN MARKET OF BURSA SECURITIES. IT IS A QUALIFIED MARKET WHICH IS MEANT MAINLY FOR SOPHISTICATED INVESTORS ONLY. ONLY EXISTING SECURITIES HOLDERS AND SOPHISTICATED INVESTORS ARE ALLOWED TO PARTICIPATE IN CORPORATE EXERCISES UNDERTAKEN BY 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.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER
 COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2023**

	INDIVIDUAL 6 MONTHS ENDED		CUMULATIVE 6 MONTHS ENDED	
	31.12.2023 ⁽¹⁾	31.12.2022	31.12.2023 ⁽¹⁾	31.12.2022
	RM'000	RM'000	RM'000	RM'000
Revenue	10,128	15,506	10,128	15,506
Cost of sales	(5,770)	(7,190)	(5,770)	(7,190)
Gross profit	4,358	8,316	4,358	8,316
Other operating income	204	364	204	364
Selling and distribution expenses	(65)	(192)	(65)	(192)
Administrative expenses	(2,310)	(2,560)	(2,310)	(2,560)
Finance costs	(139)	(121)	(139)	(121)
Profit before tax	2,048	5,807	2,048	5,807
Tax expense	(420)	(1,218)	(420)	(1,218)
Profit for the financial period	1,628	4,589	1,628	4,589
Other comprehensive income	-	-	-	-
Total comprehensive income for the financial period	1,628	4,589	1,628	4,589
Profit for the financial period attributable to owners of the Group	1,628	4,589	1,628	4,589
Earnings per ordinary share (sen) ⁽²⁾				
- Basic	1.85	5.20	1.85	5.20
- Diluted	N/A	N/A	N/A	N/A

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Notes:

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income are disclosed in Note A1 and should be read in conjunction with the audited consolidated financial statements of the Group for the financial year ended ("FYE") 30 June 2023 and the accompanying explanatory notes attached to this unaudited condensed consolidated financial report.
- (2) Earnings per share is computed based on the Company's total number of issued shares of 88,236,002 as at the end of the respective reporting period. During the financial period, there were 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 STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

	UNAUDITED As at 31.12.2023 ⁽¹⁾	AUDITED As at 30.06.2023
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	9,319	9,305
Investment properties	360	367
Right-of-use assets	126	111
Deferred tax assets	287	289
	<u>10,092</u>	<u>10,072</u>
Current assets		
Inventories	2,171	3,008
Receivables	8,980	9,408
Contract assets	2,716	1,278
Deposits, cash and bank balances	10,726	13,755
Tax assets	1,184	122
	<u>25,777</u>	<u>27,571</u>
TOTAL ASSETS	<u><u>35,869</u></u>	<u><u>37,643</u></u>
EQUITY AND LIABILITIES		
Equity		
Share capital	8,382	8,382
Retained earnings	22,496	21,309
Merger reserve	(4,800)	(4,800)
Total equity attributable to owners of the Group	<u>26,078</u>	<u>24,891</u>
Non-current liabilities		
Borrowings	5,004	5,291
Lease liabilities	29	51
Deferred tax liabilities	93	89
	<u>5,126</u>	<u>5,431</u>
Current liabilities		
Payables	2,320	2,736
Contract liabilities	1,597	3,888
Borrowings	575	562
Lease liabilities	98	61
Tax liabilities	75	74
	<u>4,665</u>	<u>7,321</u>
Total liabilities	<u>9,791</u>	<u>12,752</u>
TOTAL EQUITY AND LIABILITIES	<u><u>35,869</u></u>	<u><u>37,643</u></u>
Net assets per share (RM) ⁽²⁾	<u>0.30</u>	<u>0.28</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 consolidated financial statements of the Group for the FYE 30 June 2023 and the accompanying explanatory notes attached to this unaudited condensed consolidated 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.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2023

	<i>Non-distributable</i>		<i>Distributable</i>	Total Equity RM'000
	Share Capital	Merger Reserve	Retained Profits	
	RM'000	RM'000	RM'000	
Unaudited financial period ended 31 December 2023 ⁽¹⁾				
At 1 July 2023	8,382	(4,800)	21,309	24,891
Total comprehensive income for the financial period	-	-	1,628	1,628
Dividend paid	-	-	(441)	(441)
At 31 December 2023	8,382	(4,800)	22,496	26,078

Audited financial year ended 30 June 2023

At 1 July 2022	8,382	(4,800)	15,770	19,352
Total comprehensive income for the financial year	-	-	6,862	6,862
Dividend paid	-	-	(1,323)	(1,323)
At 30 June 2023	8,382	(4,800)	21,309	24,891

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 consolidated financial statements of the Group for the FYE 30 June 2023 and the accompanying explanatory notes attached to this unaudited condensed consolidated financial report.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2023

	6 MONTHS ENDED	
	31.12.2023 ⁽¹⁾	31.12.2022
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	2,048	5,807
Adjustments for:		
Depreciation of property, plant and equipment	262	205
Depreciation of investment properties	7	7
Depreciation of right-of-use assets	55	47
Expenses relating to short term leases	76	20
Interest on lease liabilities	3	1
Interest expenses	136	120
Interest income	(161)	(92)
Unrealised loss on foreign exchange	16	281
Operating profit before working capital changes	<u>2,442</u>	<u>6,396</u>
Inventories	837	152
Receivables	410	367
Contract assets	(1,439)	(475)
Payables	(416)	(974)
Contract liabilities	(2,301)	(194)
Cash (used in)/generated from operations	<u>(467)</u>	<u>5,272</u>
Interest received	161	92
Payment of interest on lease liabilities	(3)	(1)
Interest paid	(136)	(120)
Tax paid	(1,476)	(775)
Short-term lease payments	(76)	(20)
Net cash (used in)/generated from operating activities	<u>(1,997)</u>	<u>4,448</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	<u>(276)</u>	<u>(3,108)</u>
Net cash used in investing activities	<u>(276)</u>	<u>(3,108)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Changes in fixed deposit pledged to a licensed bank	-	27
Repayment of term loans	(274)	2,279
Payment of lease liabilities	(53)	(61)
Dividend paid	(441)	(882)
Net cash (used in)/generated from financing activities	<u>(768)</u>	<u>1,363</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		
	(3,041)	2,703
Effect of changes in foreign exchange rates	12	(265)
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	<u>13,755</u>	<u>12,107</u>
CASH AND CASH EQUIVALENTS CARRIED FORWARD	<u>10,726</u>	<u>14,545</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE
FINANCIAL PERIOD ENDED 31 DECEMBER 2023 (CONT'D)

	6 MONTHS ENDED	
	31.12.2023 ⁽¹⁾	31.12.2022
	RM'000	RM'000
Cash and cash equivalents at end of the financial period comprise:		
Short-term deposits placed with licensed banks	6,297	6,601
Cash and bank balances	4,429	7,944
	<u>10,726</u>	<u>14,545</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 consolidated financial statements of the Group for the FYE 30 June 2023 and the accompanying explanatory notes attached to this unaudited condensed consolidated financial report.

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PART A – EXPLANATORY NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2023

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. Polydamic was listed on the LEAP Market on 23 March 2020.

The unaudited condensed consolidated 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 condensed consolidated financial statements for the 6-month FPE 31 December 2023 should be read in conjunction with the audited consolidated financial statements of the Group for the FYE 30 June 2023 and the accompanying explanatory notes attached to this unaudited condensed consolidated financial report.

A2 Significant Accounting Policies

The significant accounting policies and methods of computation adopted by the Group in this unaudited condensed consolidated financial report are consistent with those adopted in the audited consolidated financial statements for the FYE 30 June 2023 of the Group.

The new amendments to published standards and interpretations that are effective and applicable for the Group’s financial year beginning on or after 1st July 2023 are as follows:

- Amendments to MFRS 101 “*Disclosure of Accounting Policies*”;
- Amendments to MFRS 108 “*Definition of Accounting Estimates*”;
- Amendments to MFRS 112 “*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*”; and
- Amendments to MFRS 112 “*International Tax Reform - Pillar Two Model Rules*”.

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

Amendments to MFRSs	Effective Dates
Amendments to:	
MFRS 16 <i>Lease Liability in a Sale and Leaseback</i>	1 st January 2024
MFRS 101 <i>Classification of Liabilities as Current or Non-current</i>	1 st January 2024
MFRS 101 <i>Non-current Liabilities with Covenants</i>	1 st January 2024
MFRS 107 <i>Supplier Finance Arrangements</i>	1 st January 2024
and MFRS 7	
MFRS 121 <i>Lack of Exchangeability</i>	1 st January 2025

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

PART A – EXPLANATORY NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2023 (CONT'D)

A3 Auditors' Report

There was no qualification on the Group's audited consolidated financial statements for the financial year ended 30 June 2023.

A4 Seasonal and Cyclical Factors

The business operations of the Group were not materially affected by any seasonal or cyclical factors during the financial period under review.

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 would have a material effect on the financial results for 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 financial period under review.

A8 Dividend Paid

The Board declared the second interim dividend of RM0.005 per share in respect of the financial year ended 30 June 2023. The second interim dividend amounting to RM441,180 (based on 88,236,002 units of the Group's ordinary shares) was paid on 26 September 2023.

PART A – EXPLANATORY NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2023 (CONT'D)

A9 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 categories

	Unaudited			
	Individual 6 months ended			
	31.12.2023		31.12.2022	
	RM'000	%	RM'000	%
Air pollution control systems	5,535	54.7	8,071	52.0
Air pollution control products and other related environmental engineering products	3,276	32.3	5,859	37.8
Technical consultation and maintenance services	1,317	13.0	1,576	10.2
Total revenue	10,128	100.0	15,506	100.0

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PART A – EXPLANATORY NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2023 (CONT'D)

A9 Segmental Reporting (Cont'd)

The reportable segments are summarised as follows (Cont'd):

- (ii) Analysis of revenue breakdown by geographical locations

	Unaudited			
	Individual 6 months ended			
	31.12.2023		31.12.2022	
	RM'000	%	RM'000	%
<u>Local revenue</u>				
Malaysia	8,109	80.1	11,821	76.2
Total local revenue	8,109	80.1	11,821	76.2
<u>Overseas revenue</u>				
USA	-	-	189	1.2
Vietnam	845	8.3	2,706	17.5
Singapore	699	6.9	753	4.9
Saudi Arabia	351	3.5	-	-
Philippines	-	-	19	0.1
Others ⁽¹⁾	124	1.2	18	0.1
Total overseas revenue	2,019	19.9	3,685	23.8
Total revenue	10,128	100.0	15,506	100.0

⁽¹⁾ Others comprise mainly countries such as India, United Arab Emirates ("UAE") and Indonesia.

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PART A – EXPLANATORY NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2023 (CONT'D)

A10 Profit Before Taxation

Profit before taxation is arrived after charging/(crediting):-

	Unaudited	
	Individual 6 months ended	
	31.12.2023	31.12.2022
	RM'000	RM'000
Auditors' remuneration	37	34
Depreciation of property, plant and equipment	262	205
Depreciation of investment properties	7	7
Depreciation of right-of-use assets	55	47
Directors' fees	15	15
Directors' remuneration	472	473
Interest expenses	139	121
Interest income	(161)	(92)
Listing expenses	2	2
Rental income	(26)	(24)
Staff costs:		
- Salaries, bonuses and allowances	2,659	2,772
- Employees' Provident Fund	188	296
- Other employee benefits	163	117
(Gain)/Loss on foreign exchange:		
- Realised	(22)	(230)
- Unrealised	16	281

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PART A – EXPLANATORY NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2023 (CONT'D)

A11 Valuation of Property, Plant and Equipment

There was no valuation on property, plant and equipment during the financial period under review.

A12 Material Events after the End of the Reporting Period

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

A13 Contingent Liabilities and Contingent Assets

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

A14 Capital Commitments

There were no material capital commitments as at the date of this unaudited condensed consolidated financial report.

A15 Significant Related Party Transactions

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

A16 Financial Liabilities

The Group has not entered into any derivatives and does 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

Comparison between current 6 months financial period (“1H FYE 2024”) and the preceding year 6 months financial period (“1H FYE 2023”)

At the conclusion of 6-month FPE 31 December 2023, the Group’s revenue stood at RM10.13 million, showing a decrease of RM5.38 million or 34.7% as compared to the RM15.51 million recorded in the same corresponding period of the preceding year. The decrease was mainly owing to the reduced number of significant projects scored for air pollution control systems as a result of the slowdown in the semiconductors and macroeconomic concerns. For the 1H FYE 2024, the air pollution control systems segment contributed RM5.53 million to the Group’s revenue, which was RM3.20 million or 36.6% lesser as compared to the RM8.73 million recorded in the same corresponding period of the preceding year.

In terms of revenue contribution by geographical location, domestic market remained as the strongest support contributing 80.1% to the Group’s revenue whereas overseas customers taking place for the other 19.9% which was mainly contributed by customers from Vietnam, Singapore and Saudi Arabia.

In line with the drop in the Group’s revenue, the Group reported a Profit Before Tax (“PBT”) of RM2.05 million, with a decrease of RM3.76 million or 64.7% as compared to the RM5.81 million reported in the same corresponding period of the preceding year. Correspondingly, the Group’s Profit After Taxation (“PAT”) was closed at RM1.63 million, with a decline of RM2.96 million or 64.5% as compared to the RM4.59 million recorded for 1H FYE 2023.

B2 Commentary on Prospect

The second half of 2023 has been challenging for Malaysia and the global economy as soaring energy and food prices have caused widespread of inflationary pressure. As a consequence of high inflation, countries around the world, including Malaysia, have begun tightening its monetary policies by increasing interest rates. This has resulted in increasingly challenging business environment and raising cost pressures to companies.

Despite the challenging macroeconomic factors and business environment, the Group has continued its efforts in expanding the business. During the financial period under review, the Group had acquired new machinery to increase its production capacity as well as staff headcount to support its operational needs and business growth.

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 or profit guarantee in any form of public documentation and announcement.

PART C – OTHER INFORMATION

C1 Status of Corporate Proposal

There were no corporate proposals announced but pending completion as at the date of this unaudited condensed consolidated financial report.

C2 Material Litigation

Save for the following, there was no material litigation involving the Group as at the date of this unaudited condensed consolidated financial report.

In the matter of Penang High Court, Civil Suit No.: PA-22NCC-50-07/2023

Plaintiff: Polydamic Sdn Bhd (“Plaintiff”)
Defendant: 1. Aspen Glove Sdn Bhd (“1st Defendant”)
2. Aspen Vision Group Sdn Bhd (“2nd Defendant”)
3. Aspen Vision City Sdn Bhd (“3rd Defendant”)
(Collectively known as “Defendants” or “Aspen Group”)

On 24th July 2023, Polydamic Sdn. Bhd. (“PSB”), a wholly-owned subsidiary of the Group had filed a Writ of Summon and Statement of Claim at the Penang High Court against Aspen Glove Sdn. Bhd (“1st Defendant”), Aspen Vision Group Sdn. Bhd. (“2nd Defendant”) and Aspen Vision City Sdn. Bhd. (“3rd Defendant”) (collectively known as “Defendants” or “Aspen Group”) for a sum of RM4,194,511 being the balance sum for the supply of goods, equipment and labour to Aspen Glove Sdn. Bhd. (“the said Suit”).

Aspen Group acknowledged the debts owed by Aspen Glove Sdn. Bhd. and had agreed to settle the debts in a lump sum payment of RM2,893,205 by offering PSB two units of commercial properties from its completed development project known as Vervea (“the Settlement Agreement”) in lieu of payment.

However, Aspen Group failed to honour the terms in the Settlement Agreement. Hence, the said Suit was initiated against all the Defendants for the orders, inter alia, as follows:

- (i) Principal Sum
 - (a) The Defendants shall jointly and severally pay a sum of RM2,893,205 to PSB immediately;

Alternatively
 - (b) 2nd and/or 3rd Defendant shall transfer the 2 commercial property units, namely Unit No. 184 and 185 in Vervea developed by 2nd and/or 3rd Defendant to PSB. If both units have been transferred to a third party, other unit which is “free from encumbrances” and equivalent to the sum of RM2,893,205 based on the valuation report by the licensed valuer appointed by PSB shall be transferred to PSB within 30 days from the date of judgment;
- (ii) Interests; and
- (iii) Costs

PART C – OTHER INFORMATION (CONT'D)

C2 Material Litigation (Cont'd)

The 1st Defendant has been wound up pursuant to a winding up order dated 18th September 2023 and is currently in the stage of exchanging affidavit for the appointment of private liquidator.

The 2nd and 3rd Defendants have appointed Messrs Reza Rahim & Rajivan to enter appearance for the said Suit on 21st August 2023. Prior to this, the 2nd and 3rd Defendants have filed in application to refer the matter to Kuala Lumpur Arbitration Centre. However, the said application has been dismissed by the Honourable Court on 14th December 2023. The Honourable Court has directed the 2nd and 3rd Defendants to file their Statements of Defense respectively.

Founded on the latest case development as well as all the available facts and circumstances arising to date, the Management has assessed and considered the necessary. To the best of their knowledge, the Management is of the opinion that the said Suit is not expected to have significant impacts on the Group's financial statements and operational processes as a whole.

C3 Dividend

There was no dividend declared as at the date of this unaudited condensed consolidated financial report.

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