



**GREATECH TECHNOLOGY BERHAD**  
(Company No. 201801008633 (1270647-H))  
(Incorporated in Malaysia under the Companies Act 2016)

**INTERIM FINANCIAL REPORT  
FOR THE SECOND QUARTER ENDED  
30 JUNE 2022**

**GREATECH TECHNOLOGY BERHAD**  
**(Company No. 201801008633 (1270647-H))**

(Incorporated in Malaysia under the Companies Act 2016)

Interim Financial Report For The Second Quarter Ended 30 June 2022



**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022 <sup>(1)</sup>**

	<b>Unaudited as at 30/06/2022 RM'000</b>	<b>Audited as at 31/12/2021 RM'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	174,261	107,400
Right-of-use assets	89,051	71,885
	<u>263,312</u>	<u>179,285</u>
<b>Current assets</b>		
Inventories	16,612	12,322
Trade and other receivables	92,318	93,364
Contract assets	27,879	1,521
Derivative assets	-	7
Current tax assets	1,736	1,676
Short term funds	217,754	214,080
Cash and bank balances	81,808	106,348
	<u>438,107</u>	<u>429,318</u>
<b>TOTAL ASSETS</b>	<b><u>701,419</u></b>	<b><u>608,603</u></b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to owners of the parent</b>		
Share capital	113,122	113,084
Reserves	374,058	317,955
<b>TOTAL EQUITY</b>	<u>487,180</u>	<u>431,039</u>
<b>Non-current liabilities</b>		
Borrowings	14,467	15,017
Lease liabilities	3,212	3,242
Deferred tax liabilities	8,626	8,626
Government grant	327	393
	<u>26,632</u>	<u>27,278</u>
<b>Current liabilities</b>		
Trade and other payables	69,190	45,178
Contract liabilities	79,933	69,055
Provision for warranties	36,811	34,408
Borrowings	1,100	1,100
Lease liabilities	440	412
Government grant	133	133
	<u>187,607</u>	<u>150,286</u>
<b>TOTAL LIABILITIES</b>	<u>214,239</u>	<u>177,564</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b><u>701,419</u></b>	<b><u>608,603</u></b>

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Interim Financial Report For The Second Quarter Ended 30 June 2022



**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022 <sup>(1)</sup>**

	<b>Unaudited as at 30/06/2022</b>	<b>Audited as at 31/12/2021</b>
Number of ordinary shares in issue ('000)	1,252,135	1,252,131
Net assets per share attributable to owners of the parent (RM)	0.39	0.34

(1) The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2021 and the accompanying explanatory notes attached to this interim financial report.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SECOND QUARTER ENDED 30 JUNE 2022 <sup>(1)</sup>**

	Individual Quarter 3 months ended		Cumulative Quarter 6 months ended	
	30/06/2022 RM'000	30/06/2021 RM'000	30/06/2022 RM'000	30/06/2021 RM'000
Revenue	118,097	136,357	220,253	231,499
Cost of sales	<u>(90,131)</u>	<u>(87,090)</u>	<u>(157,077)</u>	<u>(132,849)</u>
<b>Gross profit</b>	27,966	49,267	63,176	98,650
Other income	7,402	2,238	13,589	9,578
Net gains/(losses) on impairment of financial assets	1,414	(3,358)	594	(3,167)
Administrative and marketing expenses	(11,256)	(9,211)	(22,413)	(18,875)
Finance cost	<u>(125)</u>	<u>(175)</u>	<u>(251)</u>	<u>(412)</u>
<b>Profit before tax</b>	25,401	38,761	54,695	85,774
Tax expense	<u>(236)</u>	<u>(379)</u>	<u>(598)</u>	<u>(733)</u>
<b>Profit for the financial period</b>	25,165	38,382	54,097	85,041
<b>Other comprehensive income</b>				
<b>Item that may be reclassified subsequently to profit or loss</b>				
Foreign currency translations	<u>(395)</u>	<u>(2)</u>	<u>(448)</u>	<u>(45)</u>
<b>Total comprehensive income for the financial period attributable to owners of the parent</b>	<u>24,770</u>	<u>38,380</u>	<u>53,649</u>	<u>84,996</u>
<b>Earnings per ordinary share attributable to owners of the parent (sen)</b>				
- Basic <sup>(2)</sup>	<u>2.01</u>	<u>3.07</u>	<u>4.32</u>	<u>6.79</u>
- Diluted <sup>(2)</sup>	<u>2.01</u>	<u>3.07</u>	<u>4.32</u>	<u>6.79</u>

(1) The Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2021 and the accompanying explanatory notes attached to this interim financial report.

(2) Based on weighted average number of ordinary shares in issue during the financial period under review.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SECOND QUARTER ENDED 30 JUNE 2022 <sup>(1)</sup>**

	Non-distributable					Distributable		
	Share capital RM'000	Exchange translation reserve RM'000	Reorganisation debit reserve RM'000	Revaluation reserve RM'000	Share grant reserve RM'000	Share option reserve RM'000	Retained earnings RM'000	Total equity RM'000
Balance as at 1 January 2022	113,084	(69)	(39,500)	8,370	-	1,481	347,673	431,039
Profit for the financial period	-	-	-	-	-	-	54,097	54,097
Foreign currency translations	-	(448)	-	-	-	-	-	(448)
Other comprehensive income, net of tax	-	(448)	-	-	-	-	-	(448)
Total comprehensive income	-	(448)	-	-	-	-	54,097	53,649
Realisation of revaluation surplus	-	-	-	(123)	-	-	123	-
<b>Transactions with owners:</b>								
Issuance of ordinary shares pursuant to ESGP <sup>(2)</sup>	-	-	-	-	2,468	-	-	2,468
Issuance of ordinary shares pursuant to ESOP <sup>(3)</sup>	38	-	-	-	-	(14)	-	24
Total transactions with owners	38	-	-	-	2,468	(14)	-	2,492
Balance as at 30 June 2022	113,122	(517)	(39,500)	8,247	2,468	1,467	401,893	487,180
Balance as at 1 January 2021	111,951	3	(39,500)	8,604	-	-	205,688	286,746
Profit for the financial period	-	-	-	-	-	-	85,041	85,041
Foreign currency translations	-	(45)	-	-	-	-	-	(45)
Other comprehensive income, net of tax	-	(45)	-	-	-	-	-	(45)
Total comprehensive income	-	(45)	-	-	-	-	85,041	84,996
Realisation of revaluation surplus	-	-	-	(116)	-	-	116	-
<b>Transactions with owners:</b>								
Share-based payment transaction	-	-	-	-	-	1,898	-	1,898
Issuance of ordinary shares pursuant to ESOP <sup>(3)</sup>	34	-	-	-	-	(12)	-	22
Total transactions with owners	34	-	-	-	-	1,886	-	1,920
Balance as at 30 June 2021	111,985	(42)	(39,500)	8,488	-	1,886	290,845	373,662

(1) The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2021 and the accompanying explanatory notes attached to this interim financial report.

(2) ESGP - Employees' Share Grant Plan

(3) ESOP - Employees' Share Option Plan

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SECOND QUARTER ENDED 30 JUNE 2022 <sup>(1)</sup>**

	<b>6 months ended</b>	
	<b>30/06/2022</b>	<b>30/06/2021</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	54,695	85,774
Adjustments for:		
Amortisation of government grant	(66)	(66)
Depreciation of:		
- property, plant and equipment	3,700	2,209
- right-of-use assets	888	1,118
Fair value adjustment on derivative assets/liabilities	7	94
Gain on lease modification	-	(2)
Interest expense	251	412
Interest income	(409)	(267)
Loss on disposal of property, plant and equipment	18	66
Net (gains)/losses on impairment of:		
- contract assets	24	2,490
- trade receivables	(618)	677
Property, plant and equipment written off	315	255
Provision for warranties	5,519	7,720
Reversal of unused provision for warranties	(3,116)	(9,239)
Share-based payment transaction	-	1,898
Share grant expenses	2,468	-
Unrealised gain on foreign exchange	(4,646)	(350)
	<hr/>	<hr/>
Operating profit before changes in working capital	59,030	92,789
Increase in inventories	(4,290)	(6,512)
Decrease/(Increase) in trade and other receivables	1,911	(689)
Increase in contract assets	(26,382)	(13,019)
Increase in trade and other payables	23,754	34,181
Increase in contract liabilities	10,878	13,259
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Cash generated from operations	64,901	120,009
Interest paid	(219)	(368)
Interest received	409	267
Tax paid	(315)	(358)
	<hr/>	<hr/>
Net cash from operating activities	64,776	119,550

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SECOND QUARTER ENDED 30 JUNE 2022 <sup>(1)</sup>**

	6 months ended	
	30/06/2022	30/06/2021
	RM'000	RM'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceed from disposal of property, plant and equipment	12	251
Purchase of:		
- property, plant and equipment	(70,875)	(11,984)
- right-of-use assets	(17,835)	(147)
Net changes in deposits with licensed bank (more than three months)	-	(5,022)
Net cash used in investing activities	<u>(88,698)</u>	<u>(16,902)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from:		
- issuance of ordinary shares	24	22
- term loans	-	16,500
Repayments of:		
- lease liabilities	(256)	(625)
- term loans	(550)	(18,619)
Net cash used in financing activities	<u>(782)</u>	<u>(2,722)</u>
Net changes in cash and cash equivalents	(24,704)	99,926
Effects of exchange rate changes	3,838	55
Cash and cash equivalents at beginning of financial period	<u>320,428</u>	<u>284,023</u>
Cash and cash equivalents at end of financial period	<u><u>299,562</u></u>	<u><u>384,004</u></u>
<b>Cash and cash equivalents comprise the following at end of financial period:</b>		
Cash and bank balances	81,808	141,972
Deposits with licensed bank (more than three months)	-	6,529
Short term funds	217,754	242,032
	<u>299,562</u>	<u>390,533</u>
Less: Deposits with licensed bank (more than three months)	-	(6,529)
	<u><u>299,562</u></u>	<u><u>384,004</u></u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SECOND QUARTER ENDED 30 JUNE 2022 <sup>(1)</sup>**
***RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES***

	<b>Lease liabilities</b>	<b>Term loans</b>
	<b>RM'000</b>	<b>RM'000</b>
Balance as at 1 January 2022	3,654	16,117
Cash flows	(256)	(550)
Non-cash flows		
- addition of lease liabilities	28	-
- translation difference	194	-
- unwinding of interest	32	-
Balance as at 30 June 2022	<u>3,652</u>	<u>15,567</u>

	<b>Lease liabilities</b>	<b>Term loans</b>
	<b>RM'000</b>	<b>RM'000</b>
Balance as at 1 January 2021	1,754	18,618
Cash flows	(625)	(2,119)
Non-cash flows		
- addition of lease liabilities	3,782	-
- effects of lease modification	(53)	-
- unwinding of interest	44	-
Balance as at 30 June 2021	<u>4,902</u>	<u>16,499</u>

- (1) The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2021 and the accompanying explanatory notes attached to this interim financial report.

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT**

**Part A - Explanatory Notes Pursuant To MFRS 134, Interim Financial Reporting**

**A1. Basis of Preparation**

The interim financial report of Greatech Technology Berhad (“Company” or “Greatech”) and its subsidiaries (collectively known as “Group”) are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards (“MFRSs”) 134 *Interim Financial Reporting* and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) (“Listing Requirements”).

This interim financial report should be read in conjunction with the Group’s audited financial statements for the financial year ended 31 December 2021 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 latest audited financial statements, except for the adoption of the following new and revised MFRSs, Amendments to MFRSs and IC interpretations.

**a) New and revised MFRSs, Amendments to MFRSs and IC interpretations adopted during the financial year**

<b>Title</b>	<b>Effective date</b>
<i>Amendments to MFRSs contained in the document entitled “Annual Improvements to MFRS Standards 2018–2020”</i>	1 January 2022
<i>Amendments to MFRS 3 Reference to the Conceptual Framework</i>	1 January 2022
<i>Amendments to MFRS 116 Property, Plant and Equipment - Proceeds before Intended Use</i>	1 January 2022
<i>Amendments to MFRS 137 Onerous Contracts - Cost of Fulfilling a Contract</i>	1 January 2022

The adoption of the above accounting standards and interpretations have no impact on the financial statements of the Group upon their initial application.

**b) New and revised MFRSs, Amendments to MFRSs and IC interpretations, but only effective for annual periods beginning on or after 1 January 2023**

The following are standards of the MFRSs Framework that have been issued by the Malaysian Accounting Standards Board but have not been early adopted by the Group:

<b>Title</b>	<b>Effective date</b>
<i>Amendments to MFRS 101 Classification of Liabilities as Current or Non-Current</i>	1 January 2023
<i>MFRS 17 Insurance Contracts</i>	1 January 2023
<i>Amendments to MFRS 17 Insurance Contracts</i>	1 January 2023
<i>Amendments to MFRS 17 Insurance Contracts - Initial Application of MFRS 17 and 9 - Comparative Information</i>	1 January 2023
<i>Amendments to MFRS 101 Disclosure of Accounting Policies</i>	1 January 2023
<i>Amendments to MFRS 108 Definition of Accounting Estimates</i>	1 January 2023
<i>Amendments to MFRS 112 Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
<i>Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT**

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**A3. Audit Report**

There was no qualification on the audited financial statements of the Group for the financial year ended 31 December 2021.

**A4. Seasonal or Cyclical Factors**

The Group did not experience any material seasonality or cyclicity in the business as the demand for the products and services are neither subject to seasonal fluctuations nor cyclical variations.

**A5. Material Unusual Items**

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

**A6. Material Changes in Estimates**

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

**A7. Debt and Equity Securities**

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current financial quarter under review.

**A8. Dividend Paid**

There was no dividend paid during the current financial quarter under review.

**A9. Segmental Reporting**

Information about operating segments has not been reported separately as the Group's revenue, profit or loss, assets and liabilities are mainly confined to a single operating segment, namely the sale of automated equipment together with provision of parts and services.

No provision of parts and services segment information is presented as the Chief Executive Officer ("CEO") views the Group as a single reportable segment.

**A10. Valuations of Property, Plant and Equipment and Right-Of-Use Assets**

The valuations of buildings and leasehold land classified under Property, Plant and Equipment and Right-Of-Use Assets respectively is performed by an independent professional valuer using the open market value basis on 31 December 2020.

**A11. Material Events Subsequent to the end of the Interim Financial Period**

There were no material events subsequent to the end of the current financial quarter under review that have not been reflected in this interim financial report.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT**

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**A12. Changes in Group's Composition**

There were no changes in the composition of the Group during the current financial quarter under review.

**A13. Contingent Assets and Contingent Liabilities**

There were no material contingent assets or contingent liabilities to be disclosed as at the date of this interim financial report.

**A14. Capital Commitments**

Save as disclosed below, as at 30 June 2022, the Group does not have any material capital commitments:

<b>Property, Plant and Equipment</b>	<b>RM'000</b>
- Approved and contracted for	<u>3,343</u>

Capital commitments of the Group relate to the electrical installation, furniture and fitting, plant and machinery, computer systems and renovation.

**A15. Significant Related Party Transactions**

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

**A16. Fair Value of Financial Liabilities**

There were no gains or losses arising from fair value changes of the Group's financial liabilities for the current financial quarter under review.

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT**

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**Part B - Additional Information Required by the Main Market Listing Requirements of Bursa Securities**

**B1. Review of Group's Performance**

**Comparison with prior year corresponding quarter results**

The Group's revenue of RM118.10 million for the current financial quarter were 13.39% or RM18.26 million lower than the prior year corresponding quarter. The increasing supply chain constraints has lengthened the performance period of contracted projects, and negatively impact revenue recognition of Production Line Systems ("PLS") for Solar customer.

The Group has recorded a lower gross profit ("GP") and GP margin of RM27.97 million and 23.68% respectively, as compared to RM49.27 million and 36.13% respectively in the prior year corresponding quarter. The normalised GP margin without the net warranty impact was 24.15% and 38.85% respectively for current financial quarter and prior year corresponding quarter. The current financial quarter's margin was negatively impacted by (i) the timing to turn PLSs order bookings into revenue due to prolonged supply chain constraints; (ii) increase in project expenditure attributable to higher material and component cost; (iii) increase in subcontract charges to ensure timely completion and delivery of customer projects; and (iv) higher employees compensation and benefit expenses from increased employees headcount; as well as cost related to the expansion and inflationary trends, offset by lower provision for warranty.

The Group's profit before tax ("PBT") for the current financial quarter has decreased by RM13.36 million or 34.47% as compared to prior year corresponding quarter. The normalised PBT margin without the net warranty impact was 21.98% and 31.14% respectively for current financial quarter and prior year corresponding quarter. The decrease in PBT was primarily contributed by the decline of GP, higher administrative and marketing expenses attributable to the increased in local employee headcounts and other expansion related expenses, offset by higher net increase in foreign exchange gain.

**Comparison with prior year cumulative quarter results**

The Group's revenues in the first half-year 2022 amounted to RM220.25 million and were RM11.25 million or 4.86% lower than the prior year level. The revenue recognition was impacted by the persistent supply difficulties contributed to shortage and longer delivery time of certain materials and components used by the Group. These factors has impacted the timing to turn PLS orders booking into revenue.

The Group's GP decreased by RM35.47 million or 35.96% from RM98.65 million in first half 2021 to RM63.18 million in first half of 2022. The GP margin has also reduced from 42.61% in first half 2021 to 28.68% in first half of 2022. The normalised GP margin without the net warranty impact was 29.77% and 41.96% respectively for current financial quarter and preceding quarter respectively. The reduction in GP and GP margin was impacted by (i) the timing to turn PLSs order bookings into revenue due to prolonged supply chain constraints; (ii) increase in project expenditure attributable to higher material and component costs led by global supply bottlenecks; (iii) increase in subcontract charges to ensure timely completion and delivery of customer projects; and (iv) higher employees compensation and benefit expenses from increased employee headcount; as well as cost related to the expansion and inflationary trends.

The Group's PBT has reduced significantly by RM31.08 million or 36.23% from RM85.77 million in 2021 to RM54.70 million in 2022. The normalised PBT margin without the net warranty impact was 25.92% and 36.40% respectively for first half-year 2022 and first half-year 2021. This decrease in PBT was primarily contributed by the decline of GP, share grant expenses, offset by lower impairment losses on contract assets and trade receivables and higher net foreign exchange gain.

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## **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT**

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### **B2. Comparison with Immediate Preceding Quarter's Results**

The Group's revenue for the current financial quarter ended 30 June 2022 has increased by RM15.94 million or 15.60% as compared to the preceding financial quarter ended 31 March 2022. This was mainly attributable to the revenue contribution for PLS, Single Automated Equipment and Provision of Parts & Services.

Despite the slight increase of revenue, the Group's GP decreased by RM7.24 million or 20.57% as compared to preceding financial quarter. The GP margin has also reduced from 34.47% to 23.68%. The normalised GP margin without the net warranty impact was 24.15% and 36.27% respectively for current financial quarter and immediate preceding quarter. The margin declined was primarily due to (i) increase in project expenditure attributable to higher material and component costs led by global supply bottlenecks; (ii) increase in subcontract charges to ensure timely completion and delivery of customer projects; and (iii) higher employees compensation and benefit expenses from increased employee headcount; as well as cost related to the expansion and inflationary trends, offset by lower provision for warranty.

The PBT of the Group for the current financial quarter has decreased by RM3.89 million as compared to preceding financial quarter. The normalised PBT margin without the net warranty impact was 21.98% and 30.48% respectively for the current financial quarter and immediate preceding quarter. The decrease in PBT was caused by the decrease in GP, higher administrative and marketing expenses attributable to the increased in local employee headcounts and other expansion related expenses, offset by higher net foreign exchange gain.

### **B3. Commentary on Prospects**

In the first half of 2022, the Group continued to experience supply chain bottleneck. The uncertainties regarding the supply of energy and rise in energy prices associated with the Ukraine-Russia conflicts, persistent COVID-19 pandemic with renewed lockdowns in China and potential new variants continued to pose challenges to the business environment. This has not only lead to shortages and longer lead times but higher input costs on certain materials and components used by the Group. The supplier and demand disruption further increased challenges for the Group's production scheduling agility to reliably plan the availability of necessary components for efficient project execution, hence affecting the revenue recognition.

Despite the persistently volatile supply chains that have caused costs inflation and energy crisis to unfold, the geopolitical uncertainty has also developed the urgent need for decarbonisation that drives significant growth in renewables energy globally. Also, the pandemic continued to change customers awareness accelerated the investments in digitalisation and industrial automation. With the passing of the largest climate bill in the United States to confront global warming recently, the Group expects demand from solar energy and electric vehicle sectors to remain strong. The Group is optimistic about the remainder of 2022 as we are well positioned to participate as a global automation solutions provider in these growing market segments.

In the short term, the Group remained committed to grow its revenue, improve profitability and navigating through the near-term supply dislocations and inflationary pressure.

As of 18 August 2022, the Group's order book stood at RM506.67 million, which is expected to last until second half of 2023.

### **B4. Profit Forecast**

The Group did not issue any profit forecast during the financial quarter under review.

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT**

**B5. Status of Corporate Proposals**

On 11 August 2022, the Company has entered into a Memorandum of Understanding (“MOU”) with Garreth Finlay and Fergus Hynes in relation to the proposed acquisition of 60% equity interest in Kaon Automation Limited (“Proposed Acquisition”).

A detailed announcement on the Proposed Acquisition will be made upon finalisation of the terms and conditions and execution of the share purchase agreement and shareholders’ agreement.

Saved for the above, there were no other corporate proposals announced and not completed as at the date of this interim financial report.

**B6. Tax Expense**

	Individual Quarter		Cumulative Quarter	
	3 months ended		6 months ended	
	30/06/2022	30/06/2021	30/06/2022	30/06/2021
	RM’000	RM’000	RM’000	RM’000
Malaysian income tax				
- Current tax	(153)	(177)	(255)	(297)
- Deferred tax	-	-	-	-
Withholding tax expense	(83)	(202)	(343)	(436)
	<u>(236)</u>	<u>(379)</u>	<u>(598)</u>	<u>(733)</u>
Effective tax rate	0.93%	0.98%	1.09%	0.85%

The overall effective tax rate for the financial period of the Group was lower than the statutory tax rate of 24% as the subsidiary, Greatech Integration (M) Sdn. Bhd. (“GIM”), was granted pioneer status by Ministry of International Trade and Industry of Malaysia under the Promotion of Investments Act, 1986 on 29 March 2013, for a period of five (5) years up to 28 March 2018, which was subsequently extended for another five (5) years to 28 March 2023. As such, its statutory income during this period is exempted from income tax.

GIM has granted approval-in-principle by Malaysian Investment Development Authority (“MIDA”) under Income Tax Act 1967 on 29th June 2022 for its pioneer status incentive application for the robotic and factory automation system and related modules and components for electric vehicle and energy storage industries. The statutory income for this activity is exempted from tax for a period of ten (10) years from the manufacturing date.

GIM is required to submit the application of pioneer status certificate to MIDA within twenty-four (24) months of the approval date. As at the date of this report, the application has yet been submitted to MIDA.

Withholding tax expense is related to foreign withholding tax liability from sales of production line systems and provision of engineering services to a customer in certain jurisdiction. Due to complexity of the tax law, significant judgement is required in evaluating the tax positions, including uncertainties. There is no assurance of refundability. Thus, the Group has decided to expense the withholding tax to the statement of profit or loss and other comprehensive income.

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT**

**B7. Use of Proceeds from the Initial Public Offering (“IPO”)**

The gross proceeds of RM73.05 million raised from the Public Issue and status of utilisation as at 30 June 2022 is disclosed in the following manner:

<b>Purposes</b>	<b>Estimated time frame for utilisation upon Listing</b>	<b>Proposed utilisation RM'000</b>	<b>Actual utilisation RM'000</b>	<b>Percentage utilised %</b>
Business expansion and development, and marketing activities	Within 48 months	18,000	12,607	70%
Capital expenditure	Within 24 months	5,000	5,000	100%
R&D expenditure	Within 24 months	5,000	5,000	100%
Working capital	Within 30 months	36,548	36,548	100%
Repayment of bank borrowings	Within 3 months	4,500	4,500	100%
Estimated listing expenses	Immediately	4,000	4,000	100%
<b>Total</b>		<b>73,048</b>	<b>67,655</b>	<b>93%</b>

The use of proceeds as disclosed above should be read in conjunction with the Prospectus of the Company dated 13 May 2019.

**B8. Borrowings and Debt Securities**

The details of the Group’s borrowings are as follows:

	<b>Unaudited</b>	
	<b>30/06/2022 RM'000</b>	<b>30/06/2021 RM'000</b>
<b>Secured:</b>		
<b>Current liabilities</b>		
Term loans	1,100	933
<b>Non-current liabilities</b>		
Term loans	14,467	15,566
<b>Total liabilities</b>		
Term loans	15,567	16,499

**B9. Material Litigation**

As at the date of this interim financial report, there were no material litigations involving the Group.

**B10. Proposed Dividend**

The Board of Directors did not declare or recommend any dividend for the current financial quarter under review.

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT**

**B11. Earnings Per Ordinary Share (“EPS”)**

	Individual Quarter 3 months ended		Cumulative Quarter 6 months ended	
	30/06/2022	30/06/2021	30/06/2022	30/06/2021
Profit after tax attributable to owners of the parent (RM'000)	25,165	38,382	54,097	85,041
<b>Basic</b>				
Weighted average number of ordinary shares in issue ('000) <sup>(1)</sup>	1,252,135	1,252,001	1,252,135	1,252,001
Basic EPS (sen) <sup>(2)</sup>	2.01	3.07	4.32	6.79
<b>Diluted</b>				
Weighted average number of ordinary shares in issue ('000) <sup>(1)</sup>	1,252,135	1,252,001	1,252,135	1,252,001
Effect of dilution due to employee share option plan ('000)	382	110	359	55
Adjusted weighted average number of ordinary shares applicable to diluted earnings per share ('000)	1,252,517	1,252,111	1,252,494	1,252,056
Diluted EPS (sen) <sup>(2)</sup>	2.01	3.07	4.32	6.79

(1) Basic EPS for the financial period is calculated by dividing the profit for the financial period attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial period.

(2) Diluted EPS for the financial period is calculated by dividing the profit for the financial period attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial period adjusted for the effects of dilutive potential ordinary shares.

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**GREATECH TECHNOLOGY BERHAD****(Company No. 201801008633 (1270647-H))**

(Incorporated in Malaysia under the Companies Act 2016)

Interim Financial Report For The Second Quarter Ended 30 June 2022

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT****B12. Profit Before Tax**

Included in profit before tax for the financial period are the following income/(expense) items:

	Individual Quarter 3 months ended		Cumulative Quarter 6 months ended	
	30/06/2022 RM'000	30/06/2021 RM'000	30/06/2022 RM'000	30/06/2021 RM'000
Amortisation of government grant	32	32	66	66
Depreciation of:				
- property, plant and equipment	(1,963)	(1,114)	(3,700)	(2,209)
- right-of-use assets	(461)	(545)	(888)	(1,118)
Fair value adjustment on derivative assets/liabilities	-	25	(7)	(94)
Gain on lease modification	-	-	-	2
Interest expense	(125)	(175)	(251)	(412)
Interest income	208	130	409	267
Loss on disposal of property, plant and equipment	-	(8)	(18)	(66)
Net gain/(loss) on impairment of:				
- contract assets	316	(2,775)	(24)	(2,490)
- trade receivables	1,098	(583)	618	(677)
Property, plant and equipment written off	(108)	(255)	(315)	(255)
Provision for warranties	(2,652)	(3,858)	(5,519)	(7,720)
Realised gain on foreign exchange	1,578	4,992	5,672	6,690
Reversal of unused provision for warranties	2,096	151	3,116	9,239
Share-based payment transaction	-	(1,898)	-	(1,898)
Share grant expenses	(1,481)	-	(2,468)	-
Unrealised gain/(loss) on foreign exchange	5,641	(4,139)	4,646	350

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