

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



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

	Note	Three Months Ended		Nine Months Ended	
		30.09.2023 Unaudited RM'000	30.09.2022 Unaudited RM'000	30.09.2023 Unaudited RM'000	30.09.2022 Unaudited RM'000
Revenue		62,898	46,489	169,168	134,196
Cost of sales		<u>(48,748)</u>	<u>(35,186)</u>	<u>(130,051)</u>	<u>(100,867)</u>
Gross profit		14,150	11,303	39,117	33,329
Other income		(10)	186	684	815
Administrative expenses		(10,288)	(7,173)	(25,558)	(21,643)
Other expenses		<u>440</u>	<u>85</u>	<u>(338)</u>	<u>(96)</u>
Operating profit		4,292	4,401	13,905	12,405
Finance income		74	90	348	264
Finance costs		(519)	(685)	(1,429)	(1,610)
Share of profit/(loss) in associates		<u>183</u>	<u>(6)</u>	<u>236</u>	<u>9</u>
Profit before tax		4,030	3,800	13,060	11,068
Tax expense	B5	<u>(465)</u>	<u>(1,577)</u>	<u>(2,823)</u>	<u>(3,441)</u>
Profit for the period		3,565	2,223	10,237	7,627
Other comprehensive income for the period, net of tax		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive income for the period		<u><u>3,565</u></u>	<u><u>2,223</u></u>	<u><u>10,237</u></u>	<u><u>7,627</u></u>

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

	Note	Three Months Ended		Nine Months Ended	
		30.09.2023 Unaudited RM'000	30.09.2022 Unaudited RM'000	30.09.2023 Unaudited RM'000	30.09.2022 Unaudited RM'000
Profit attributable to:					
Owners of the Company		3,561	2,253	10,200	7,723
Non-controlling interests		4	(30)	37	(96)
		<u>3,565</u>	<u>2,223</u>	<u>10,237</u>	<u>7,627</u>
Total comprehensive income attributable to:					
Owners of the Company		3,561	2,253	10,200	7,723
Non-controlling interests		4	(30)	37	(96)
		<u>3,565</u>	<u>2,223</u>	<u>10,237</u>	<u>7,627</u>
Earnings per share:					
Basic (sen)	B10	<u>0.55</u>	<u>0.35</u>	<u>1.58</u>	<u>1.20</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	30.09.2023 Unaudited RM'000	31.12.2022 Audited RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		23,510	23,329
Investment property		144	147
Intangible assets		223	322
Investment in associates		9,598	10,049
Amount due from an associate		1,286	1,271
Total non-current assets		<u>34,761</u>	<u>35,118</u>
Current assets			
Other investments		4,175	4,618
Inventories		21,826	25,596
Trade receivables		40,649	41,831
Contract assets		42,585	38,692
Other receivables		2,109	6,025
Amount due from associates		5,783	7,629
Tax recoverable		1,844	979
Fixed deposits with licensed banks		3,070	14,907
Cash and bank balances		20,325	14,214
Total current assets		<u>142,366</u>	<u>154,491</u>
TOTAL ASSETS		<u>177,127</u>	<u>189,609</u>
EQUITY AND LIABILITIES			
Equity			
Share capital		93,516	93,516
Merger reserve		(50,080)	(50,080)
Retained earnings		89,702	85,951
		<u>133,138</u>	<u>129,387</u>
Non-controlling interests		124	87
Total equity		<u>133,262</u>	<u>129,474</u>

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Condensed Consolidated Statement of Financial Position (continued)

	Note	30.09.2023 Unaudited RM'000	31.12.2022 Audited RM'000
EQUITY AND LIABILITIES (continued)			
Liabilities			
Non-current liabilities			
Lease liabilities		2,381	2,439
Borrowings	B7	796	1,556
Deferred tax liabilities		293	293
Total non-current liabilities		3,470	4,288
Current liabilities			
Trade payables		21,808	9,153
Contract liabilities		9,523	20,296
Other payables		6,454	5,342
Lease liabilities		813	612
Borrowings	B7	1,011	19,425
Tax payable		786	1,019
Total current liabilities		40,395	55,847
Total liabilities		43,865	60,135
TOTAL EQUITY AND LIABILITIES		177,127	189,609
Net assets per share attributable to owners of the Company (RM)		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 September 2023</u>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2023	93,516	(50,080)	85,951	129,387	87	129,474
Transactions with owners:-						
Dividend paid	-	-	(6,449)	(6,449)	-	(6,449)
Total comprehensive income for the period	-	-	10,200	10,200	37	10,237
At 30 September 2023	93,516	(50,080)	89,702	133,138	124	133,262

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 RM'000	Attributable to Owners of the Company RM'000	Non- Controlling Interests RM'000	Total Equity RM'000
	Share Capital RM'000	Merger Reserve RM'000				
<u>Period ended 30 September 2022</u>						
At 1 January 2022	93,516	(50,080)	75,915	119,351	98	119,449
Total comprehensive income for the period	-	-	7,723	7,723	(96)	7,627
At 30 September 2022	93,516	(50,080)	83,638	127,074	2	127,076

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

	Nine Months Ended	
	30.09.2023	30.09.2022
	Unaudited	Unaudited
	RM'000	RM'000
OPERATING ACTIVITIES		
Profit before tax	13,060	11,068
Adjustments for:		
Amortisation of intangible assets	107	115
Depreciation of investment property	3	3
Depreciation of property, plant and equipment	1,236	1,088
Dividend income	(1)	(18)
Fair value gain on other investment	(106)	(149)
Gain on disposal of property, plant and equipment	(301)	(26)
Gain on termination of lease contract	-	(17)
Impairment loss on inventories	11	-
Impairment loss on trade receivables	-	81
Interest expenses	1,429	1,610
Interest income	(348)	(264)
Reversal of provision for foreseeable losses	(146)	(9)
Share of profit in associates	(236)	(9)
Unrealised loss on foreign exchange	25	3
Written off of trade receivables	(13)	13
	<hr/>	<hr/>
Operating profit before working capital changes	14,720	13,489
Changes in working capital:		
Inventories	3,759	4,612
Receivables	5,111	(10,254)
Payables	13,742	(20,167)
Related party	-	(20)
Contract assets or liabilities	(14,520)	(1,183)
Associates	1,844	(3,038)
	<hr/>	<hr/>
Cash generated from/(used in) operations	24,656	(16,561)
Interest received	303	239
Tax paid	(3,921)	(3,251)
	<hr/>	<hr/>
Net cash from/(used in) operating activities	21,038	(19,573)

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Unaudited Condensed Consolidated Statement of Cash Flows (continued)

	Nine Months Ended	
	30.09.2023	30.09.2022
	Unaudited	Unaudited
	RM'000	RM'000
INVESTING ACTIVITIES		
Acquisition of intangible assets	(8)	(54)
Acquisition of property, plant & equipment	(762)	(1,269)
Dividend received	1	18
Dividend received from an associate	687	-
Interest received	32	25
Proceeds from disposal of other investment	549	17,082
Proceeds from disposal of property, plant and equipment	303	126
Net cash from investing activities	802	15,928
FINANCING ACTIVITIES		
Dividend paid to shareholders	(6,449)	-
Withdrawal of fixed deposits pledged with licensed banks	11,837	454
Interest paid	(1,429)	(1,610)
Net repayment of bankers' acceptances	(18,508)	(4,296)
Net repayment of term loan	(666)	(637)
Net repayment of lease liabilities	(514)	(489)
Net cash used in financing activities	(15,729)	(6,578)
Net increase/(decrease) in cash and cash equivalents	6,111	(10,223)
Cash and cash equivalents at beginning of financial period	14,214	28,199
Cash and cash equivalents at end of financial period	20,325	17,976

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

	Nine Months Ended	
	30.09.2023	30.09.2022
	Unaudited	Unaudited
	RM'000	RM'000
Cash and cash equivalents included in the statement of cash flows comprise the followings:		
Cash and bank balances	20,325	17,976
Fixed deposits with licensed banks	3,070	14,250
	<u>23,395</u>	<u>32,226</u>
Less: Fixed deposits with licensed banks pledged as security for bank facilities	(3,070)	(14,250)
	<u>20,325</u>	<u>17,976</u>

- (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: 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*
- Amendments to MFRS 112: *Income Taxes: International Tax Reform - Pillar Two Model Rules*

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*
- Amendments to MFRS 101: *Presentation of Financial Statements: Classification of Liabilities as Current or Non-current*
- Amendments to MFRS 107: *Statement of Cash Flows* and MFRS 7: *Financial Instruments: Disclosures - Supplier Finance Arrangements*

Effective for annual periods commencing on or after 1 January 2025

- Amendments to MFRS 121: *The Effects of Changes in Foreign Exchange Rates - Lack of Exchangeability*

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

A2. Significant Accounting Policies (continued)

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.

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

An interim dividend of 1.0 sen per ordinary share amounting to RM6.45 million for the financial year ending 31 December 2023 was paid by way of cash on 21 September 2023.

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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:-

Period Ended 30 September 2023	Solar Photovoltaics RM'000	Earthing and Lightning Protection RM'000	Trading RM'000	Adjustments/ eliminations RM'000	Total RM'000
Revenue					
Sales to external customers	117,512	24,658	26,998	-	169,168
Inter-segment sales	8,225	40	17,868	(26,133)	-
	<u>125,737</u>	<u>24,698</u>	<u>44,866</u>	<u>(26,133)</u>	<u>169,168</u>

	RM'000
Results	
Segment profit	13,905
Finance income	348
Finance costs	(1,429)
Share of profit in associates	236
Tax expense	<u>(2,823)</u>
Profit after tax	<u>10,237</u>

Period Ended 30 September 2022	Solar Photovoltaics RM'000	Earthing and Lightning Protection RM'000	Trading RM'000	Adjustments/ eliminations RM'000	Total RM'000
Revenue					
Sales to external customers	81,192	25,596	27,408	-	134,196
Inter-segment sales	1,496	381	19,645	(21,522)	-
	<u>82,688</u>	<u>25,977</u>	<u>47,053</u>	<u>(21,522)</u>	<u>134,196</u>

	RM'000
Results	
Segment profit	12,405
Finance income	264
Finance costs	(1,610)
Share of profit in associates	9
Tax expense	<u>(3,441)</u>
Profit after tax	<u>7,627</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 subsidiary is to provide general engineering services.

On 26 September 2023, the Group had incorporated a new wholly-owned subsidiary, namely Pekat Solar Tronoh Sdn. Bhd.. The intended principal activity of the subsidiary is to design, build, own, operate and maintain solar photovoltaic power plant and related activities.

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>	30.09.2023	31.12.2022
	RM'000	RM'000
Corporate guarantee given to licensed banks for credit facilities granted to subsidiaries	19,848	19,805
Bank guarantee for tender bond, performance bond and warranty bond provided to third parties	<u>15,085</u>	<u>12,585</u>
	<u><u>34,933</u></u>	<u><u>32,390</u></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:-

	30.09.2023	30.09.2022
Nature of transactions/Related parties	RM'000	RM'000
<u>Design, supply and installation of solar photovoltaic systems to:</u>		
- Finesse Moulding (M) Sdn. Bhd.	-	2,823
- Halex Management Sdn. Bhd.	45	-
- Hextar Asset Management Sdn. Bhd.	45	-
- Hextar Chemicals Sdn. Bhd.	15	604
- 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.	729	729

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	
	30.09.2023 RM'000	30.09.2022 RM'000	RM'000	%
Revenue				
- Solar photovoltaics	44,971	29,806	15,165	50.9
- Earthing and lightning protection	8,386	8,004	382	4.8
- Trading	9,541	8,679	862	9.9
Total revenue	<u>62,898</u>	<u>46,489</u>	16,409	35.3
Profit after tax	<u>3,565</u>	<u>2,223</u>	1,342	60.4

Comparison with Preceding Year Corresponding Quarter ("Q3 FY23" vs "Q3 FY22")

The Group recorded revenue of RM62.90 million in Q3 FY23, of which RM44.97 million was contributed by the solar division, RM8.39 million was from the earthing and lightning protection ("ELP") division and RM9.54 million was from the trading division.

The increase in revenue of RM16.41 million or 35.3% over Q3 FY22 was mainly contributed by higher revenue recorded in the solar division, from RM29.81 million in Q3 FY22 to RM44.97 million in Q3 FY23, representing an increase of RM15.17 million or 50.9%, mainly due to execution of more commercial and industrial rooftop solar projects.

Corresponding with the increase in revenue, the Group recorded a higher profit after tax of RM3.57 million in Q3 FY23 compared to RM2.22 million in Q3 FY22, representing an increase of RM1.34 million or 60.4% over Q3 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)

	Nine Months Ended		Variance	
	30.09.2023	30.09.2022	RM'000	%
	RM'000	RM'000	RM'000	
Revenue				
- Solar photovoltaics	117,512	81,192	36,320	44.7
- Earthing and lightning protection	24,658	25,596	(938)	(3.7)
- Trading	26,998	27,408	(410)	(1.5)
Total revenue	<u>169,168</u>	<u>134,196</u>	34,972	26.1
Profit after tax	<u>10,237</u>	<u>7,627</u>	2,610	34.2

Comparison with Preceding Year Corresponding Period ("3Q FY23" vs "3Q FY22")

The Group recorded revenue of RM169.17 million for 3Q FY23, of which RM117.51 million was contributed by the solar division, RM24.66 million and RM27.00 million contributed by the ELP division and trading division respectively.

3Q FY23's revenue was higher by RM34.97 million or 26.1% due to higher project revenue recorded in the solar division, contributed by the execution of more concurrent projects in 3Q FY23. The ELP division and trading division recorded slightly lower revenue due to slower ELP project execution and lower trading sales orders fulfilled.

In line with the increase in the Group's revenue, the Group recorded an increase in profit after tax of RM2.61 million or 34.2% over 3Q FY22.

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	
	30.09.2023 RM'000	30.06.2023 RM'000	RM'000	%
Revenue				
- Solar photovoltaics	44,971	42,798	2,173	5.1
- Earthing and lightning protection	8,386	7,855	531	6.8
- Trading	9,541	8,800	741	8.4
Total revenue	<u>62,898</u>	<u>59,453</u>	3,445	5.8
Profit after tax	<u>3,565</u>	<u>3,470</u>	95	2.7

The Group's revenue increased by RM3.45 million or 5.8% from RM59.45 million in the immediately preceding quarter ("Q2 FY23") to RM62.90 million in Q3 FY23 due to more concurrent solar PV projects executed in the current financial quarter compared to Q2 FY23. The Group's trading division also saw higher sales orders fulfilled in the current financial quarter.

In line with the increase in revenue, the Group recorded a slightly higher profit after tax for the current financial quarter at RM3.57 million, up 2.7% from RM3.47 million in Q2 FY23.

B3. Commentary on Prospects

The Malaysian government is resolute in its commitment to achieving net-zero carbon emissions by 2050. This objective is enshrined in the 12th Malaysia Plan, which sets ambitious targets 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.

The Ministry of Economy has recently launched the National Energy Transition Roadmap ("NETR"), which sets out the nation's strategy for achieving a sustainable and inclusive energy system. The NETR identifies six energy transition levers and ten flagship catalyst projects, which are estimated to represent a total investment of RM25 billion and offer opportunities beyond the transition to RE, such as smart grids, energy efficiency initiatives, and energy storage solutions. Apart from the transition to RE, these projects are expected to promote economic prospects, especially for the RE industry players.

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

B3. Commentary on Prospects (continued)

The Ministry of Natural Resources, Environment and Climate Change (“NRECC”) introduced the Strategic Development & Cross-Border Trade Policy for RE. The primary objective of this policy is to facilitate the growth of RE development and remove the current prohibition on RE exports. Consequently, it is expected the nation’s electricity supply system will achieve approximately 70% RE capacity by 2050. This advancement will allow excess RE production to be sold to neighbouring countries, promoting collaboration in sustainable energy solutions. The potential in the RE export market will encourage the installation of local RE capacity, offering advantageous prospects for domestic entities in the RE sector, such as Pekat.

The Malaysian government has also announced several revisions to the Corporate Green Power Programme (“CGPP”), including extending the application period to 31 December 2023 and raising the quota capacity to 800MW. Under the CGPP, the Group secured a solar power plant project of 29.99 MWac export capacity. Upon completion and commissioning of the solar power plant by 2025, the Group will be able to increase its recurring revenue stream in the long run from the sale of electricity to corporate consumers.

In addition, the Malaysian government recently announced the removal of subsidies on electricity bills for medium and high-voltage industrial customers, resulting in a tariff hike reflected in the increased Imbalance Cost Pass-Through (“ICPT”) mechanism surcharge from 3.7 sen/kWh to 17 sen/kWh. The Management opines that the rising energy prices will likely spur the demand for solar energy from these affected corporate customers.

Buoyed by the Malaysian government’s unwavering commitment to sustainability and its ambitious carbon reduction targets, the solar industry is poised to experience robust growth.

Similarly, the Group’s earthing and lightning protection (“ELP”) division is well-placed to benefit from additional opportunities, as the Energy Commission of Malaysia has implemented more stringent safety standards for ELP systems. This development necessitates ELP systems in newly constructed buildings and requires existing buildings to evaluate their compliance with safety standards and make necessary improvements. These measures present a promising avenue for the Group to expand its ELP business and contribute to ensuring enhanced safety measures across various buildings in Malaysia.

While the Board of Directors anticipates more competitive market conditions, 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		Nine Months Ended	
	30.09.2023	30.09.2022	30.09.2023	30.09.2022
	RM'000	RM'000	RM'000	RM'000
Current tax	465	1,577	2,823	3,441
Deferred tax	-	-	-	-
Total tax expense	<u>465</u>	<u>1,577</u>	<u>2,823</u>	<u>3,441</u>
Effective tax rate (%)	11.5	41.5	21.6	31.1

Notes:-

- (1) The effective tax rate of the Group for the current quarter/period under review was at 11.5% and 21.6% respectively, which were lower than the statutory tax rate of 24% mainly due to the recognition of overprovision of prior financial year's tax expense in the current financial quarter/period.

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:-

	30.09.2023	31.12.2022
	RM'000	RM'000
Current liabilities		
<u>Secured:-</u>		
Bankers' acceptances	-	18,508
Term loan	1,011	917
	<u>1,011</u>	<u>19,425</u>
Non-current liabilities		
<u>Secured:-</u>		
Term loan	796	1,556
Total borrowings	<u>1,807</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 was paid 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:-

	Three Months Ended		Nine Months Ended	
	30.09.2023	30.09.2022	30.09.2023	30.09.2022
Profit attributable to owners of the Company (RM'000)	3,561	2,253	10,200	7,723
Weighted average number of shares in issue (Unit'000)	644,968	644,968	644,968	644,968
Basic earnings per share (sen)	<u>0.55</u>	<u>0.35</u>	<u>1.58</u>	<u>1.20</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:-

	Three Months Ended		Nine Months Ended	
	30.09.2023	30.09.2022	30.09.2023	30.09.2022
	RM'000	RM'000	RM'000	RM'000
After charging/(crediting):-				
Amortisation of intangible assets	29	39	107	115
Depreciation of investment property	1	1	3	3
Depreciation of property, plant and equipment	416	579	1,236	1,088
Dividend income	-	(3)	(1)	(18)
Fair value gain on other investment	(33)	(33)	(106)	(149)
(Gain)/Loss on disposal of property, plant and equipment	(2)	10	(301)	(26)
Gain on termination of lease contract	-	(17)	-	(17)
Impairment loss on inventories	4	-	11	-
Impairment loss on trade receivables	-	81	-	81
Interest expenses	519	685	1,429	1,610
Interest income	(74)	(90)	(348)	(264)
Provision/(Reversal of provision) for foreseeable losses	8	(1)	(146)	(9)
Share of (profit)/loss in associates	(183)	6	(236)	(9)
Unrealised (gain)/loss on foreign exchange	(150)	(136)	25	3
Written off of trade receivables	(13)	(9)	(13)	13

B12. Authorisation for Issue

The interim financial report was authorised for issue by the Board of Directors on 17 November 2023.