



**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 2023**

**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 2023

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023 <sup>(1)</sup>**

	<b>Unaudited as at 30/06/2023 RM'000</b>	<b>Audited as at 31/12/2022 RM'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	216,950	193,615
Right-of-use assets	97,087	97,942
	<u>314,037</u>	<u>291,557</u>
<b>Current assets</b>		
Inventories	61,828	21,968
Trade and other receivables	231,722	111,316
Contract assets	59,552	193,607
Current tax assets	-	1,744
Short term funds	118,740	108,304
Cash and bank balances	223,407	218,355
	<u>695,249</u>	<u>655,294</u>
<b>TOTAL ASSETS</b>	<b><u>1,009,286</u></b>	<b><u>946,851</u></b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to owners of the parent</b>		
Share capital	116,585	116,585
Reserves	542,706	470,180
<b>TOTAL EQUITY</b>	<u>659,291</u>	<u>586,765</u>
<b>Non-current liabilities</b>		
Borrowings	13,367	13,917
Lease liabilities	2,979	3,046
Deferred tax liabilities	9,217	9,217
Government grant	195	260
	<u>25,758</u>	<u>26,440</u>
<b>Current liabilities</b>		
Trade and other payables	105,852	67,789
Contract liabilities	191,052	237,356
Provision for warranties	20,542	26,752
Borrowings	1,100	1,100
Lease liabilities	590	516
Government grant	133	133
Current tax liability	4,968	-
	<u>324,237</u>	<u>333,646</u>
<b>TOTAL LIABILITIES</b>	<u>349,995</u>	<u>360,086</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b><u>1,009,286</u></b>	<b><u>946,851</u></b>

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**(Company No. 201801008633 (1270647-H))**

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Interim Financial Report For The Second Quarter Ended 30 June 2023



**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT  
30 JUNE 2023 <sup>(1)</sup>**

	<b>Unaudited as at 30/06/2023</b>	<b>Audited as at 31/12/2022</b>
Number of ordinary shares in issue ('000)	1,252,837	1,252,837
Net assets per share attributable to owners of the parent (RM)	0.5262	0.4683

- (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 2022 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 2023 <sup>(1)</sup>**

	Individual Quarter		Cumulative Quarter	
	3 months ended		6 months ended	
	30/06/2023	30/06/2022	30/06/2023	30/06/2022
	RM'000	RM'000	RM'000	RM'000
Revenue	165,605	118,097	279,289	220,253
Cost of sales	<u>(128,394)</u>	<u>(90,131)</u>	<u>(197,131)</u>	<u>(157,077)</u>
<b>Gross profit</b>	37,211	27,966	82,158	63,176
Other income	19,561	7,402	21,939	13,589
Net gain/(losses) on impairment of financial assets	1,782	1,414	(1,056)	594
Administrative and marketing expenses	(15,008)	(11,256)	(31,417)	(22,413)
Finance cost	<u>(160)</u>	<u>(125)</u>	<u>(321)</u>	<u>(251)</u>
<b>Profit before tax</b>	43,386	25,401	71,303	54,695
Taxation	<u>(5,086)</u>	<u>(236)</u>	<u>(5,144)</u>	<u>(598)</u>
<b>Profit for the financial period</b>	38,300	25,165	66,159	54,097
<b>Other comprehensive income</b>				
<b>Item that may be reclassified subsequently to profit or loss</b>				
Foreign currency translations	<u>(766)</u>	<u>(395)</u>	<u>(737)</u>	<u>(448)</u>
<b>Total comprehensive income for the financial period attributable to owners of the parent</b>	<u>37,534</u>	<u>24,770</u>	<u>65,422</u>	<u>53,649</u>
<b>Earnings per ordinary share attributable to owners of the parent (sen)</b>				
- Basic <sup>(2)</sup>	<u>3.06</u>	<u>2.01</u>	<u>5.28</u>	<u>4.32</u>
- Diluted <sup>(2)</sup>	<u>3.04</u>	<u>2.01</u>	<u>5.26</u>	<u>4.32</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 2022 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 2023 <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 2023	116,585	(402)	(39,500)	25,348	3,450	1,138	480,146	586,765
Profit for the financial year	-	-	-	-	-	-	66,159	66,159
Foreign currency translations	-	(737)	-	-	-	-	-	(737)
Other comprehensive income, net of tax	-	(737)	-	-	-	-	-	(737)
Total comprehensive income	-	(737)	-	-	-	-	66,159	65,422
Realisation of revaluation surplus	-	-	-	(228)	-	-	228	-
<b>Transactions with owners:</b>								
ESGP <sup>(2)</sup> expenses	-	-	-	-	7,104	-	-	7,104
Share options lapsed pursuant to ESOP <sup>(3)</sup>	-	-	-	-	-	(1,138)	1,138	-
Total transactions with owners	-	-	-	-	7,104	(1,138)	1,138	7,104
Balance as at 30 June 2023	116,585	(1,139)	(39,500)	25,120	10,554	-	547,671	659,291
Balance as at 1 January 2022	113,084	(69)	(39,500)	8,370	-	1,481	347,673	431,039
Profit for the financial year	-	-	-	-	-	-	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>								
ESGP <sup>(2)</sup> expenses	-	-	-	-	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

(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 2022 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 2023 <sup>(1)</sup>**

	<b>6 months ended</b>	
	<b>30/06/2023</b>	<b>30/06/2022</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	71,303	54,695
Adjustments for:		
Amortisation of government grant	(65)	(66)
Depreciation of:		
- property, plant and equipment	5,839	3,700
- right-of-use assets	1,126	888
Fair value adjustment on derivative assets	-	7
Gain on lease modification	(8)	-
Interest expense	321	251
Interest income	(3,091)	(409)
Loss on disposal of property, plant and equipment	-	18
Net (gains)/losses on impairment of:		
- contract assets	(1,401)	24
- trade receivables	2,457	(618)
Property, plant and equipment written off	4	315
Provision for warranties	2,781	5,519
Reversal of unused provision for warranties	(8,991)	(3,116)
Share grant expenses	7,104	2,468
Unrealised gain on foreign exchange	(8,160)	(4,646)
	<hr/>	<hr/>
Operating profit before changes in working capital	69,219	59,030
Increase in inventories	(39,860)	(4,290)
(Increase)/Decrease in trade and other receivables	(116,701)	1,911
Decrease/(Increase) in contract assets	135,456	(26,382)
Increase in trade and other payables	24,160	23,754
(Decrease)/Increase in contract liabilities	(46,304)	10,878
	<hr/>	<hr/>
Cash generated from operations	25,970	64,901
Interest paid	(289)	(219)
Interest received	3,091	409
Tax paid	(145)	(315)
Tax refunded	1,713	-
	<hr/>	<hr/>
Net cash from operating activities	30,340	64,776

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SECOND QUARTER ENDED 30 JUNE 2023 <sup>(1)</sup>**

	<b>6 months ended</b>	
	<b>30/06/2023</b>	<b>30/06/2022</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of property, plant and equipment	-	12
Purchases of:		
- property, plant and equipment	(15,956)	(70,875)
- right-of-use assets	8	(17,835)
	<u>          8</u>	<u>      (17,835)</u>
Net cash used in investing activities	<u>      (15,948)</u>	<u>      (88,698)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from:		
- issuance of ordinary shares	-	24
Repayments of:		
- lease liabilities	(303)	(256)
- term loans	(550)	(550)
	<u>      (853)</u>	<u>      (782)</u>
Net cash used in financing activities	<u>      (853)</u>	<u>      (782)</u>
Net changes in cash and cash equivalents	13,539	(24,704)
<b>Effects of exchange rate changes</b>	1,949	3,838
<b>Cash and cash equivalents at beginning of financial period</b>	<u>      326,659</u>	<u>      320,428</u>
<b>Cash and cash equivalents at end of financial period</b>	<u>      342,147</u>	<u>      299,562</u>
<b>Cash and cash equivalents comprise the following at end of financial period:</b>		
Cash and bank balances	223,407	81,808
Short term funds	118,740	217,754
	<u>      342,147</u>	<u>      299,562</u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SECOND QUARTER ENDED 30 JUNE 2023 <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 2023	3,562	15,017
Cash flows	(303)	(550)
Non-cash flows		
- addition of lease liabilities	81	-
- translation difference	197	-
- unwinding of interest	32	-
Balance as at 30 June 2023	<u>3,569</u>	<u>14,467</u>

	<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>

- (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 2022 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 2022 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 period**

<b>Title</b>	<b>Effective date</b>
MFRS 17 <i>Insurance Contracts</i>	1 January 2023
	1 January 2023
Amendments to MFRS 17 <i>Insurance Contracts - Initial Application of MFRS 17 and 9 - Comparative Information</i>	1 January 2023
Amendments to MFRS 101 <i>Presentation of Financial Statements - Disclosure of Accounting Policies</i>	1 January 2023
Amendments to MFRS 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates</i>	1 January 2023
Amendments to MFRS 112 <i>Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
Amendment to MFRS 101 <i>Presentation of Financial Statements - Classification of Liabilities as Current or Non-current</i>	1 January 2023
Amendment to MFRS 112 <i>International Tax Reform - Pillar Two Model Rules</i>	1 January 2023

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 2024**

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>
Amendment to MFRS 16 <i>Leases - Lease Liability in a Sale and Leaseback</i>	1 January 2024
Amendment to MFRS 101 <i>Presentation of Financial Statements - Non-Current Liabilities with Covenants</i>	1 January 2024
Amendment to MFRS 107 and MFRS 7 <i>Supplier Finance Arrangements</i>	1 January 2024
Amendments to MFRS 10 and MFRS 128 <i>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 2022.

### **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**

Save as disclosed below, there were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the financial period under review.

The Company on 10 March 2021, had offered a total of 594,500 share option at an exercise price of RM5.475 pursuant to the Employees' Share Option Plan ("ESOP"), as to date a total of 135,150 ESOP were exercised and the remaining outstanding options pursuant to the Scheme had lapsed upon the expiry of the ESOP for the financial period 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 on its leasehold buildings and leasehold land classified under Property, Plant and Equipment ("PPE") and Right-Of-Use ("ROU") assets respectively, are performed by an independent professional valuer using the open market value basis on 31 December 2022.

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

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**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.

**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 2023, the Group does not have any material capital commitments:

<b>Property, Plant and Equipment</b>	<b>RM'000</b>
- Approved and contracted for	<u>181,118</u>

Capital commitments of the Group relate to the construction of new operational facility at Batu Kawan Industrial Park, computer systems, motor vehicle, plant and machinery, office equipment and tools and equipment.

**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**

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

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

	Individual Quarter 3 Months Ended		Changes		Cumulative Quarter 6 Months Ended		Changes	
	30/06/2023	30/06/2022			30/06/2023	30/06/2022		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
<b>Revenue</b>	<b>165,605</b>	<b>118,097</b>	<b>47,508</b>	<b>40.23%</b>	<b>279,289</b>	<b>220,253</b>	<b>59,036</b>	<b>26.80%</b>
Cost Of Goods Sold	(128,394)	(90,131)			(197,131)	(157,077)		
<b>Gross Profit ("GP")</b>	<b>37,211</b>	<b>27,966</b>	<b>9,245</b>	<b>33.06%</b>	<b>82,158</b>	<b>63,176</b>	<b>18,982</b>	<b>30.05%</b>
Other Operating Income/(Expenses)	6,175	(2,565)			(10,855)	(8,481)		
<b>Profit Before Tax ("PBT")</b>	<b>43,386</b>	<b>25,401</b>	<b>17,985</b>	<b>70.80%</b>	<b>71,303</b>	<b>54,695</b>	<b>16,608</b>	<b>30.36%</b>
GP %	22.47%	23.68%			29.42%	28.68%		
PBT %	26.20%	21.51%			25.53%	24.83%		

**Comparison with prior year corresponding quarter's results**

The Group's revenue of RM165.61 million for the current financial quarter were RM47.51 million or 40.23% higher than that of prior year corresponding quarter. The increase was mainly attributable to the increase in revenue contribution from Production Line System ("PLS") from the life science and solar industries.

The Group has recorded a gross profit ("GP") of RM37.21 million and gross profit margin ("GP margin") of 22.47% as compared to RM27.97 million and 23.68% respectively in the prior year corresponding quarter. The normalised GP margin without the net warranty impact was 22.79% and 24.15% respectively for current quarter and prior year corresponding quarter. The decrease in current normalised GP margin was mainly due to higher employees compensation and benefit expenses from increased employees headcounts.

The Group's profit before tax ("PBT") for the current financial quarter was RM43.39 million, increased by RM17.99 million or 70.80% compared to the prior year corresponding quarter. The profit before tax margin ("PBT margin") has also increase from 21.51% to 26.20%. The normalised PBT margin without the net warranty impact was 26.51% and 21.98% respectively for current financial quarter and prior year corresponding quarter. The increase in PBT was mainly contributed by (i) the increase of GP of RM9.25 million; (ii) net foreign exchange gain of RM10.66 million; (iii) increase in interest income of RM1.66 million from short term funds; offset by, (i) the increased in employees headcounts which resulted in higher employees' compensation and Long Term Incentive Plan expense of RM3.72 million.

**Comparison with prior year corresponding cumulative quarter's results**

The Group's revenue in the first half 2023 amounted to RM279.29 and were RM59.04 million or 26.80% higher than first half 2022. The increase was mainly attributable to the increase in revenue contribution from PLS from the life science and solar industries. Furthermore, in first half 2022, there were factors such as persistent supply difficulties which impacted the timing to turn PLS orders booking into revenue.

The Group recorded a higher GP and GP margin of RM82.16 million or 29.42% respectively, as compared to RM63.18 million or 28.68% respectively in the first half 2022. The normalised GP margin without the net warranty impact was 27.19% and 29.77% for first half 2023 and first half 2022 respectively. The higher GP was driven by the higher revenue contribution as explained above. The decreased in normalised GP margin was mainly due to (i) higher employees compensation and benefit expenses from increased employees headcounts; and (ii) higher packing cost and travelling expenses for the shipment, installation and commisioning of machine aboard.

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

**B1. Review of Group's Performance (Continued)**

**Comparison with prior year corresponding cumulative quarter's results (Continued)**

The Group's PBT has increased by RM16.61 million or 30.36% from RM54.70 million in first half 2022 to RM71.30 million in first half 2023. The normalised PBT margin without net warranty impact was 23.31% and 25.92% respectively for first half 2023 and first half 2022 respectively. The increase in PBT was primarily contributed by (i) the increase of GP by RM18.98 million; (ii) net foreign exchange gain of RM5.27 million; offset by (i) net loss on impairment of contract assets and trade receivables of RM1.65 million; and (ii) higher employees' compensation and Long Term Incentive Plan expense of RM6.74 million.

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

	Current Quarter Ended	Immediate Preceding Quarter Ended	Changes	
	30/06/2023 RM'000	31/03/2023 RM'000	RM'000	%
<b>Revenue</b>	<b>165,605</b>	<b>113,684</b>	<b>51,921</b>	<b>45.67%</b>
Cost Of Goods Sold	(128,394)	(68,737)		
<b>Gross Profit ("GP")</b>	<b>37,211</b>	<b>44,947</b>	<b>(7,736)</b>	<b>(17.21%)</b>
Other Operating Income/(Expenses)	6,175	(17,030)		
<b>Profit Before Tax ("PBT")</b>	<b>43,386</b>	<b>27,917</b>	<b>15,469</b>	<b>55.41%</b>
GP %	22.47%	39.54%		
PBT %	26.20%	24.56%		

The Group's revenue for the current financial quarter ended 30 June 2023 has increased by RM51.92 million or 45.67% as compared to the preceding financial quarter ended 31 March 2023. This was mainly attributable to the increased in revenue contribution from PLS from the life science and solar industries.

The Group has recorded a lower GP and GP margin of RM37.21 million or 22.47% respectively, as compared to preceding financial quarter of RM44.94 million or 39.54% respectively. The normalised GP margin without the net warranty impact was 22.79% and 33.61% respectively for current financial quarter and immediate preceding quarter. The decrease in current normalised GP margin was mainly due to (i) increase in project expenditures as the projects were in the fabrication and assembly stage; (ii) increase in subcontract charges to ensure timely delivery of projects; offset by (i) lower packing cost and travelling expenses incurred for the shipment, installation and commissioning of machine abroad.

The PBT of the Group for the current financial quarter has increased by RM15.47 million from RM27.92 million to RM43.39 million in the preceding financial quarter. The normalised PBT margin without the net warranty impact was 26.51% and 23.14% respectively for current financial quarter and immediate preceding quarter. The increased in PBT was mainly contributed by higher other operating income during the current financial quarter due to (i) net foreign exchange gain of RM20.27 million; (ii) net gain on impairment of contract assets and trade receivables of RM4.62 million; (iii) increase of interest income of RM0.63 million; offset by (i) the lower GP of RM7.74 million; and (ii) higher employees' compensation and Long Term Incentive Plan expense of RM3.09 million.

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

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

The global economy has recently showed resiliency with the resolution of the America debt ceiling standoff and EU energy crisis easing. However, the global outlook remains challenging amid the financial sector turmoil, high inflation and rising geopolitical tensions.

Despite the global economy challenges, the Group saw clear signs that public authorities and market participants around the world are demanding for climate sustainability solutions and guidance; in order to meet ambitious climate targets and decarbonisation efforts for the achievement of net-zero global economy.

The Group's growth prospects remain strong, driven by trade and industry policies, robust consumer spending and capital expenditures investment on green energy. The Group will continue to commission the ongoing projects as planned and focus on establishing the Group's position as a trusted partner in the technology roadmaps of key customers.

As of 18 August 2023, the Group's order book stood at approximately RM610 million, which is expected to last until first half of 2024.

### **B4. Profit Forecast**

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

### **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 ("Vendors") in relation to the proposed acquisition of 60% equity interest in Kaon Automation Limited ("Proposed Acquisition").

On 7 October 2022, the Company and the Vendors have mutually agreed to extend the MOU and the period to finalise and execute the share purchase agreement ("SPA") for a further period of two (2) months commencing from 10 October 2022 and expiring on 9 December 2022. Subsequently, on 8 December 2022, the Company and the Vendors have mutually agreed to further extend the MOU and the period to finalise and execute the SPA for a further period of three (3) months commencing from 10 December 2022 and expiring on 9 March 2023. Following that, on 8 March 2023, the Company and the Vendors have mutually agreed to further extend the MOU and the period to finalise and execute the SPA for a further period of three (3) months commencing from 10 March 2023 and expiring on 9 June 2023.

On 9 June 2023, the Company had announce the expiry of MOU pursuant to the terms of the MOU.

Following to MOU expiry, neither party shall have any claim whatsoever, directly or indirectly, against the other in respect of the MOU. The MOU expiry would not have any material financial impact to the Company.

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

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

**B6. Taxation**

	Individual Quarter		Cumulative Quarter	
	3 months ended		6 months ended	
	30/06/2023	30/06/2022	30/06/2023	30/06/2022
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax				
- Current expense	(5,086)	(153)	(5,144)	(255)
- Deferred tax	-	-	-	-
Withholding tax expense	-	(83)	-	(343)
	<u>(5,086)</u>	<u>(236)</u>	<u>(5,144)</u>	<u>(598)</u>
Effective tax rate	11.72%	0.93%	7.21%	1.09%

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.

During the cumulative quarter year to date ended, the increase of the effective tax rate was due to the expiration of the pioneer status on 28 March 2023 for solar industry which the statutory income for solar industry would be subject to tax. GIM is in the midst of applying Pioneer Status for diversification of new technology in solar industry. The provision of current tax expenses would be reviewed subject to the new pioneer granted in the future.

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 2023 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	18,000	100%
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>73,048</b>	<b>100%</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>30/06/2023</b>	<b>30/06/2022</b>
	<b>RM’000</b>	<b>RM’000</b>
<b>Secured:</b>		
<b>Current liabilities</b>		
Term loans	1,100	1,100
<b>Non-current liabilities</b>		
Term loans	13,367	14,467
<b>Total liabilities</b>		
Term loans	14,467	15,567

**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.

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

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

	Individual Quarter		Cumulative Quarter	
	3 months ended		6 months ended	
	30/06/2023	30/06/2022	30/06/2023	30/06/2022
Profit after tax attributable to owners of the parent (RM'000)	38,300	25,165	66,159	54,097
<b>Basic</b>				
Weighted average number of ordinary shares in issue ('000) <sup>(1)</sup>	1,252,837	1,252,135	1,252,837	1,252,135
Basic EPS (sen) <sup>(2)</sup>	3.06	2.01	5.28	4.32
<b>Diluted</b>				
Weighted average number of ordinary shares in issue ('000) <sup>(1)</sup>	1,252,837	1,252,135	1,252,837	1,252,135
Effect of dilution due to employee share option plan ('000) <sup>(3)</sup>	-	382	-	359
Effect of dilution due to employee share grant plan ('000) <sup>(3)</sup>	5,302	-	5,302	-
Adjusted weighted average number of ordinary shares applicable to diluted earnings per share ('000)	1,258,139	1,252,517	1,258,139	1,252,494
Diluted EPS (sen) <sup>(3)</sup>	3.04	2.01	5.26	4.32

(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.

(3) Diluted loss per ordinary share equal basic loss per ordinary share as the effect on the basic loss per ordinary share is anti-dilutive.

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**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	
	30/06/2023 RM'000	30/06/2022 RM'000	30/06/2023 RM'000	30/06/2022 RM'000
Amortisation of government grant	33	32	65	66
Depreciation of:				
- property, plant and equipment	(2,981)	(1,963)	(5,839)	(3,700)
- right-of-use assets	(621)	(461)	(1,126)	(888)
Fair value adjustment on derivative assets	-	-	-	(7)
Interest expense	(160)	(125)	(321)	(251)
Interest income	1,858	208	3,091	409
Gain on lease modification	9	-	8	-
Loss on disposal of property, plant and equipment	-	-	-	(18)
Net gains/(losses) on impairment of:				
- contract assets	(465)	316	1,401	(24)
- trade receivables	2,247	1,098	(2,457)	618
Property, plant and equipment written off	(4)	(108)	(4)	(315)
Provision for warranties	(1,575)	(2,652)	(2,781)	(5,519)
Realised gain on foreign exchange	7,324	1,578	7,426	5,672
Reversal of unused provision for warranties	1,051	2,096	8,991	3,116
Share grant expenses	(3,441)	(1,481)	(7,104)	(2,468)
Unrealised gain on foreign exchange	10,552	5,641	8,160	4,646

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