

**Pekat Group Berhad (201901011563 (1320891-U))**  
**Interim Financial Report on Consolidated Results**  
**for the Second Quarter Ended 30 June 2023**



**Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income**

	Note	Three Months Ended		Six Months Ended	
		30.06.2023 Unaudited RM'000	30.06.2022 Unaudited RM'000	30.06.2023 Unaudited RM'000	30.06.2022 Unaudited RM'000
Revenue		59,453	42,216	106,270	87,707
Cost of sales		(46,529)	(33,327)	(81,303)	(65,681)
<b>Gross profit</b>		12,924	8,889	24,967	22,026
Other income		557	348	694	629
Administrative expenses		(8,024)	(7,388)	(15,270)	(14,470)
Other expenses		(194)	(30)	(778)	(181)
<b>Operating profit</b>		5,263	1,819	9,613	8,004
Finance income		110	61	274	174
Finance costs		(557)	(534)	(910)	(925)
Share of (loss)/profit in associates		(102)	111	53	15
<b>Profit before tax</b>		4,714	1,457	9,030	7,268
Tax expense	B5	(1,244)	(418)	(2,358)	(1,864)
<b>Profit for the period</b>		3,470	1,039	6,672	5,404
Other comprehensive income for the period, net of tax		-	-	-	-
<b>Total comprehensive income for the period</b>		3,470	1,039	6,672	5,404

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**Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income**  
**(continued)**

	Note	Three Months Ended		Six Months Ended	
		30.06.2023 Unaudited RM'000	30.06.2022 Unaudited RM'000	30.06.2023 Unaudited RM'000	30.06.2022 Unaudited RM'000
<b>Profit attributable to:</b>					
Owners of the Company		3,477	1,070	6,639	5,470
Non-controlling interests		(7)	(31)	33	(66)
		<u>3,470</u>	<u>1,039</u>	<u>6,672</u>	<u>5,404</u>
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		3,477	1,070	6,639	5,470
Non-controlling interests		(7)	(31)	33	(66)
		<u>3,470</u>	<u>1,039</u>	<u>6,672</u>	<u>5,404</u>
<b>Earnings per share:</b>					
Basic (sen)	B10	<u>0.54</u>	<u>0.17</u>	<u>1.03</u>	<u>0.85</u>
Diluted (sen)	B10	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

(1) The Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2022 and the accompanying explanatory notes attached to these interim financial statements.

\*N/A denotes not applicable.

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**Condensed Consolidated Statement of Financial Position**

	Note	30.06.2023 Unaudited RM'000	31.12.2022 Audited RM'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		23,429	23,329
Investment property		145	147
Intangible assets		263	322
Investment in associates		10,102	10,049
Amount due from an associate		1,286	1,271
<b>Total non-current assets</b>		<b>35,225</b>	<b>35,118</b>
<b>Current assets</b>			
Other investments		4,292	4,618
Inventories		20,638	25,596
Trade receivables		50,843	41,831
Contract assets		34,722	38,692
Other receivables		2,340	6,025
Amount due from associates		8,100	7,629
Tax recoverable		1,446	979
Fixed deposits with licensed banks		6,356	14,907
Cash and bank balances		20,156	14,214
<b>Total current assets</b>		<b>148,893</b>	<b>154,491</b>
<b>TOTAL ASSETS</b>		<b>184,118</b>	<b>189,609</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		93,516	93,516
Merger reserve		(50,080)	(50,080)
Retained earnings		92,590	85,951
		136,026	129,387
Non-controlling interests		120	87
<b>Total equity</b>		<b>136,146</b>	<b>129,474</b>

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**Condensed Consolidated Statement of Financial Position (continued)**

	Note	30.06.2023 Unaudited RM'000	31.12.2022 Audited RM'000
<b>EQUITY AND LIABILITIES (continued)</b>			
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Lease liabilities		2,408	2,439
Borrowings	B7	1,031	1,556
Deferred tax liabilities		293	293
<b>Total non-current liabilities</b>		3,732	4,288
<b>Current liabilities</b>			
Trade payables		26,899	9,153
Contract liabilities		9,985	20,296
Other payables		3,256	5,342
Lease liabilities		776	612
Borrowings	B7	1,875	19,425
Tax payable		1,449	1,019
<b>Total current liabilities</b>		44,240	55,847
<b>Total liabilities</b>		47,972	60,135
<b>TOTAL EQUITY AND LIABILITIES</b>		184,118	189,609
<b>Net assets per share attributable to owners of the Company (RM)</b>		0.21	0.20

(1) The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2022 and the accompanying explanatory notes attached to these interim financial statements.

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**Unaudited Condensed Consolidated Statement of Changes in Equity**

	< -----Non-Distributable----- >		Distributable Retained Earnings	Attributable to Owners of the Company	Non- Controlling Interests	Total Equity
	Share Capital	Merger Reserve				
<u>Period ended 30 June 2023</u>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 1 January 2023</b>	93,516	(50,080)	85,951	129,387	87	129,474
Total comprehensive income for the period	-	-	6,639	6,639	33	6,672
<b>At 30 June 2023</b>	93,516	(50,080)	92,590	136,026	120	136,146

The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2022 and the accompanying explanatory notes attached to these interim financial statements.

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**Unaudited Condensed Consolidated Statement of Changes in Equity (continued)**

	< -----Non-Distributable----- >		Distributable Retained Earnings	Attributable to Owners of the Company	Non- Controlling Interests	Total Equity
	Share Capital	Merger Reserve				
<u>Period ended 30 June 2022</u>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 1 January 2022</b>	93,516	(50,080)	75,915	119,351	98	119,449
Total comprehensive income for the period	-	-	5,470	5,470	(66)	5,404
<b>At 30 June 2022</b>	93,516	(50,080)	81,385	124,821	32	124,853

**Pekat Group Berhad (201901011563 (1320891-U))**  
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**Unaudited Condensed Consolidated Statement of Cash Flows**

	<b>Six Months Ended</b>	
	<b>30.06.2023</b>	<b>30.06.2022</b>
	<b>Unaudited</b>	<b>Unaudited</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>OPERATING ACTIVITIES</b>		
Profit before tax	9,030	7,268
Adjustments for:		
Amortisation of intangible assets	78	76
Depreciation of investment property	2	2
Depreciation of property, plant and equipment	820	509
Dividend income	(1)	(15)
Fair value gain on other investment	(73)	(116)
Gain on disposal of property, plant and equipment	(299)	(36)
Impairment loss on inventories	7	-
Interest expenses	910	925
Interest income	(274)	(174)
Reversal of provision for foreseeable losses	(154)	(8)
Share of profit in associates	(53)	(15)
Unrealised loss on foreign exchange	175	139
Written off of trade receivables	-	22
	<hr/>	<hr/>
Operating profit before working capital changes	10,168	8,577
Changes in working capital:		
Inventories	4,951	4,737
Receivables	(5,327)	(6,220)
Payables	15,485	(28,988)
Related party	-	(20)
Contract assets or liabilities	(6,187)	(8,853)
Associates	(472)	(2,424)
	<hr/>	<hr/>
Cash generated from/(used in) operations	18,618	(33,191)
Interest received	229	163
Tax paid	(2,395)	(1,251)
	<hr/>	<hr/>
<b>Net cash from/(used in) operating activities</b>	<b>16,452</b>	<b>(34,279)</b>

**Pekat Group Berhad (201901011563 (1320891-U))  
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**Unaudited Condensed Consolidated Statement of Cash Flows (continued)**

	<b>Six Months Ended</b>	
	<b>30.06.2023</b>	<b>30.06.2022</b>
	<b>Unaudited</b>	<b>Unaudited</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>INVESTING ACTIVITIES</b>		
Acquisition of intangible assets	(19)	(49)
Acquisition of property, plant & equipment	(708)	(1,342)
Dividend received	1	15
Interest received	31	11
Proceeds from disposal of other investment	399	13,286
Proceeds from disposal of property, plant and equipment	87	36
<b>Net cash (used in)/from investing activities</b>	<b>(209)</b>	<b>11,957</b>
<b>FINANCING ACTIVITIES</b>		
Withdrawal/(Placement) of fixed deposits pledged with licensed banks	8,551	(761)
Interest paid	(910)	(925)
Net (repayment)/drawdown of bankers' acceptances	(17,635)	4,843
Net repayment of term loan	(440)	(423)
Net drawdown of lease liabilities	133	358
<b>Net cash (used in)/from financing activities</b>	<b>(10,301)</b>	<b>3,092</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>5,942</b>	<b>(19,230)</b>
<b>Cash and cash equivalents at beginning of financial period</b>	<b>14,214</b>	<b>28,199</b>
<b>Cash and cash equivalents at end of financial period</b>	<b>20,156</b>	<b>8,969</b>



**Pekat Group Berhad (201901011563 (1320891-U))  
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**Unaudited Condensed Consolidated Statement of Cash Flows (continued)**

	<b>Six Months Ended</b>	
	<b>30.06.2023</b>	<b>30.06.2022</b>
	<b>Unaudited</b>	<b>Unaudited</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash and cash equivalents included in the statement of cash flows comprise the followings:</b>		
Cash and bank balances	20,156	8,969
Fixed deposits with licensed banks	6,356	15,465
	26,512	24,434
Less: Fixed deposits with licensed banks pledged as security for bank facilities	(6,356)	(15,465)
	20,156	8,969

- (1) The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2022 and the accompanying explanatory notes attached to these interim financial statements.

## **A. EXPLANATORY NOTES PURSUANT TO MFRS 134 INTERIM FINANCIAL REPORTING**

### **A1. Basis of Preparation**

The interim financial report of Pekat Group Berhad (“Pekat” or “the Company”) and its subsidiaries (collectively known as “the Group”) have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”) 134: *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board (“MASB”) and Paragraph 9.22 of ACE Market Listing Requirements of Bursa Malaysia Securities Berhad. This interim financial report also complied with IAS 34: *Interim Financial Reporting* issued by the International Accounting Standard Board (“IASB”).

This interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2022 and the accompanying explanatory notes are an integral part of this interim financial report.

### **A2. Significant Accounting Policies**

Significant accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those as disclosed in the audited financial statements for the financial year ended 31 December 2022 of the Group.

At the date of authorisation of this interim financial report, the Group has not applied in advance the following accounting standards and interpretations that have been issued by the MASB but not yet effective:-

#### Effective for annual periods commencing on or after 1 January 2023

- MFRS 17 and amendments to MFRS 17: *Insurance Contracts*
- Amendments to MFRS 17: *Initial Application of MFRS 17 and MFRS 9: Comparative Information*
- Amendments to MFRS 101: *Presentation of Financial Statements: Classification of Liabilities as Current or Non-current*
- Amendments to MFRS 101: *Presentation of Financial Statements: Disclosure of Accounting Policies*
- Amendments to MFRS 108: *Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates*
- Amendments to MFRS 112: *Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

#### Effective for annual periods commencing on or after 1 January 2024

- Amendments to MFRS 16: *Lease: Lease Liability in a Sale and Leaseback*
- Amendments to MFRS 101: *Presentation of Financial Statements: Non-current Liabilities with Covenants*

#### Deferred (date to be determined by MASB)

- Amendments to MFRS 10 and MFRS 128: *Consolidated Financial Statements and Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group intends to adopt these new standards, amendments to the published standards and interpretations, if applicable, when they become effective. The initial application of the MFRSs and amendments to the published standards and interpretations is not expected to have any material impact on the financial statements of the Group and of the Company.

**A. EXPLANATORY NOTES PURSUANT TO MFRS 134 INTERIM FINANCIAL REPORTING (CONTINUED)**

**A3. Auditors' Report on Preceding Annual Financial Statements**

There was no qualification to the audited financial statements of the Company and its subsidiaries for the financial year ended 31 December 2022.

**A4. Seasonal or Cyclical Factors**

Save for certain business activities that were affected by international copper price and solar photovoltaic module price, the Group does not experience any material seasonality.

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

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

**A6. Changes in Estimates**

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

**A7. Debt and Equity Securities**

There were no significant issuance and repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares during the current financial period under review.

**A8. Dividend Paid**

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

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**A. EXPLANATORY NOTES PURSUANT TO MFRS 134 INTERIM FINANCIAL REPORTING (CONTINUED)**

**A9. Segmental Reporting**

Segmental information in respect of the Group's business activities is as follow:-

<b>Period Ended 30 June 2023</b>	<b>Solar Photovoltaics RM'000</b>	<b>Earthing and Lightning Protection RM'000</b>	<b>Trading RM'000</b>	<b>Adjustments/eliminations RM'000</b>	<b>Total RM'000</b>
<b>Revenue</b>					
Sales to external customers	72,541	16,272	17,457	-	106,270
Inter-segment sales	3,157	37	10,448	(13,642)	-
	<u>75,698</u>	<u>16,309</u>	<u>27,905</u>	<u>(13,642)</u>	<u>106,270</u>

	<b>RM'000</b>
<b>Results</b>	
Segment profit	9,613
Finance income	274
Finance costs	(910)
Share of profit in associates	53
Tax expense	<u>(2,358)</u>
Profit after tax	<u>6,672</u>

<b>Period Ended 30 June 2022</b>	<b>Solar Photovoltaics RM'000</b>	<b>Earthing and Lightning Protection RM'000</b>	<b>Trading RM'000</b>	<b>Adjustments/eliminations RM'000</b>	<b>Total RM'000</b>
<b>Revenue</b>					
Sales to external customers	51,386	17,592	18,729	-	87,707
Inter-segment sales	426	63	14,306	(14,795)	-
	<u>51,812</u>	<u>17,655</u>	<u>33,035</u>	<u>(14,795)</u>	<u>87,707</u>

	<b>RM'000</b>
<b>Results</b>	
Segment profit	8,004
Finance income	174
Finance costs	(925)
Share of profit in associates	15
Tax expense	<u>(1,864)</u>
Profit after tax	<u>5,404</u>



**A. EXPLANATORY NOTES PURSUANT TO MFRS 134 INTERIM FINANCIAL REPORTING (CONTINUED)**

**A10. Material Events Subsequent to the End of Current Financial Period**

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

**A11. Changes in the Composition of the Group**

On 30 March 2023, the Group had incorporated a new wholly-owned subsidiary, namely Pekat Engineering Services Sdn. Bhd.. The intended principal activity of the company is to provide general engineering services.

Save as disclosed above, there were no changes in the composition of the Group for the current financial period under review.

**A12. Changes in Contingent Liabilities and Contingent Assets**

There were no contingent assets at the date of this interim financial report. Contingent liabilities of the Group were as follows:-

<u>Group</u>	<b>30.06.2023</b> <b>RM'000</b>	<b>31.12.2022</b> <b>RM'000</b>
Corporate guarantee given to licensed banks for credit facilities granted to subsidiaries	24,177	19,805
Bank guarantee for tender bond, performance bond and warranty bond provided to third parties	<u>11,639</u>	<u>12,585</u>
	<u>35,816</u>	<u>32,390</u>

**A13. Capital Commitments**

There were no capital commitments that are contracted but not provided for as at the date of this interim financial report.



**A. EXPLANATORY NOTES PURSUANT TO MFRS 134 INTERIM FINANCIAL REPORTING (CONTINUED)**

**A14. Significant Related Party Transactions**

The Group has the following significant transactions with the related parties during the financial period under review:-

	<b>30.06.2023</b>	<b>30.06.2022</b>
<b>Nature of transactions/Related parties</b>	<b>RM'000</b>	<b>RM'000</b>
<u>Design, supply and installation of solar photovoltaic systems to:</u>		
- Finesse Moulding (M) Sdn. Bhd.	-	1,920
- Halex Management Sdn. Bhd.	45	-
- Hextar Asset Management Sdn. Bhd.	45	-
- Hextar Chemicals Sdn. Bhd.	15	-
- Rubberex Alliance Sdn. Bhd.	363	2,672
<u>Provision of operation and maintenance services of solar photovoltaic systems to:</u>		
- Rubberex Alliance Sdn. Bhd.	70	-
- KIP Real Estate Investment Trust	19	-
<u>Rental expenses of office buildings charged by:</u>		
- Startige Corporation Sdn. Bhd.	486	486

Finesse Moulding (M) Sdn. Bhd., Halex Management Sdn. Bhd., Hextar Asset Management Sdn. Bhd., Hextar Chemicals Sdn. Bhd., Rubberex Alliance Sdn. Bhd. and KIP Real Estate Investment Trust are related parties in which a substantial shareholder of the Company has interest in. Effective 14 July 2023, the shareholder had ceased to be a substantial shareholder of the Company.

Startige Corporation Sdn. Bhd. is a related party in which certain Directors of the Company are also Directors of the related party.

The Directors are of the opinion that all the above transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

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**B. ADDITIONAL INFORMATION REQUIRED BY ACE MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

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

	Three Months Ended		Variance	
	30.06.2023	30.06.2022	RM'000	%
	RM'000	RM'000		
Revenue				
- Solar photovoltaics	42,798	24,474	18,324	74.9%
- Earthing and lightning protection	7,855	9,425	(1,570)	(16.7%)
- Trading	8,800	8,317	483	5.8%
Total revenue	<u>59,453</u>	<u>42,216</u>	17,237	40.8%
Profit after tax	<u>3,470</u>	<u>1,039</u>	2,431	234.0%

**Comparison with Preceding Year Corresponding Quarter ("Q2 FY23" vs "Q2 FY22")**

The Group recorded revenue of RM59.45 million in Q2 FY23, of which RM42.80 million was contributed by the solar division, RM7.85 million was from the earthing and lightning protection ("ELP") division and RM8.80 million was from the trading division.

The increase in revenue of RM17.24 million or 40.8% over Q2 FY22 was mainly due to higher revenue recorded in the solar division, from RM24.47 million in Q2 FY22 to RM42.80 million in Q2 FY23, representing an increase of RM18.32 million or 74.9% due to execution of the large-scale solar project at Batang Padang, Perak which contributed to majority of the division's revenue during the quarter.

Corresponding with the increase in revenue, the Group recorded a higher profit after tax of RM3.47 million in Q2 FY23 compared to RM1.04 million in Q2 FY22, representing an increase of RM2.43 million or 234.0% over Q2 FY22.

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**B. ADDITIONAL INFORMATION REQUIRED BY ACE MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONTINUED)**

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

	<b>Six Months Ended</b>		<b>Variance</b>	
	<b>30.06.2023</b>	<b>30.06.2022</b>	<b>RM'000</b>	<b>%</b>
	<b>RM'000</b>	<b>RM'000</b>		
Revenue				
- Solar photovoltaics	72,541	51,386	21,155	41.2%
- Earthing and lightning protection	16,272	17,592	(1,320)	(7.5%)
- Trading	17,457	18,729	(1,272)	(6.8%)
Total revenue	<u>106,270</u>	<u>87,707</u>	18,563	21.2%
Profit after tax	<u>6,672</u>	<u>5,404</u>	1,268	23.5%

**Comparison with Preceding Year Corresponding Period ("2Q FY23" vs "2Q FY22")**

The Group recorded revenue of RM106.27 million for 2Q FY23, of which RM72.54 million was contributed by solar division, RM16.27 million and RM17.46 million were contributed by ELP division and trading division respectively.

2Q FY23's revenue was higher by RM18.56 million or 21.2% compared to 2Q FY22 due to higher project revenue recorded in solar division, contributed by the execution of the large-scale solar project at Batang Padang, Perak. The ELP division and trading division, on the other hand, recorded slightly lower revenue due to lesser ELP projects executed and lower trading sales order fulfilled.

In line with the increase in the Group's revenue, the Group recorded an increase in profit after tax of RM1.27 million or 23.5% over 2Q FY22 from RM5.40 million to RM6.67 million.





**B. ADDITIONAL INFORMATION REQUIRED BY ACE MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONTINUED)**

**B2. Comparison with Immediately Preceding Quarter Results**

	Quarter Ended		Variance	
	30.06.2023 RM'000	31.03.2023 RM'000	RM'000	%
Revenue				
- Solar photovoltaics	42,798	29,743	13,055	43.9%
- Earthing and lightning protection	7,855	8,417	(562)	(6.7%)
- Trading	8,800	8,657	143	1.7%
Total revenue	<u>59,453</u>	<u>46,817</u>	12,636	27.0%
Profit after tax	<u>3,470</u>	<u>3,202</u>	268	8.4%

The Group's revenue increased by RM12.64 million or 27.0% from RM46.82 million in the immediately preceding quarter ("Q1 FY23") to RM59.45 million in Q2 FY23 due to higher revenue from the solar division contributed by project execution of the large-scale solar project at Batang Padang, Perak.

The increase in profit after tax of RM0.27 million or 8.4% is lower than the 27.0% growth in revenue as the profit margin of the large-scale solar project which contributed to the most of the revenue in Q2 FY23 is lower than the profit margin of commercial and industrial projects which were the main revenue contributors in Q1 FY23, resulting in a lower gross profit margin and the marginal increase in profit after tax as a result.

**B3. Commentary on Prospects**

The Malaysian government is committed to achieving net-zero carbon emissions by 2050. This objective is enshrined in the 12th Malaysia Plan with ambitious goals to reduce greenhouse gas emissions by 45% by 2030, in alignment with the targets stipulated in the 2015 Paris Agreement. Guided by the Malaysia Renewable Energy Roadmap, the nation aims to achieve renewable energy ("RE") comprising 31% and 40% of the national energy capacity by 2025 and 2035, respectively. Bolstered by the Malaysian government's unwavering commitment to sustainability and its ambitious carbon reduction targets, the solar industry would see robust growth. Notably, progressive policies, attractive incentives, and supportive regulatory frameworks have cultivated an environment conducive to substantial investment in solar energy projects across various scales.

**B. ADDITIONAL INFORMATION REQUIRED BY ACE MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONTINUED)**

**B3. Commentary on Prospects (continued)**

The Malaysian government has announced several revisions to the Corporate Green Power Programme ("CGPP"), including extending the application period to 31 December 2023. In addition, an additional 630MW quota capacity is allocated, comprising 180MW for small hydro, biogas and biomass project, 200MW for CGPP, 200MW for Net Energy Metering ("NEM") programme and 50MW for the NEM Rakyat programme. Coupled with the tariff hike as seen in the increased Imbalance Cost Pass-Through ("ICPT") mechanism surcharge of 17 sen/kWh from the previous 3.7 sen/kWh which will affect medium voltage and high voltage commercial and industrial ("C&I") users, the Group expects to see a higher adoption of solar energy by more C&I users.

On 9 May 2023, the Ministry of Natural Resources, Environment and Climate Change ("NRECC") introduced the Strategic Development & Cross-Border Trade Policy for Renewable Energy. This policy aims to facilitate the expansion of RE development and lift the existing ban on the export of RE. With the development, the RE capacity within the nation's electricity supply system is anticipated to reach approximately 70% by 2050. Moreover, surplus RE generation can be exported to neighbouring countries, fostering regional cooperation in pursuing sustainable energy solutions. The RE export market would stimulate the local RE generation capacity installation, presenting favourable opportunities for domestic players in the RE industry, such as Pekat.

Similarly, the Group's ELP division is poised to capitalise on additional opportunities as the Energy Commission of Malaysia has implemented more stringent safety standards for lightning protection systems. This new development necessitates the installation of ELP systems in newly constructed buildings and mandates existing buildings to evaluate their compliance with safety standards and make necessary improvements if required. These measures present a promising avenue for the Group to expand its business and contribute to ensuring enhanced safety measures across various buildings in Malaysia.

While the Board of Directors anticipates challenging market conditions to persist, the Group is well-positioned to improve its operational efficiency and grow its order book. Barring any unforeseen circumstances, the Board of Directors is cautiously optimistic that the Group's performance will remain satisfactory for the financial year ending 31 December 2023.

**B. ADDITIONAL INFORMATION REQUIRED BY ACE MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONTINUED)**

**B4. Profit Forecast**

No profit forecast has been issued by the Group previously in any public document.

**B5. Tax Expense**

	Three Months Ended		Six Months Ended	
	30.06.2023	30.06.2022	30.06.2023	30.06.2022
	RM'000	RM'000	RM'000	RM'000
Current tax	1,244	418	2,358	1,864
Deferred tax	-	-	-	-
Total tax expense	<u>1,244</u>	<u>418</u>	<u>2,358</u>	<u>1,864</u>
Effective tax rate (%)	26.4	28.7	26.1	25.6

**Notes:-**

- (1) The effective tax rate of the Group for the current quarter/period under review was at 26.4% and 26.1% respectively, which were higher than the statutory tax rate of 24% mainly due to certain non-tax deductible expenses.

**B6. Status of Corporate Proposals**

There were no corporate proposals announced but not completed as at the date of this interim financial report.



**B. ADDITIONAL INFORMATION REQUIRED BY ACE MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONTINUED)**

**B7. Borrowings**

The details of the Group's borrowings are as follow:-

	<b>30.06.2023</b> <b>RM'000</b>	<b>31.12.2022</b> <b>RM'000</b>
<b>Current liabilities</b>		
<u>Secured:-</u>		
Bankers' acceptances	873	18,508
Term loan	<u>1,002</u>	<u>917</u>
	<u>1,875</u>	<u>19,425</u>
<b>Non-current liabilities</b>		
<u>Secured:-</u>		
Term loan	<u>1,031</u>	<u>1,556</u>
Total borrowings	<u>2,906</u>	<u>20,981</u>

**B8. Material Litigation**

There is no outstanding material litigation as at the date of this interim financial report.

**B9. Dividend**

The Board of Directors has declared an interim dividend in respect of the financial year ending 31 December 2023 as follows:

- (i) A first interim dividend of 1.0 sen per ordinary share; and
- (ii) The dividend is proposed to be payable on 21 September 2023 to shareholders whose name appears in the Record of Depositors as at the close of business on 7 September 2023.

The total dividend declared for the current financial period is 1.0 sen per ordinary share. There was no dividend declared in respect of the preceding year's corresponding period.



**B. ADDITIONAL INFORMATION REQUIRED BY ACE MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONTINUED)**

**B10. Earnings Per Share**

(a) Basic earnings per share

Basic earnings per share is calculated by dividing profit for the period attributable to owners of the Company by weighted average number of ordinary shares in issue during the period:-

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>30.06.2023</b>	<b>30.06.2022</b>	<b>30.06.2023</b>	<b>30.06.2022</b>
Profit attributable to owners of the Company (RM'000)	3,477	1,070	6,639	5,470
Weighted average number of shares in issue (Unit'000)	644,968	644,968	644,968	644,968
Basic earnings per share (sen)	<u>0.54</u>	<u>0.17</u>	<u>1.03</u>	<u>0.85</u>

(b) Diluted earnings per share

Not applicable. The Group does not have any financial instrument which may dilute its earnings per share.

**B. ADDITIONAL INFORMATION REQUIRED BY ACE MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONTINUED)**

**B11. Notes to Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income**

Profit for the period was derived after taking into consideration of the following:-

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>30.06.2023</b>	<b>30.06.2022</b>	<b>30.06.2023</b>	<b>30.06.2022</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>After charging/(crediting):-</b>				
Amortisation of intangible assets	39	39	78	76
Depreciation of investment property	1	1	2	2
Depreciation of property, plant and equipment	446	267	820	509
Dividend income	(1)	(7)	(1)	(15)
Fair value gain on other investment	(35)	(61)	(73)	(116)
Gain on disposal of property, plant and equipment	(299)	(36)	(299)	(36)
Impairment loss on inventories	7	-	7	-
Interest expenses	557	534	910	925
Interest income	(110)	(61)	(274)	(174)
Reversal of provision for foreseeable losses	(151)	(3)	(154)	(8)
Share of loss/(profit) in associates	102	(111)	(53)	(15)
Unrealised loss/(gain) on foreign exchange	123	(12)	175	139
Written off of trade receivables	-	22	-	22

**B12. Authorisation for Issue**

The interim financial report was authorised for issue by the Board of Directors on 22 August 2023.