

**14. ACCOUNTANTS' REPORT**

**Crowe Malaysia PLT**  
 201906000005 (LLP0018817-LCA) & AF 1018  
 Chartered Accountants  
 Level 16, Tower C, Megan Avenue 2  
 12, Jalan Yap Kwan Seng  
 50450 Kuala Lumpur  
 Malaysia  
 Main +6 03 2788 9999  
 Fax +6 03 2788 9998  
 www.crowe.my

Date: **29 JAN 2024**

The Board of Directors  
**Solar District Cooling Group Berhad**  
 (Formerly known as Solar District Cooling Group Sdn. Bhd.)  
 Wisma SDC,  
 No. 25, Jalan Kajang Perdana 3/2,  
 Taman Kajang Perdana,  
 43000 Kajang,  
 Selangor Darul Ehsan.

Dear Sirs

**REPORTING ACCOUNTANTS' OPINION ON THE FINANCIAL INFORMATION CONTAINED IN THE ACCOUNTANTS' REPORT OF SOLAR DISTRICT COOLING GROUP BERHAD ("THE COMPANY" OR "SDCG")**

**OPINION**

We have audited the financial information contained in the Accountants' Report of Solar District Cooling Group Berhad ("SDCG") and its combining entity, Solar District Cooling Sdn Bhd ("SDC") and its subsidiary (collectively known as the "Group"), which comprises the combined statements of financial position as at 31 December 2020, 31 December 2021, 31 December 2022 and 30 September 2023 and the combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the financial year ended ("FYE") 31 December 2020, 31 December 2021, 31 December 2022 and for the financial period ended ("FPE") 30 September 2023 and notes to the combined financial statements, including a summary of significant accounting policies as set out on pages 4 to 95.

The historical financial information has been prepared for inclusion in the prospectus of SDCG in connection with the initial public offering and listing of and quotation for the entire enlarged share capital of SDCG on the ACE Market of Bursa Malaysia Securities Berhad ("the Proposed Listing"). This report is required by the Prospectus Guidelines issued by the Securities Commission Malaysia (the "Prospectus Guidelines") and is given for the purpose of complying with Chapter 10.02, 10.03 of Chapter 10.04 of the Prospectus Guidelines and for no other purpose.

In our opinion, the accompanying financial information gives a true and fair view of the financial position of the Group as at 31 December 2020, 31 December 2021, 31 December 2022 and 30 September 2023, and of its financial performance and cash flows for the FYE 31 December 2020, 31 December 2021, 31 December 2022 and for the FPE 30 September 2023 in accordance with Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards.

**14. ACCOUNTANTS' REPORT (CONT'D)****BASIS FOR OPINION**

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Reporting Accountant's Responsibilities for the Audit of the Financial Information* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

*Independence and Other Ethical Responsibilities*

We are independent of the Group in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

**DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL INFORMATION**

The Directors of the Group are responsible for the preparation of the financial information of the Group that give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial information that are free from material misstatement, whether due to fraud or error.

In preparing the financial information of the Group, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

**REPORTING ACCOUNTANTS' RESPONSIBILITIES FOR THE AUDIT OF FINANCIAL INFORMATION**

Our objectives are to obtain reasonable assurance about whether the financial information of the Group as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial information.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:-

- Identify and assess the risks of material misstatement of the financial information of the Group, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

**14. ACCOUNTANTS' REPORT (CONT'D)****REPORTING ACCOUNTANTS' RESPONSIBILITIES FOR THE AUDIT OF FINANCIAL INFORMATION (CONT'D)**

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:- (Cont'd)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial information of the Group or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of this report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial information of the Group, including the disclosures, and whether the financial information of the Group represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial information of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**OTHER MATTERS**

The comparative information in respect of the combined statements of profit or loss and other comprehensive income and combined statements of cash flows and notes to the financial statements of the Group for the 9-months financial period ended 30 September 2022 has not been audited.

**RESTRICTION ON DISTRIBUTION AND USE**

This report is made solely to the Group for inclusion in the prospectus of SDCG in connection with the Proposed Listing of and quotation for the entire issued share capital of SDCG on the ACE Market of Bursa Malaysia Securities Berhad. As such, this report should not be used for any other purpose without our prior written consent. We do not assume responsibility to any other person for the content of this report.

**Crowe Malaysia PLT**  
201906000005 (LLP0018817-LCA) & AF 1018  
Chartered Accountants

Kuala Lumpur

**Ung Voon Huay**  
03233/09/2024 J  
Chartered Accountant

**14. ACCOUNTANTS' REPORT (CONT'D)****COMBINED STATEMENTS OF FINANCIAL POSITION**

	Note	Audited 31.12.2020 RM	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 30.9.2023 RM
<b>ASSETS</b>					
NON-CURRENT ASSETS					
Property, plant and equipment	5	7,846,111	7,979,094	6,616,266	5,465,072
CURRENT ASSETS					
Inventories	6	1,276,427	1,243,475	2,010,534	3,014,732
Trade receivables	7	5,497,207	7,238,674	7,488,655	9,671,179
Other receivables, deposits, and prepayments	8	190,126	831,175	319,142	1,538,676
Current tax assets		822,045	140,912	30,102	180,338
Fixed deposits with licensed banks	9	515,384	523,989	532,740	537,109
Cash and bank balances		697,256	1,620,555	1,451,140	1,229,237
		8,998,445	11,598,780	11,832,313	16,171,271
<b>TOTAL ASSETS</b>		<b>16,844,556</b>	<b>19,577,874</b>	<b>18,448,579</b>	<b>21,636,343</b>

**14. ACCOUNTANTS' REPORT (CONT'D)****COMBINED STATEMENTS OF FINANCIAL POSITION**

	Note	Audited 31.12.2020 RM	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 30.9.2023 RM
<b>EQUITY AND LIABILITIES</b>					
<b>EQUITY</b>					
Share capital	10	1,000,000	1,000,000	1,000,000	1,000,100
Retained profits		13,096,009	15,312,259	14,257,618	17,665,259
Equity attributable to owners of the Company		14,096,009	16,312,259	15,257,618	18,665,359
Non-controlling interests		83,018	91,347	-	-
<b>TOTAL EQUITY</b>		<b>14,179,027</b>	<b>16,403,606</b>	<b>15,257,618</b>	<b>18,665,359</b>
<b>NON-CURRENT LIABILITIES</b>					
Hire purchase payables	11	-	240,508	185,078	138,955
Term loans	12	906,844	817,581	619,291	481,857
Deferred tax liabilities	13	182,768	330,058	-	-
		1,089,612	1,388,147	804,369	620,812
<b>CURRENT LIABILITIES</b>					
Trade payables	14	914,487	1,189,812	1,450,811	1,479,549
Other payables and accruals	15	469,532	367,558	385,734	583,080
Hire purchase payables	11	-	54,400	58,807	61,113
Term loans	12	191,885	174,340	198,378	207,052
Bank overdrafts	16	13	11	536	298
Current tax liabilities		-	-	292,326	19,080
		1,575,917	1,786,121	2,386,592	2,350,172
<b>TOTAL LIABILITIES</b>		<b>2,665,529</b>	<b>3,174,268</b>	<b>3,190,961</b>	<b>2,970,984</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>16,844,556</b>	<b>19,577,874</b>	<b>18,448,579</b>	<b>21,636,343</b>

**14. ACCOUNTANTS' REPORT (CONT'D)****COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	Note	Audited 1.1.2020 to 31.12.2020 RM	Audited 1.1.2021 to 31.12.2021 RM	Audited 1.1.2022 to 31.12.2022 RM	Unaudited 1.1.2022 to 30.9.2022 RM	Audited 1.1.2023 to 30.9.2023 RM
REVENUE	17	14,709,259	17,593,728	18,647,539	10,747,724	16,805,572
COST OF SALES		(8,678,348)	(8,535,347)	(7,970,063)	(5,265,089)	(7,694,219)
GROSS PROFIT		6,030,911	9,058,381	10,677,476	5,482,635	9,111,353
OTHER INCOME		23,423	360,390	41,796	6,923	21,834
ADMINISTRATIVE EXPENSES		(3,105,711)	(2,816,623)	(3,623,483)	(2,702,296)	(3,786,789)
OTHER EXPENSES		(118,886)	(161,516)	(306,412)	(230,437)	(273,142)
FINANCE COSTS		(81,297)	(32,812)	(47,913)	(33,594)	(51,229)
NET IMPAIRMENT GAIN/(LOSSES) ON FINANCIAL ASSET	18	12,438	(117,225)	(282,422)	(132,560)	(393,128)
PROFIT BEFORE TAXATION	19	2,760,878	6,290,595	6,459,042	2,390,671	4,628,899
INCOME TAX EXPENSE	20	(776,685)	(2,066,016)	(1,275,030)	(486,030)	(1,221,258)
PROFIT AFTER TAXATION		1,984,193	4,224,579	5,184,012	1,904,641	3,407,641
OTHER COMPREHENSIVE INCOME		-	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		1,984,193	4,224,579	5,184,012	1,904,641	3,407,641

**14. ACCOUNTANTS' REPORT (CONT'D)****COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONT'D)**

		Audited 1.1.2020 to 31.12.2020 RM	Audited 1.1.2021 to 31.12.2021 RM	Audited 1.1.2022 to 31.12.2022 RM	Unaudited 1.1.2022 to 30.9.2022 RM	Audited 1.1.2023 to 30.9.2023 RM
	Note					
PROFIT AFTER TAXATION/ TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:-						
Owners of the Company		1,999,052	4,216,250	5,194,991	2,112,597	3,407,641
Non-controlling interests		(14,859)	8,329	(10,979)	(207,956)	-
		<u>1,984,193</u>	<u>4,224,579</u>	<u>5,184,012</u>	<u>1,904,641</u>	<u>3,407,641</u>
EARNINGS PER SHARE (SEN):						
- Basic	21	199.91	421.63	519.50	211.26	340.73
- Diluted	21	199.91	421.63	519.50	211.26	340.73

**14. ACCOUNTANTS' REPORT (CONT'D)****COMBINED STATEMENTS OF CHANGES IN EQUITY**

	Note	Share Capital RM	Retained Profits RM	Non- controlling Interests RM	Total Equity RM
<b>Audited</b>					
Balance at 1.1.2020		900,000	11,196,957	97,877	12,194,834
Profit after taxation/Total comprehensive income for the financial year		-	1,999,052	(14,859)	1,984,193
Contributions by and distributions to owners of the Company:					
- Issuance of shares		100,000	(100,000)	-	-
Balance at 31.12.2020/1.1.2021		1,000,000	13,096,009	83,018	14,179,027
Profit after taxation/Total comprehensive income for the financial year		-	4,216,250	8,329	4,224,579
Distributions to owners of the Company:					
- Dividend	22	-	(2,000,000)	-	(2,000,000)
Balance at 31.12.2021/1.1.2022		1,000,000	15,312,259	91,347	16,403,606
Profit after taxation/Total comprehensive income for the financial year		-	5,194,991	(10,979)	5,184,012
Distributions to owners of the Company:					
- Dividend	22	-	(6,300,000)	-	(6,300,000)
Acquisition of non-controlling interests	23	-	50,368	(80,368)	(30,000)
Balance at 31.12.2022/1.1.2023		1,000,000	14,257,618	-	15,257,618
Incorporation of the Company	10	100	-	-	100
Profit after taxation/Total comprehensive income for the financial period		-	3,407,641	-	3,407,641
Balance at 30.9.2023		1,000,100	17,665,259	-	18,665,359



**14. ACCOUNTANTS' REPORT (CONT'D)****COMBINED STATEMENTS OF CASH FLOWS**

	Audited 1.1.2020 to 31.12.2020 RM	Audited 1.1.2021 to 31.12.2021 RM	Audited 1.1.2022 to 31.12.2022 RM	Unaudited 1.1.2022 to 30.9.2022 RM	Audited 1.1.2023 to 30.9.2023 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Profit before taxation	2,760,878	6,290,595	6,459,042	2,390,671	4,628,899
Adjustments for:-					
Bad debt written off	5,108	-	-	-	71,654
Depreciation of property, plant and equipment	825,830	1,448,601	1,673,084	1,264,093	1,207,621
Impairment losses on trade receivables	297,044	117,225	282,422	132,560	393,128
Interest expenses	81,297	32,812	47,913	33,594	51,229
Reversal of impairment losses on trade receivables	(309,482)	-	-	-	-
Gain on disposal of property, plant and equipment	-	(30,447)	(32,000)	-	-
Unrealised loss/(gain) on foreign exchange	5,677	(926)	(160)	(289)	(166)
Interest income	(23,423)	(8,605)	(8,751)	-	-
Operating profit before working capital changes	3,642,929	7,849,255	8,421,550	3,820,629	6,352,365
Decrease/(Increase) in inventories	411,736	32,952	(767,059)	(401,380)	(1,004,198)
Decrease/(Increase) in trade and other receivables	2,514,281	(2,498,815)	(20,370)	889,976	(3,859,665)
(Decrease)/Inrease in trade and other payables	(228,268)	173,351	249,175	(417,624)	218,909
<b>CASH FROM OPERATIONS</b>	<b>6,340,678</b>	<b>5,556,743</b>	<b>7,883,296</b>	<b>3,891,601</b>	<b>1,707,411</b>
Income tax refunded	-	130,179	-	-	26,114
Income tax paid	(1,466,737)	(1,367,772)	(1,201,952)	(1,158,832)	(1,670,854)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>4,873,941</b>	<b>4,319,150</b>	<b>6,681,344</b>	<b>2,732,769</b>	<b>62,671</b>

## 14. ACCOUNTANTS' REPORT (CONT'D)

## COMBINED STATEMENTS OF CASH FLOWS (CONT'D)

		Audited 1.1.2020 to 31.12.2020 RM	Audited 1.1.2021 to 31.12.2021 RM	Audited 1.1.2022 to 31.12.2022 RM	Unaudited 1.1.2022 to 30.9.2022 RM	Audited 1.1.2023 to 30.9.2023 RM
	Note					
<b>CASH FLOWS FOR INVESTING ACTIVITIES</b>						
Interest received		8,039	-	-	-	-
Additions of fixed deposits with tenure more than 3 months		-	-	-	-	(4,369)
Advances to a related party		-	-	-	-	(7,175)
Purchase of property, plant and equipment	24(a)	(2,846,200)	(1,269,584)	(310,256)	(54,486)	(56,427)
Proceeds from disposal of property, plant and equipment		-	30,447	32,000	-	-
Withdrawal of fixed deposits with licensed banks		593,229	-	-	-	-
<b>NET CASH FOR INVESTING ACTIVITIES</b>		<u>(2,244,932)</u>	<u>(1,239,137)</u>	<u>(278,256)</u>	<u>(54,486)</u>	<u>(67,971)</u>
<b>CASH FLOWS FOR FINANCING ACTIVITIES</b>						
Advances from a related party		-	-	-	-	7,175
Proceeds from issuance of ordinary shares:						
- the Company		-	-	-	-	100
Net repayment of banker's acceptance	24(b)	(590,000)	-	-	-	-
Drawdown of term loans	24(b)	2,299,454	-	-	-	-
Repayment of term loans	24(b)	(3,275,923)	(106,808)	(174,252)	(128,782)	(128,760)
Repayment of hire purchase payables	24(b)	-	(17,092)	(51,023)	(36,370)	(43,817)
Dividend paid	22	-	(2,000,000)	(6,300,000)	(2,000,000)	-
Interest paid		(81,297)	(32,812)	(47,913)	(33,594)	(51,229)
<b>NET CASH FOR FINANCING ACTIVITIES</b>		<u>(1,647,766)</u>	<u>(2,156,712)</u>	<u>(6,573,188)</u>	<u>(2,198,746)</u>	<u>(216,531)</u>

## 14. ACCOUNTANTS' REPORT (CONT'D)

## COMBINED STATEMENTS OF CASH FLOWS (CONT'D)

	Audited 1.1.2020 to 31.12.2020 RM	Audited 1.1.2021 to 31.12.2021 RM	Audited 1.1.2022 to 31.12.2022 RM	Unaudited 1.1.2022 to 30.9.2022 RM	Audited 1.1.2023 to 30.9.2023 RM
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	981,243	923,301	(170,100)	479,537	(221,831)
EFFECTS OF FOREIGN EXCHANGE TRANSLATION	-	-	160	289	166
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR/PERIOD	(284,000)	697,243	1,620,544	1,620,544	1,450,604
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR/PERIOD	24(c) 697,243	1,620,544	1,450,604	2,100,370	1,228,939

## 14. ACCOUNTANTS' REPORT (CONT'D)

---

### 1. GENERAL INFORMATION

SDCG was incorporated and domiciled in Malaysia on 25 April 2023 with a total paid-up share capital of RM100 comprising 100 ordinary share as a private limited company with the name of Solar District Cooling Group Sdn. Bhd. and was subsequently converted to a public limited company on 25 July 2023. The Company is principally engaged in the business of investment holding.

SDCG was incorporated for the purpose of acquiring Solar District Cooling Sdn. Bhd. ("SDC") pursuant to the proposed acquisition as disclosed in Note 30 to the financial statements and to embark on the listing of and quotation for the entire issued share capital of SDCG on the Ace Market of Bursa Securities.

The registered office and principal place of business are as follows:-

Registered office	: Level 5, Tower 8, Avenue 5, Horizon 2, Bangsar South City, 59200 Kuala Lumpur.
Principal place of business	: Wisma SDC, No. 25, Jalan Kajang Perdana 3/2, Taman Kajang Perdana, 43000 Kajang, Selangor Darul Ehsan.

The information of the entities within the combined financial statements is as follows:-

- (a) SDC was incorporated in Malaysia on 22 February 2003 as a private limited liability company and is principally engaged in the business of providing provision and maintenance of building management systems, solar thermal systems, and other energy services.
- (b) Kejuruteraan Efektif Dinamik Sdn. Bhd. ("KED") was incorporated in Malaysia on 18 November 2014 as a private limited liability company and is principally engaged in the business of providing mechanical and electrical works, and project management services. It is a subsidiary of SDC.

**[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]**

**14. ACCOUNTANTS' REPORT (CONT'D)****2. LISTING SCHEME**

SDCG was incorporated in Malaysia on 25 April 2023, as a private limited liability company and is principally engaged in investment holding. The Company was subsequently converted to a public limited company on 25 July 2023 and assumed the name Solar District Cooling Group Berhad, to embark on the listing and quotation of its entire enlarged share capital on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities").

The issued share capital of SDCG was RM100 comprising of 100 ordinary shares. In conjunction with, and as an integral part of the Proposed Listing, SDCG carried out the following:-

**(a) Acquisition of SDC by SDCG**

On 11 August 2023, The Company had entered into a conditional share sale agreement to acquire the entire issued share capital of SDC of RM1,000,000 comprising 1,000,000 ordinary shares ("SDC Shares") from Edison Kong and Eileen Liuk ("SDC's Vendors", collectively) for a purchase consideration of RM15,257,618.

The said purchase consideration will be fully satisfied by the issuance of 305,152,360 new ordinary shares in the Company ("Share(s)") at an issue price of RM0.05 per Share to the SDC's Vendors, as follows:

<b>SDC's Vendors</b>	<b>No. of SDC Shares</b>	<b>Shareholding in SDC %</b>	<b>Purchase Consideration RM</b>	<b>No. of Shares to be Issued</b>
Edison Kong	900,000	90.00	13,731,856	274,637,124
Eileen Liuk	100,000	10.00	1,525,762	30,515,236
	<b>1,000,000</b>	<b>100.00</b>	<b>15,257,618</b>	<b>305,152,360</b>

The purchase consideration of RM15,257,618 was arrived at on a willing-buyer willing-seller basis and after taking into account the audited net assets of SDC as at 31 December 2022 of RM15,257,618.

The Acquisition of SDC is conditional upon, amongst others, the approval of Bursa Securities in relation to the admission of SDCG to the Official List and the listing of and quotation for its entire enlarged share capital comprising 423,822,460 Shares on the ACE Market of Bursa Securities.

**[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]**

**14. ACCOUNTANTS' REPORT (CONT'D)**

---

**2. LISTING SCHEME (CONT'D)****(b) Initial Public Offering ("IPO")**

In conjunction with and as an intergral part of the listing of and quotation for the entire issued share capital of SDCG on the ACE Market of Bursa Malaysia Securities Berhad, SDCG will implement the following:-

**(i) Public Issue**

The Public Issue of 118,670,000 new Shares ("Public Issue Shares"), representing approximately 28% of the enlarged total number of Shares of Solar District Cooling Group Berhad at an issue price of RM[•] per Share allocated in the following manner:-

- 21,192,000 Public Issue Shares will be made available for application by the Malaysian Public by way of balloting;
- 21,192,000 Public Issue Shares will be made available for application by the eligible directors, employees and persons contributed to the success of the Group; and
- 76,286,000 Public Issue Shares will be made available for application by way of private placement to selected investors.

**(ii) Proposed Listing**

The admission of the listing of and quotation for the entire enlarged issued share capital of Solar District Cooling Group Berhad of RM[•] comprising 423,822,460 Shares on the ACE Market of Bursa Malaysia Securities Berhad.

**[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]**

**14. ACCOUNTANTS' REPORT (CONT'D)**

---

**3. BASIS OF PREPARATION**

The combined entities are SDCG and SDC (collectively the "Group"). The combined financial statements of the Group have been prepared as if the Group has been operating as a single economic entity throughout the financial year ended 31 December 2020, 31 December 2021, 31 December 2022 and the financial period ended 30 September 2023, since the combining entities were under common control throughout the financial years/period under review by virtue of common controlling shareholders.

**FYE 31 DECEMBER 2020, 2021, 2022 AND FPE 30 SEPTEMBER 2023**

Entities under common control are entities which are ultimately controlled by the same parties and that control is not transitory. Control exists when the same parties have, as a result of contractual agreements, ultimate collective power to govern the financial and operating policies of each of the combining entities so as to obtain benefits from their activities, and that ultimate collective power is not transitory. The financial statements of commonly controlled entities are included in the combined financial statements from the day that control commences until the date that control ceases.

The combined financial statements of the Group for the relevant period were prepared in a manner similar to the "pooling-of-interest" method, as if the entities within the Group were operating as a single economic enterprise from the beginning of the earliest comparative period covered by the relevant period or the date of incorporation of entities within the Group. Such manner of presentation reflects the economic substance of the combining companies, which were under common control throughout the relevant period.

The identifiable assets of all commonly controlled entities are accounted for at their historical costs. The accounting policies of common controlled entities have been changed where necessary to align them with the policies adopted by the Group.

All material intra-group transactions and balances have been eliminated on combination.

The combined financial statements of the Group are prepared under the historical cost convention and modified to include other basis of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards.

**[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]**

## 14. ACCOUNTANTS' REPORT (CONT'D)

### 3. BASIS OF PREPARATION (CONT'D)

- 3.1 During the current financial year, the Group has adopted the following new accounting standards and/or interpretations (including the consequential amendments, if any):-

#### **MFRSs and/or IC Interpretations (Including The Consequential Amendments)**

Amendments to MFRS 3: Reference to the Conceptual Framework

Amendments to MFRS 116: Property, Plant and Equipment – Proceeds before Intended Use

Amendments to MFRS 137: Onerous Contracts – Cost of Fulfilling a Contract

Annual Improvements to MFRS Standards 2018 - 2020

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) did not have any material impact on the Group's combined financial statements.

- 3.2 The Group has not applied in advance the following accounting standards and/or interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial year:-

#### **MFRSs and/or IC Interpretations (Including The Consequential Amendments)**

	<b>Effective Date</b>
MFRS 17: Insurance Contracts	1 January 2023
Amendments to MFRS 17: Insurance Contracts	1 January 2023
Amendment to MFRS 17: Initial Application of MFRS 17 and MFRS 9 – Comparative Information	1 January 2023
Amendments to MFRS 101: Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108: Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to MFRS 112: International Tax Reform – Pillar Two Model Rules	1 January 2023
Amendments to MFRS 16: Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to MFRS 101: Non-current Liabilities with Covenants	1 January 2024
Amendments to MFRS 107 and MFRS 7: Supplier Finance Arrangements	1 January 2024
Amendments to MFRS 121: Lack of Exchangeability	1 January 2025
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) is expected to have no material impact on the combined financial statements of the Group upon their initial application.



## 14. ACCOUNTANTS' REPORT (CONT'D)

---

### 4. SIGNIFICANT ACCOUNTING POLICIES

#### 4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

##### *Key Sources of Estimation Uncertainty*

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as disclosed below:-

##### **(a) Depreciation of Property, Plant and Equipment**

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of property, plant and equipment as at the reporting date is disclosed in Note 5 to the combined financial statements.

##### **(b) Impairment of Property, Plant and Equipment**

The Group determines whether an item of its property, plant and equipment is impaired by evaluating the extent to which the recoverable amount of the asset is less than its carrying amount. This evaluation is subject to changes such as market performance, economic and political situation of the country. A variety of methods is used to determine the recoverable amount, such as valuation reports and discounted cash flows. For discounted cash flows, significant judgement is required in the estimation of the present value of future cash flows generated by the assets, which involve uncertainties and are significantly affected by assumptions used and judgements made regarding estimates of future cash flows and discount rates. The carrying amount of property, plant and equipment as at the reporting date is disclosed in Note 5 to the combined financial statements.

##### **(c) Write-down of Inventories**

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories. The carrying amount of inventories as at the reporting date is disclosed in Note 6 to the combined financial statements.

##### **(d) Impairment of Trade Receivables**

The Group uses the simplified approach to estimate a lifetime expected credit loss allowance for all trade receivables. The Group develops the expected loss rates based on the payment profiles of past sales and the corresponding historical credit losses, and adjusts for qualitative and quantitative reasonable and supportable forward-looking information. If the expectation is different from the estimation, such difference will impact the carrying value of trade receivables. The carrying amount of trade receivables as at the reporting date is disclosed in Note 7 to the combined financial statements.

## 14. ACCOUNTANTS' REPORT (CONT'D)

---

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

##### *Key Sources of Estimation Uncertainty (Cont'd)*

##### **(e) Impairment of Non-Trade Receivables**

The loss allowances for non-trade financial assets are based on assumptions about risk of default (probability of default) and expected loss if a default happens (loss given default). It also requires the Group to assess whether there is a significant increase in credit risk of the non-trade financial asset at the reporting date. The Group uses judgement in making these assumptions and selecting appropriate inputs to the impairment calculation, based on the past payment trends, existing market conditions and forward-looking information. The carrying amount of other receivables as at the reporting date is disclosed in Note 8 to the combined financial statements.

##### **(f) Revenue Recognition for Construction Contracts**

The Group recognises construction revenue by reference to the construction progress based on the physical proportion of contract work certified by professional consultants. Significant judgement is required in determining the progress towards complete satisfaction of the performance obligation based on the contract work certified to date corroborated by the level of completion of the construction based on actual costs incurred to date over the estimated total contract costs. The total estimated costs are based on approved budgets, which require assessment and judgement to be made on changes in, for example, work scope, changes in costs and costs to completion. In making the judgement, management relies on past experience and the work of specialists.

##### **(g) Income Taxes**

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax expense and deferred tax balances in the period in which such determination is made.

##### *Critical Judgements Made in Applying Accounting Policies*

Management believes that there are no instances of application of critical judgement in applying the Group's accounting policies which will have a significant effect on the amounts recognised in the combined financial statements other than as disclosed below:-

##### **(a) Lease Terms**

Some leases contain extension options exercisable by the Group before the end of the non-cancellable contract period. In determining the lease term, management considers all facts and circumstances including the past practice and any cost that will be incurred to change the asset if an option to extend is not taken. An extension option is only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

## 14. ACCOUNTANTS' REPORT (CONT'D)

---

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 4.2 BASIS OF COMBINATION

The combined financial statements include the financial statements of the Group made up to the end of the reporting period. Accordingly, the combined financial statements have been accounted for using principles of merger accounting.

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Intragroup transactions, balances, income and expenses are eliminated on combination. Intragroup losses may indicate an impairment that requires recognition in the combined financial statements. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

##### (a) Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

However, an acquisition that resulted in a business combination involving common control entities is outside the scope of MFRS 3 Business Combinations. For such common control combinations, the merger accounting principles are used to include the assets, liabilities, results, equity changes and cash flows of the combining entities in the audited financial statements.

In applying merger accounting, financial statements items of the combining entities of businesses for the reporting period in which common control combination occurs are included in the audited financial statements of the Group as if the combination had occurred from the date when the combining entities or businesses first come under the control of the controlling party or parties. Under merger accounting, the Group recognizes the assets, liabilities and equity of the combining entities or businesses at the carrying amount as if such audited financial statements had been prepared by the controlling party including adjustments required for conforming to the Group's accounting policies and applying those policies to all period presented. There is no recognition of any goodwill or a gain from bargain purchase at the time of the common control combination. The effect of all transactions and balances between combining entities, whether occurring before or after the combination, are eliminated in preparing the audited combined financial statements of the Group.

## 14. ACCOUNTANTS' REPORT (CONT'D)

---

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 4.2 BASIS OF COMBINATION (CONT'D)

##### (b) Merger Accounting for Common Control Business Combinations

A business combination involving entities under common control is a business combination in which all the combining entities or subsidiaries are ultimately controlled by the same party and parties both before and after the business combination and that control is not transitory.

Subsidiaries acquired which have met the criteria for pooling of interest are accounted for using merger accounting principles. Under the merger method of accounting, the results of the subsidiaries are presented as if the merger had been effected throughout the current financial year.

The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholders at the date of transfer. No amount is recognised in respect of goodwill and excess of the acquirer's interest in the new fair value of the acquiree's identifiable assets and liabilities and contingent liabilities over cost at the time of the common control business combination to the extent of the continuation of the controlling party and parties' interests.

When the merger method is used, the cost of investment in the Company's books is recorded at the nominal value of shares issued. The difference between the carrying value of the investment and the nominal value of the shares of the subsidiaries is treated as merger deficit or merger reserve as applicable. The results of the subsidiaries being merged are included for the full financial year.

##### (c) Non-controlling Interests

Non-controlling interests are presented within equity in the consolidated statement of financial position, separately from the equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

##### (d) Changes in Ownership Interests in Subsidiaries Without Change of Control

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in the equity of the Group.

## 14. ACCOUNTANTS' REPORT (CONT'D)

---

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 4.2 BASIS OF COMBINATION (CONT'D)

##### (e) Loss of Control

Upon the loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which is calculated as the difference between:-

- (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and
- (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value of the initial recognition for subsequent accounting under MFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

#### 4.3 FUNCTIONAL AND FOREIGN CURRENCIES

##### (a) Functional and Presentation Currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The combined financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency.

##### (b) Foreign Currency Transactions and Balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the exchange rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

## 14. ACCOUNTANTS' REPORT (CONT'D)

---

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 4.4 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the combined statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and their definitions in MFRS 132. Interest, dividends, gains and losses relating to a financial instrument classified as liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value (other than trade receivables without significant financing component which are measured at transaction price as defined in MFRS 15 at inception). Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the combined statements of financial position are disclosed in the individual policy statement associated with each item.

#### (a) Financial Assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value (through profit or loss, or other comprehensive income), depending on the classification of the financial assets.

##### *Debt Instruments*

#### (i) Amortised Cost

The financial asset is held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset. When the asset has subsequently become credit-impaired, the interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), excluding expected credit losses, through the expected life of the financial asset or a shorter period (where appropriate).

## 14. ACCOUNTANTS' REPORT (CONT'D)

---

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 4.4 FINANCIAL INSTRUMENTS (CONT'D)

##### (a) Financial Assets (Cont'd)

###### *Debt Instruments (Cont'd)*

##### (ii) Fair Value through Other Comprehensive Income

The financial asset is held for both collecting contractual cash flows and selling the financial asset, where the asset's cash flows represent solely payments of principal and interest. Movements in the carrying amount are taken through other comprehensive income and accumulated in the fair value reserve, except for the recognition of impairment, interest income and foreign exchange difference which are recognised directly in profit or loss. Interest income is calculated using the effective interest rate method.

##### (iii) Fair Value through Profit or Loss

All other financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. The fair value changes do not include interest or dividend income.

The Group reclassifies debt instruments when and only when its business model for managing those assets change.

###### *Equity Instruments*

All equity investments are subsequently measured at fair value with gains and losses recognised in profit or loss except where the Group has elected to present the subsequent changes in fair value in other comprehensive income and accumulated in the fair value reserve at initial recognition.

The designation at fair value through other comprehensive income is not permitted if the equity investment is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise.

Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established unless the dividends clearly represent a recovery of part of the cost of the equity investments.

## 14. ACCOUNTANTS' REPORT (CONT'D)

---

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 4.4 FINANCIAL INSTRUMENTS (CONT'D)

##### (b) Financial Liabilities

###### (i) Financial Liabilities at Fair Value through Profit or Loss

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. The changes in fair value (excluding interest expense) of these financial liabilities are recognised in profit or loss.

###### (ii) Other Financial Liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), through the expected life of the financial liability or a shorter period (where appropriate).

##### (c) Equity Instruments

Equity instruments classified as equity are measured initially at cost and are not remeasured subsequently.

###### *Ordinary Shares*

Ordinary shares are classified as equity and recorded at the proceeds received, net of directly attributable transaction costs.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

##### (d) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the carrying amount of the asset and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of a debt instrument classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity to profit or loss. In contrast, there is no subsequent reclassification of the fair value reserve to profit or loss following the derecognition of an equity investment.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.



## 14. ACCOUNTANTS' REPORT (CONT'D)

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 4.5 PROPERTY, PLANT AND EQUIPMENT

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that are directly attributable to the acquisition of the asset and other costs directly attributable to bringing the asset to working condition for its intended use.

Subsequent to initial recognition, all property, plant and equipment, other than freehold land, are stated at cost less accumulated depreciation and any impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of plant and equipment are recognised in profit or loss as incurred.

Freehold land is not depreciated. Depreciation on property, plant and equipment is charged to profit or loss (unless it is included in the carrying amount of another asset) on a straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

Office building	2%
Computers	20%
Furniture and fittings	20%
Office equipment	20%
Machineries	20%
Motor vehicles	20%
Renovation	10%
Concession assets	17% - 21%

Work-in-progress included in property, plant and equipment are not depreciated as these assets are not yet available for use.

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment. Any changes are accounted for as a change in estimate.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset, being the difference between the net disposal proceeds and the carrying amount, is recognised in profit or loss.

## 14. ACCOUNTANTS' REPORT (CONT'D)

---

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 4.6 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out method and comprises the purchase price and incidentals incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

#### 4.7 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts.

#### 4.8 IMPAIRMENT

##### (a) Impairment of Financial Assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost.

The expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group always recognises lifetime expected credit losses for trade receivables using the simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience and are adjusted for forward-looking information (including time value of money where appropriate).

For all other financial instruments, the Group recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at fair value through other comprehensive income, for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve, and does not reduce the carrying amount of the financial asset in the combined statements of financial position.

## 14. ACCOUNTANTS' REPORT (CONT'D)

---

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 4.8 IMPAIRMENT (CONT'D)

##### (b) Impairment of Non-Financial Assets

The carrying values of assets, other than those to which MFRS 136 does not apply, are reviewed at the end of each reporting period for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of an asset is the higher of the asset's fair value less costs to sell and its value in use, which is measured by reference to discounted future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss immediately.

When there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately.

#### 4.9 EMPLOYEE BENEFITS

##### (a) Short-term Benefits

Wages, salaries, paid annual leave and bonuses are measured on an undiscounted basis and are recognised in profit or loss in the period in which the associated services are rendered by employees of the Group.

##### (b) Defined Contribution Plans

The Group's contributions to defined contribution plans are recognised in profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

## 14. ACCOUNTANTS' REPORT (CONT'D)

---

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 4.10 INCOME TAXES

##### (a) Current Tax

Current tax assets and liabilities are the expected amount of income tax recoverable or payable to the taxation authorities.

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss (either in other comprehensive income or directly in equity).

##### (b) Deferred Tax

Deferred tax is recognised using the liability method for all temporary differences other than those that arise from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Current and deferred tax items are recognised in correlation to the underlying transactions either in profit or loss, other comprehensive income or directly in equity.

Current tax assets and liabilities or deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity (or on different tax entities but they intend to settle current tax assets and liabilities on a net basis) and the same taxation authority.

**14. ACCOUNTANTS' REPORT (CONT'D)**

---

**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****4.11 OPERATING SEGMENTS**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

**4.12 EARNINGS PER ORDINARY SHARE**

Basic earnings per ordinary share is calculated by dividing the combined profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the reporting period, adjusted for own shares held.

Diluted earnings per ordinary share is determined by adjusting the combined profit or loss attributable to ordinary shareholders of the Group and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

**4.13 BORROWING COSTS**

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

**[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]**

## 14. ACCOUNTANTS' REPORT (CONT'D)

---

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 4.14 FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical asset or liability that the entity can access at the measurement date;

Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

#### 4.15 REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue is recognised by reference to each distinct performance obligation in the contract with customer and is measured at the consideration specified in the contract of which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of sales and service tax, returns, rebates and discounts.

The Group recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Group transfers control of a good or service at a point in time unless one of the following over time criteria is met:-

- The customer simultaneously receives and consumes the benefits provided as the Group performs.
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- The Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

**14. ACCOUNTANTS' REPORT (CONT'D)**

---

**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****4.15 REVENUE FROM CONTRACTS WITH CUSTOMERS (CONT'D)****Construction Services**

Revenue from construction services is recognised over time in the period in which the services are rendered using the output by reference to the construction progress based on the physical proportion of construction work certified by professional consultants. Transaction price is computed based on the price specified in the contract and adjusted for any variable consideration such as incentives and penalties. Past experience is used to estimate and provide for the variable consideration, using expected value method and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

A receivable is recognised when the construction services are rendered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. If the construction services rendered exceed the payment received, a contract asset is recognised. If the payments exceed the construction services rendered, a contract liability is recognised.

**4.16 REVENUE FROM OTHER SOURCES AND OTHER OPERATING INCOME****Interest Income**

Interest income is recognised on an accrual basis using the effective interest method.

**[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]**

**14. ACCOUNTANTS' REPORT (CONT'D)**

**5. PROPERTY, PLANT AND EQUIPMENT**

<b>Audited</b>	At 1.1.2020 RM	Additions RM	Transfers RM	Depreciation Charges RM	At 31.12.2020 RM
<b>31.12.2020</b>					
<i>Carrying Amount</i>					
Freehold office building	2,724,612	-	-	-	2,724,612
Computers	43,926	3,376	-	(12,380)	34,922
Furniture and fittings	13,345	-	-	(4,385)	8,960
Office equipment	11,310	4,163	-	(6,157)	9,316
Machineries	-	1,810	-	(241)	1,569
Motor vehicles	218,157	-	-	(64,707)	153,450
Renovation	157,420	-	-	(19,066)	138,354
Concession assets	1,685,225	2,790,214	971,746	(718,894)	4,728,291
Work-in-progress	971,746	46,637	(971,746)	-	46,637
	5,825,741	2,846,200	-	(825,830)	7,846,111



**14. ACCOUNTANTS' REPORT (CONT'D)**

**5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

<b>Audited</b>	At 1.1.2021 RM	Additions RM	Transfers RM	Depreciation Charges RM	At 31.12.2021 RM
<b>31.12.2021</b>					
<i>Carrying Amount</i>					
Freehold office building	2,724,612	-	-	-	2,724,612
Computers	34,922	8,165	-	(13,340)	29,747
Furniture and fittings	8,960	-	-	(4,258)	4,702
Office equipment	9,316	3,550	-	(4,266)	8,600
Machineries	1,569	1,800	-	(662)	2,707
Motor vehicles	153,450	317,612	-	(105,324)	365,738
Renovation	138,354	-	-	(19,066)	119,288
Concession assets	4,728,291	712,216	584,878	(1,301,685)	4,723,700
Work-in-progress	46,637	538,241	(584,878)	-	-
	7,846,111	1,581,584	-	(1,448,601)	7,979,094

**14. ACCOUNTANTS' REPORT (CONT'D)****5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

<b>Audited</b>	At 1.1.2022 RM	Additions RM	Transfers RM	Depreciation Charges RM	At 31.12.2022 RM
<b>31.12.2022</b>					
<i>Carrying Amount</i>					
Freehold office building	2,724,612	-	-	(102,000)	2,622,612
Computers	29,747	31,673	-	(13,136)	48,284
Furniture and fittings	4,702	1,803	-	(3,601)	2,904
Office equipment	8,600	16,638	-	(6,231)	19,007
Machineries	2,707	4,842	-	(1,237)	6,312
Motor vehicles	365,738	230,000	-	(134,423)	461,315
Renovation	119,288	-	-	(19,067)	100,221
Concession assets	4,723,700	25,300	-	(1,393,389)	3,355,611
	<u>7,979,094</u>	<u>310,256</u>	<u>-</u>	<u>(1,673,084)</u>	<u>6,616,266</u>

**14. ACCOUNTANTS' REPORT (CONT'D)**

**5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

<b>Audited</b>	At 1.1.2023 RM	Additions RM	Disposal RM	Depreciation Charges RM	At 30.9.2023 RM
<i>30.9.2023</i>					
<i>Carrying Amount</i>					
Freehold office building	2,622,612	-	-	(12,750)	2,609,862
Computers	48,284	15,248	-	(13,510)	50,022
Furniture and fittings	2,904	-	-	(1,400)	1,504
Office equipment	19,007	-	-	(4,057)	14,950
Machineries	6,312	8,152	-	(1,977)	12,487
Motor vehicles	461,315	-	-	(116,791)	344,524
Renovation	100,221	-	-	(14,300)	85,921
Concession assets	3,355,611	-	-	(1,042,836)	2,312,775
Work-in-progress	-	33,027	-	-	33,027
	6,616,266	56,427	-	(1,207,621)	5,465,072

**14. ACCOUNTANTS' REPORT (CONT'D)****5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

<b>Audited</b>	At Cost RM	Accumulated Depreciation RM	Carrying Amount RM
<b>31.12.2020</b>			
Freehold office building	2,724,612	-	2,724,612
Computers	128,347	(93,425)	34,922
Furniture and fittings	21,932	(12,972)	8,960
Office equipment	69,355	(60,039)	9,316
Machineries	1,810	(241)	1,569
Motor vehicles	806,466	(653,016)	153,450
Renovation	190,664	(52,310)	138,354
Concession assets	5,582,576	(854,285)	4,728,291
Work-in-progress	46,637	-	46,637
	9,572,399	(1,726,288)	7,846,111
<b>31.12.2021</b>			
Freehold office building	2,724,612	-	2,724,612
Computers	71,399	(41,652)	29,747
Furniture and fittings	21,932	(17,230)	4,702
Office equipment	72,905	(64,305)	8,600
Machineries	3,610	(903)	2,707
Motor vehicles	974,278	(608,540)	365,738
Renovation	190,664	(71,376)	119,288
Concession assets	6,879,670	(2,155,970)	4,723,700
	10,939,070	(2,959,976)	7,979,094
<b>31.12.2022</b>			
Freehold office building	2,724,612	(102,000)	2,622,612
Computers	103,072	(54,788)	48,284
Furniture and fittings	23,735	(20,831)	2,904
Office equipment	89,543	(70,536)	19,007
Machineries	8,452	(2,140)	6,312
Motor vehicles	1,029,872	(568,557)	461,315
Renovation	190,664	(90,443)	100,221
Concession assets	6,904,970	(3,549,359)	3,355,611
	11,074,920	(4,458,654)	6,616,266

**14. ACCOUNTANTS' REPORT (CONT'D)****5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)****Audited****30.9.2023***Carrying Amount*

Freehold office building	2,724,612	(114,750)	2,609,862
Computers	118,320	(68,298)	50,022
Furniture and fittings	23,735	(22,231)	1,504
Office equipment	89,543	(74,593)	14,950
Machineries	16,604	(4,117)	12,487
Motor vehicles	1,029,872	(685,348)	344,524
Renovation	190,664	(104,743)	85,921
Concession assets	6,904,970	(4,592,195)	2,312,775
Work-in-progress	33,027	-	33,027
	<u>11,131,347</u>	<u>(5,666,275)</u>	<u>5,465,072</u>

- (a) The freehold office building of the Group has been pledged to licensed banks as security for banking facilities granted to the Group as disclosed in Notes 12(b) and 16(a) to the combined financial statements.
- (b) Included in the property, plant and equipment of the Group were motor vehicles with a total carrying amount of RM160,523 (31.12.2022 - RM208,165; 31.12.2021 - RM271,687; 31.12.2020 - Nil) held under hire purchase arrangements. These assets have had been pledged as security for the hire purchase payables of the Group as disclosed in Note 11 to the combined financial statements.

**14. ACCOUNTANTS' REPORT (CONT'D)****6. INVENTORIES**

	<b>Audited</b> <b>31.12.2020</b> RM	<b>Audited</b> <b>31.12.2021</b> RM	<b>Audited</b> <b>31.12.2022</b> RM	<b>Audited</b> <b>30.9.2023</b> RM
Trading goods	1,276,427	1,243,475	2,010,534	3,014,732
Recognised in profit or loss:- Inventories recognised as cost of sales	3,367,281	2,888,562	3,354,080	4,778,950

**7. TRADE RECEIVABLES**

	<b>Audited</b> <b>31.12.2020</b> RM	<b>Audited</b> <b>31.12.2021</b> RM	<b>Audited</b> <b>31.12.2022</b> RM	<b>Audited</b> <b>30.9.2023</b> RM
Trade receivables	5,919,836	7,778,528	8,310,931	10,886,583
Allowance for impairment losses	(422,629)	(539,854)	(822,276)	(1,215,404)
	5,497,207	7,238,674	7,488,655	9,671,179
Allowance for impairment losses:-				
At beginning of the financial year/period	450,087	422,629	539,854	822,276
Addition during the financial year/period	297,044	117,225	282,422	393,128
Reversal during the financial year/period	(309,482)	-	-	-
Written off during the financial year/period	(15,020)	-	-	-
At end of the financial year/period	422,629	539,854	822,276	1,215,404

**14. ACCOUNTANTS' REPORT (CONT'D)****7. TRADE RECEIVABLES (CONT'D)**

- (a) The Group's normal trade credit terms range from 1 to 60 (31.12.2022 - 1 to 60; 31.12.2021 - 1 to 60; 31.12.2020 - 1 to 60) days. Other credit terms are assessed and approved on a case-by-case basis.
- (b) Included in the trade receivables are retention sums totaling RM3,033,675 (31.12.2022 - RM2,273,766; 31.12.2021 - RM1,919,349; 31.12.2020 - RM1,580,031). These retention sums are expected to be collected within the periods of 30 to 365 (31.12.2022 - 30 to 365; 31.12.2021 - 30 to 365; 31.12.2020 - 30 to 365) days.
- (c) Included in the trade receivables was amount owing by a former related party totaling RM635,000 as at 31.12.2021 and RM285,763 as at 31.12.2020. The amount owing was subsequently settled in cash.

**8. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS**

	Audited 31.12.2020 RM	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 30.9.2023 RM
Other receivables:-				
Third parties	1,786	1,817	2,612	19,233
Advances to suppliers	70,000	619,055	71,680	-
	71,786	620,872	74,292	19,233
Deposits	118,340	196,413	243,422	342,603
Prepayments	-	13,890	1,428	1,176,840
	<u>190,126</u>	<u>831,175</u>	<u>319,142</u>	<u>1,538,676</u>

- (a) The advances to suppliers will be offset against invoices to be issued by suppliers.
- (b) Included in the other receivables is amount owing by a related party totaling RM7,175 as at 30.9.2023. The balance represents unsecured payments made on behalf. The amount owing is repayable on demand and is to be settled in cash.

## 14. ACCOUNTANTS' REPORT (CONT'D)

---

### 9. FIXED DEPOSITS WITH LICENSED BANKS

- (a) The fixed deposits with licensed banks of the Group at the end of the reporting period bore effective interest rates ranging from 2.25% to 2.55% (31.12.2022 - 2.25% to 2.55%; 31.12.2021 - 1.55% to 1.85%; 31.12.2020 - 1.55% to 1.85%;) per annum. The fixed deposits have maturity period of 365 (31.12.2022 - 365; 31.12.2021 - 365; 31.12.2020 - 365) days.
- (b) Included in the fixed deposits with licensed banks of the Group at the end of the reporting period were an amount of RM532,740 (31.12.2022 - RM532,740; 31.12.2021 - RM523,989; 31.12.2020 - RM515,384) which have been pledged to licensed banks as security for banking facilities granted to the Group as disclosed in Notes 16 and 28 to the combined financial statements.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]



## 14. ACCOUNTANTS' REPORT (CONT'D)

### 10. SHARE CAPITAL

	<b>Audited</b> <b>31.12.2020</b>	<b>Audited</b> <b>31.12.2021</b>	<b>Audited</b> <b>31.12.2022</b>	<b>Audited</b> <b>30.9.2023</b>
	<-----Number of Shares----->			
<b>Issued and Fully Paid-Up</b>				
Ordinary Shares				
At beginning of the financial year/period	900,000	1,000,000	1,000,000	1,000,000
Issuance of new shares by SDC	100,000	-	-	-
Incorporation of the Company	-	-	-	100
	1,000,000	1,000,000	1,000,000	1,000,100
<b>Companies:-</b>				
The Company	-	-	-	100
SDC	1,000,000	1,000,000	1,000,000	1,000,000
KED	-	-	-	-
	1,000,000	1,000,000	1,000,000	1,000,100
	<b>Audited</b> <b>31.12.2020</b> RM	<b>Audited</b> <b>31.12.2021</b> RM	<b>Audited</b> <b>31.12.2022</b> RM	<b>Audited</b> <b>30.9.2023</b> RM
<b>Issued and Fully Paid-Up</b>				
Ordinary Shares				
At beginning of the financial year/period	900,000	1,000,000	1,000,000	1,000,000
Issuance of new shares by SDC	100,000	-	-	-
Incorporation of the Company	-	-	-	100
	1,000,000	1,000,000	1,000,000	1,000,100

**14. ACCOUNTANTS' REPORT (CONT'D)****10. SHARE CAPITAL (CONT'D)**

- (a) The holders of ordinary shares are entitled to receive dividends as and when declared by the Company and are entitled to one vote per ordinary share at meetings of the Company. The ordinary shares have no par value.
- (b) On 25 April 2023, the Company issued a total of 100 new ordinary shares for a cash consideration of RM100.

**11. HIRE PURCHASE PAYABLES**

	Audited 31.12.2020 RM	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 30.9.2023 RM
At beginning of the financial year/period	-	-	294,908	243,885
Additions	-	312,000	-	-
Interest expense recognised in profit or loss	-	4,094	12,480	8,140
Repayment of principal	-	(17,092)	(51,023)	(43,817)
Repayment of interest expense	-	(4,094)	(12,480)	(8,140)
At end of the financial year/period	<u>-</u>	<u>294,908</u>	<u>243,885</u>	<u>200,068</u>
Analysed by:-				
Current liabilities	-	54,400	58,807	61,113
Non-current liabilities	-	240,508	185,078	138,955
	<u>-</u>	<u>294,908</u>	<u>243,885</u>	<u>200,068</u>

- (a) The hire purchase payables of the Group are secured by the Group's motor vehicles under hire purchase arrangements as disclosed in Note 5(b) to the financial statements. The hire purchase arrangements are expiring within 2 to 4 (31.12.2022 - 4 to 5; 31.12.2021 - 5 to 6; 31.12.2020 - Nil) years.
- (b) The hire purchase payables of the Group at the end of the reporting period bore effective interest rate of 4.18% (31.12.2022 - 4.18%; 31.12.2021 - 4.18%; 31.12.2020 - Nil) per annum. The interest rate is fixed at the inception of the hire purchase arrangements.

**14. ACCOUNTANTS' REPORT (CONT'D)****12. TERM LOANS**

	<b>Audited</b> <b>31.12.2020</b> RM	<b>Audited</b> <b>31.12.2021</b> RM	<b>Audited</b> <b>31.12.2022</b> RM	<b>Audited</b> <b>30.9.2023</b> RM
Current liabilities	191,885	174,340	198,378	207,052
Non-current liabilities	906,844	817,581	619,291	481,857
	<u>1,098,729</u>	<u>991,921</u>	<u>817,669</u>	<u>688,909</u>

- (a) The term loans of the Group at the end of the reporting period bore effective interest rates ranging from 3.50% to 4.55% (31.12.2022 - 3.30% to 3.50%; 31.12.2021 - 3.35% to 3.56%; 31.12.2020 - 3.60% to 4.67%) per annum.
- (b) The term loans are secured by:-
- (i) a first party open charge under National Land Code of 1965 over the Group's and the Company's freehold office building as disclosed in Note 5(a) to the financial statements.
  - (ii) a joint and several guarantee of certain directors of the Group; and
  - (iii) a guarantee from Syarikat Jaminan Pembiayaan Perniagaan Berhad ("SJPP").

**[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]**

**14. ACCOUNTANTS' REPORT (CONT'D)****13. DEFERRED TAX LIABILITIES**

	At 1.1.2020 RM	Recognised In Profit or Loss (Note 20) RM	At 31.12.2020 RM
<b>Audited</b>			
<b>31.12.2020</b>			
<i>Deferred Tax Liability</i>			
Property, plant and equipment	14,154	168,614	182,768

	At 1.1.2021 RM	Recognised In Profit or Loss (Note 20) RM	At 31.12.2021 RM
<b>Audited</b>			
<b>31.12.2021</b>			
<i>Deferred Tax Liability</i>			
Property, plant and equipment	182,768	147,290	330,058

	At 1.1.2022 RM	Recognised In Profit or Loss (Note 20) RM	At 31.12.2022 RM
<b>Audited</b>			
<b>31.12.2022</b>			
<i>Deferred Tax Liability</i>			
Property, plant and equipment	330,058	(330,058)	-

The deferred tax liabilities are attributable to the accelerated capital allowances over depreciation.

**14. ACCOUNTANTS' REPORT (CONT'D)**

---

**14. TRADE PAYABLES**

- (a) The normal trade credit terms granted to the Group range from 30 to 60 (31.12.2022 - 30 to 60; 31.12.2021 - 30 to 60; 31.12.2020 - 30 to 60) days.
- (b) Included in the trade payables are retention sums totalling RM236,464 (31.12.2022 - RM330,639; 31.12.2021 - RM446,493; 31.12.2020 - RM348,867). The retention sums are expected to be settled within the periods ranging from 30 to 365 (31.12.2022 - 30 to 365; 31.12.2021 - 30 to 365; 31.12.2020 - 30 to 365) days.
- (c) Included in the trade payables were amount owing by related parties totaling RM186,790 as at 31.12.2021 and RM108,790 as at 31.12.2020. The amounts owing were settled in cash.

**[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]**

**14. ACCOUNTANTS' REPORT (CONT'D)****15. OTHER PAYABLES AND ACCRUALS**

	<b>Audited</b> 31.12.2020 RM	<b>Audited</b> 31.12.2021 RM	<b>Audited</b> 31.12.2022 RM	<b>Audited</b> 30.9.2023 RM
Other payables	47,697	28,404	104,437	131,144
Accruals	421,835	339,154	281,297	351,936
Deposits from a customer	-	-	-	100,000
	<u>469,532</u>	<u>367,558</u>	<u>385,734</u>	<u>583,080</u>

- (a) Included in the other payables is amount owing to a related party totaling RM7,175 as at 30.9.2023. The balance represents unsecured payments made on behalf. The amount owing is repayable on demand and is to be settled in cash.

**16. BANK OVERDRAFTS**

- (a) The bank overdrafts of the Group are secured by a fixed charge over certain of the Group's property, plant and equipment and fixed deposits with licensed banks as disclosed in Notes 5(a) and 9(b) to the combined financial statements.
- (b) The bank overdrafts of the Group at the end of the reporting period bore floating interest rates ranging from 7.10% to 7.40% (31.12.2022 - 7.10% to 7.40%; 31.12.2021 - 3.60% to 6.95%; 31.12.2020 - 6.10% to 7.17%) per annum.

**14. ACCOUNTANTS' REPORT (CONT'D)****17. REVENUE**

	Audited 1.1.2020 to 31.12.2020 RM	Audited 1.1.2021 to 31.12.2021 RM	Audited 1.1.2022 to 31.12.2022 RM	Unaudited 1.1.2022 to 30.9.2022 RM	Audited 1.1.2023 to 30.9.2023 RM
<b>Revenue from Contracts with Customers</b>					
<u>Revenue recognised at a point in time</u>					
Sales of parts	511,569	322,230	265,667	222,163	140,182
<u>Revenue recognised over time</u>					
Construction contracts	11,732,697	15,174,580	15,909,287	8,726,393	14,716,758
Maintenance services	2,464,993	2,096,918	2,472,585	1,799,168	1,948,632
	14,197,690	17,271,498	18,381,872	10,525,561	16,665,390
	<u>14,709,259</u>	<u>17,593,728</u>	<u>18,647,539</u>	<u>10,747,724</u>	<u>16,805,572</u>
 <u>Represented by geographical markets:-</u>					
Malaysia	14,334,378	17,408,201	18,586,195	10,747,724	16,662,436
Singapore	374,881	185,527	-	-	-
Brunei	-	-	61,344	-	143,136
	<u>14,709,259</u>	<u>17,593,728</u>	<u>18,647,539</u>	<u>10,747,724</u>	<u>16,805,572</u>

**14. ACCOUNTANTS' REPORT (CONT'D)****18. NET IMPAIRMENT (GAIN)/LOSSES ON FINANCIAL ASSET**

	Audited 1.1.2020 to 31.12.2020 RM	Audited 1.1.2021 to 31.12.2021 RM	Audited 1.1.2022 to 31.12.2022 RM	Unaudited 1.1.2022 to 30.9.2022 RM	Audited 1.1.2023 to 30.9.2023 RM
Impairment losses on trade receivables (Note 7)	297,044	117,225	282,422	132,560	393,128
Reversal of impairment losses on trade receivables (Note 7)	(309,482)	-	-	-	-
	(12,438)	117,225	282,422	132,560	393,128

**19. PROFIT BEFORE TAXATION**

	Audited 1.1.2020 to 31.12.2020 RM	Audited 1.1.2021 to 31.12.2021 RM	Audited 1.1.2022 to 31.12.2022 RM	Unaudited 1.1.2022 to 30.9.2022 RM	Audited 1.1.2023 to 30.9.2023 RM
Profit before taxation is arrived after charging/(crediting):-					
Auditors' remuneration	22,000	22,000	35,000	-	27,000
Bad debts written off	5,108	-	-	-	71,654
Depreciation of property, plant and equipment	825,830	1,448,601	1,673,084	1,264,093	1,207,621
Directors' remuneration (Note 25)					
- salaries, bonuses and allowances	469,692	433,980	519,515	402,050	405,720
- defined contribution benefits	79,800	79,800	97,185	75,525	76,190
- others	1,847	1,847	1,847	1,385	1,698



**14. ACCOUNTANTS' REPORT (CONT'D)****19. PROFIT BEFORE TAXATION (CONT'D)**

	Audited 1.1.2020 to 31.12.2020 RM	Audited 1.1.2021 to 31.12.2021 RM	Audited 1.1.2022 to 31.12.2022 RM	Unaudited 1.1.2022 to 30.9.2022 RM	Audited 1.1.2023 to 30.9.2023 RM
Profit before taxation is arrived after charging/(crediting):- (Cont'd)					
Interest expense on financial liabilities that are not at fair value through profit or loss:					
- banker's acceptances	11,086	-	-	-	-
- bank overdrafts	7,549	128	30	25	300
- term loans	62,662	28,590	35,403	23,754	42,789
- hire purchase payables	-	4,094	12,480	9,815	8,140
Short-term lease expenses	11,400	16,600	33,860	19,180	18,400
Loss/(Gain) on foreign exchange:					
- realised	1,163	14,599	26,717	7,855	36,703
- unrealised	5,677	(926)	(160)	(289)	(166)
Staff costs:					
- short-term employee benefits	1,325,683	1,249,829	1,666,184	1,264,129	1,868,979
- defined contribution benefits	161,829	164,526	186,463	140,973	201,838
- others	172,976	231,433	190,392	151,366	270,142
Gain on disposal of property, plant and equipment	-	(30,447)	(32,000)	-	-
Interest income on financial assets that are not at fair value through profit or loss:					
- deposits from licensed banks	(23,423)	(8,605)	(8,751)	-	-

**14. ACCOUNTANTS' REPORT (CONT'D)****20. INCOME TAX EXPENSE**

	<b>Audited 1.1.2020 to 31.12.2020 RM</b>	<b>Audited 1.1.2021 to 31.12.2021 RM</b>	<b>Audited 1.1.2022 to 31.12.2022 RM</b>	<b>Unaudited 1.1.2022 to 30.9.2022 RM</b>	<b>Audited 1.1.2023 to 30.9.2023 RM</b>
Current tax expense	575,500	1,500,000	1,687,000	898,000	1,216,629
Under/(Over)provision in the previous financial year	32,571	418,726	(81,912)	(81,912)	4,629
	<u>608,071</u>	<u>1,918,726</u>	<u>1,605,088</u>	<u>816,088</u>	<u>1,221,258</u>
Deferred tax (Note 13):					
- origination and reversal of temporary differences	136,694	(13,832)	(33,255)	(33,255)	-
- under/(over)provision in the previous financial year	31,920	161,122	(296,803)	(296,803)	-
	<u>168,614</u>	<u>147,290</u>	<u>(330,058)</u>	<u>(330,058)</u>	<u>-</u>
	<u>776,685</u>	<u>2,066,016</u>	<u>1,275,030</u>	<u>486,030</u>	<u>1,221,258</u>

**14. ACCOUNTANTS' REPORT (CONT'D)****20. INCOME TAX EXPENSE (CONT'D)**

A reconciliation of income tax expense applicable to the profit before taxation at the statutory tax rate to income tax expense at the effective tax rate of the Group is as follows:-

	<b>Audited</b> <b>1.1.2020</b> <b>to</b> <b>31.12.2020</b> RM	<b>Audited</b> <b>1.1.2021</b> <b>to</b> <b>31.12.2021</b> RM	<b>Audited</b> <b>1.1.2022</b> <b>to</b> <b>31.12.2022</b> RM	<b>Unaudited</b> <b>1.1.2022</b> <b>to</b> <b>30.9.2022</b> RM	<b>Audited</b> <b>1.1.2023</b> <b>to</b> <b>30.9.2023</b> RM
Profit before taxation	2,760,878	6,290,595	6,459,042	2,390,671	4,628,899
Tax at the statutory tax rate of 24%	662,611	1,509,743	1,550,170	573,761	1,110,936
Tax effects of:-					
Non-deductible expenses	74,676	25,100	29,989	35,577	38,549
Differential in tax rates	(42,000)	(42,000)	(42,000)	(42,000)	(44,650)
Deferred tax assets not recognised during the financial year	16,907	-	115,586	297,407	118,379
Utilisation of deferred tax assets not recognised in the previous year	-	(6,675)	-	-	(6,585)
Under/(Over)provision in the previous financial year:					
- current tax	32,571	418,726	(81,912)	(81,912)	4,629
- deferred tax	31,920	161,122	(296,803)	(296,803)	-
	<u>776,685</u>	<u>2,066,016</u>	<u>1,275,030</u>	<u>486,030</u>	<u>1,221,258</u>

The corporate tax rate of the Company on the first RM150,000 (30.9.2022 - RM600,000; 31.12.2022 - RM600,000; 31.12.2021 - RM600,000; 31.12.2020 - RM600,000) of chargeable income is 15% (30.9.2022 - 17%; 31.12.2022 - 17%; 31.12.2021 - 17%; 31.12.2020 - 17%) and RM150,001 to RM600,000 (30.9.2022 - n/a; 31.12.2022 - n/a; 31.12.2021 - n/a; 31.12.2020 - n/a) of chargeable income is 17% (30.9.2022 - n/a; 31.12.2022 - n/a; 31.12.2021 - n/a; 31.12.2020 - n/a). The tax rate applicable to the balance of the chargeable income is 24% (30.9.2022 - 24%; 31.12.2022 - 24%; 31.12.2021 - 24%; 31.12.2020 - 17%).

**14. ACCOUNTANTS' REPORT (CONT'D)****20. INCOME TAX EXPENSE (CONT'D)**

Deferred tax assets/(liabilities) was not recognised in respect of the following items:-

	<b>Audited</b> <b>31.12.2020</b> RM	<b>Audited</b> <b>31.12.2021</b> RM	<b>Audited</b> <b>31.12.2022</b> RM	<b>Unaudited</b> <b>30.9.2022</b> RM	<b>Audited</b> <b>30.9.2023</b> RM
Accelerated capital allowances	(251)	(531,210)	(369,289)	100,684	199,761
Unabsorbed capital allowances	289	-	36	26,229	-
Unused tax losses	112,362	84,780	121,243	-	-
Unrealised exchange gains	-	(926)	(160)	-	(166)
Provision	7,910	539,854	822,276	822,276	1,215,404
	<u>120,310</u>	<u>92,498</u>	<u>574,106</u>	<u>949,189</u>	<u>1,414,999</u>

**21. EARNINGS PER SHARE**

	<b>Audited</b> <b>31.12.2020</b> RM	<b>Audited</b> <b>31.12.2021</b> RM	<b>Audited</b> <b>31.12.2022</b> RM	<b>Unaudited</b> <b>30.9.2022</b> RM	<b>Audited</b> <b>30.9.2023</b> RM
Profit after taxation attributable to owners of the Company	<u>1,999,052</u>	<u>4,216,250</u>	<u>5,194,991</u>	<u>2,112,597</u>	<u>3,407,641</u>
Weighted average number of ordinary shares in issue:-					
Ordinary shares at 1 January	900,000	1,000,000	1,000,000	1,000,000	1,000,000
Effect of new ordinary shares issued	100,000	-	-	-	100
At 31 December/30 September	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,100</u>
Basic earning per share (sen)	<u>199.91</u>	<u>421.63</u>	<u>519.50</u>	<u>211.26</u>	<u>340.73</u>

The Group has not issued any dilutive potential ordinary shares and hence, the diluted earnings per share is equal to the basic earnings per share.

**14. ACCOUNTANTS' REPORT (CONT'D)****22. DIVIDENDS**

	Audited 31.12.2020 RM	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Unaudited 30.9.2022 RM	Audited 30.9.2023 RM
<b>Ordinary Shares</b>					
Final dividend of RM2.00 per ordinary share in respect of the previous financial year	-	-	2,000,000	2,000,000	-
Interim dividend of RM2.00 per ordinary share in respect of the current financial year	-	2,000,000	2,000,000	-	-
Second interim dividend of RM2.30 per ordinary share in respect of the current financial year	-	-	2,300,000	-	-
	<u>-</u>	<u>2,000,000</u>	<u>6,300,000</u>	<u>2,000,000</u>	<u>-</u>

**23. ACQUISITION OF NON-CONTROLLING INTERESTS**

On 30 December 2022, SDC acquired an additional 30% equity interests in KED for RM30,000 in cash thus increasing its ownership from 70% to 100%. The carrying amount of KED's net assets in the Group's financial statements on that date was RM267,892. The Group recognised a decrease in non-controlling interest of RM80,368, and an increase in retained profits of RM50,368.

**14. ACCOUNTANTS' REPORT (CONT'D)****24. CASH FLOW INFORMATION**

(a) The cash disbursed for the purchase of property, plant and equipment is as follows:-

	<b>Audited 1.1.2020 to 31.12.2020 RM</b>	<b>Audited 1.1.2021 to 31.12.2021 RM</b>	<b>Audited 1.1.2022 to 31.12.2022 RM</b>	<b>Unaudited 1.1.2022 to 30.9.2022 RM</b>	<b>Audited 1.1.2023 to 30.9.2023 RM</b>
Cost of Property, plant and equipment purchased (Note 5)	2,846,200	1,581,584	310,256	54,486	56,427
Less: Acquired through hire purchase arrangement (Note 24(b))	-	(312,000)	-	-	-
	<u>2,846,200</u>	<u>1,269,584</u>	<u>310,256</u>	<u>54,486</u>	<u>56,427</u>

**[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]**

**14. ACCOUNTANTS' REPORT (CONT'D)****24. CASH FLOW INFORMATION (CONT'D)**

(b) The reconciliations of liabilities arising from financing activities are as follows:-

<b>Audited</b>	Term Loans RM	Hire Purchase Payables RM	Banker's Acceptance RM	Total RM
<b>31.12.2020</b>				
At 1 January	2,075,198	-	590,000	2,665,198
<u>Changes in Financing Cash Flows</u>				
Proceeds from drawdown	2,299,454	-	1,400,000	3,699,454
Repayment of principal	(3,275,923)	-	(1,990,000)	(5,265,923)
Repayment of interests	(62,662)	-	(11,086)	(73,748)
	(1,039,131)	-	(601,086)	(1,640,217)
<u>Other Changes</u>				
Interest expense recognised in profit or loss	62,662	-	11,086	73,748
At 31 December	1,098,729	-	-	1,098,729
<b>31.12.2021</b>				
At 1 January	1,098,729	-	-	1,098,729
<u>Changes in Financing Cash Flows</u>				
Repayment of principal	(106,808)	(17,092)	-	(123,900)
Repayment of interests	(28,590)	(4,094)	-	(32,684)
	(135,398)	(21,186)	-	(156,584)
<u>Other Changes</u>				
Addition of hire purchase payable	-	312,000	-	312,000
Interest expense recognised in profit or loss	28,590	4,094	-	32,684
	28,590	316,094	-	344,684
At 31 December	991,921	294,908	-	1,286,829

**14. ACCOUNTANTS' REPORT (CONT'D)****24. CASH FLOW INFORMATION (CONT'D)**

(b) The reconciliations of liabilities arising from financing activities are as follows:- (Cont'd)

<b>Audited</b>	Term Loans RM	Hire Purchase Payables RM	Banker's Acceptance RM	Total RM
<b>31.12.2022</b>				
At 1 January	991,921	294,908	-	1,286,829
<u>Changes in Financing Cash Flows</u>				
Repayment of principal	(174,252)	(51,023)	-	(225,275)
Repayment of interests	(35,403)	(12,480)	-	(47,883)
	(209,655)	(63,503)	-	(273,158)
<u>Other Changes</u>				
Interest expense recognised in profit or loss	35,403	12,480	-	47,883
At 31 December	817,669	243,885	-	1,061,554

<b>Unaudited</b>	Term Loans RM	Hire Purchase Payables RM	Banker's Acceptance RM	Total RM
<b>30.9.2022</b>				
At 1 January	991,921	294,908	-	1,286,829
<u>Changes in Financing Cash Flows</u>				
Repayment of principal	(128,782)	(36,370)	-	(165,152)
Repayment of interests	(23,754)	(9,815)	-	(33,569)
	(152,536)	(46,185)	-	(198,721)
<u>Other Changes</u>				
Interest expense recognised in profit or loss	23,754	9,815	-	33,569
At 30 September	863,139	258,538	-	1,121,677



**14. ACCOUNTANTS' REPORT (CONT'D)****24. CASH FLOW INFORMATION (CONT'D)**

(b) The reconciliations of liabilities arising from financing activities are as follows:- (Cont'd)

<b>Audited</b>	Term Loans RM	Hire Purchase Payables RM	Banker's Acceptance RM	Total RM
<b>30.9.2023</b>				
At 1 January	817,669	243,885	-	1,061,554
<u>Changes in Financing Cash Flows</u>				
Repayment of principal	(128,760)	(43,817)		(172,577)
Repayment of interests	(42,789)	(8,140)		(50,929)
	(171,549)	(51,957)	-	(223,506)
<u>Other Changes</u>				
Interest expense recognised in profit or loss	42,789	8,140	-	50,929
At 30 September	688,909	200,068	-	888,977

**[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]**

**14. ACCOUNTANTS' REPORT (CONT'D)****24. CASH FLOW INFORMATION (CONT'D)**

(c) The cash and cash equivalents comprise the following:-

	<b>Audited</b> <b>31.12.2020</b> RM	<b>Audited</b> <b>31.12.2021</b> RM	<b>Audited</b> <b>31.12.2022</b> RM	<b>Unaudited</b> <b>30.9.2022</b> RM	<b>Audited</b> <b>30.9.2023</b> RM
Fixed deposits with licensed banks	515,384	523,989	532,740	523,989	537,109
Cash and bank balances	697,256	1,620,555	1,451,140	2,100,372	1,229,237
Bank overdrafts	(13)	(11)	(536)	(2)	(298)
	<u>1,212,627</u>	<u>2,144,533</u>	<u>1,983,344</u>	<u>2,624,359</u>	<u>1,766,048</u>
Less: Fixed deposits pledged to licensed banks (Note 9)	(515,384)	(523,989)	(532,740)	(523,989)	(532,740)
Less: Fixed deposit with tenure of more than 3 months (Note 9)	-	-	-	-	(4,369)
	<u>697,243</u>	<u>1,620,544</u>	<u>1,450,604</u>	<u>2,100,370</u>	<u>1,228,939</u>

**14. ACCOUNTANTS' REPORT (CONT'D)****25. KEY MANAGEMENT PERSONNEL COMPENSATION**

The key management personnel of the Group includes executive directors, non-executive directors and certain members of senior management of the Group.

The key management personnel compensation during the financial year/period are as follows:-

	<b>Audited 1.1.2020 to 31.12.2020 RM</b>	<b>Audited 1.1.2021 to 31.12.2021 RM</b>	<b>Audited 1.1.2022 to 31.12.2022 RM</b>	<b>Unaudited 1.1.2022 to 30.9.2022 RM</b>	<b>Audited 1.1.2023 to 30.9.2023 RM</b>
<b>(a) Directors</b>					
Short-term employee benefits:					
- salaries, bonuses and other benefits	471,539	435,827	521,362	403,435	407,418
- defined contribution benefits	79,800	79,800	97,185	75,525	76,190
	<u>551,339</u>	<u>515,627</u>	<u>618,547</u>	<u>478,960</u>	<u>483,608</u>
<b>(b) Other Key Management Personnel</b>					
Short-term employee benefits	142,246	142,246	172,596	132,236	342,716
Defined contribution benefits	16,848	16,848	20,496	15,708	37,788
	<u>159,094</u>	<u>159,094</u>	<u>193,092</u>	<u>147,944</u>	<u>380,504</u>

**14. ACCOUNTANTS' REPORT (CONT'D)****26. RELATED PARTY DISCLOSURES**

## (a) Identities of Related Parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control.

In addition to the information detailed elsewhere in the financial statements, the Group has related party relationships with its directors, associates, key management personnel and entities within the same group of companies.

## (b) Significant Related Party Transactions and Balances

Other than those disclosed elsewhere in the financial statements, the Group also carried out the following significant transactions with the related parties during the financial year:-

	<b>Audited</b> <b>1.1.2020</b> <b>to</b> <b>31.12.2020</b> RM	<b>Audited</b> <b>1.1.2021</b> <b>to</b> <b>31.12.2021</b> RM	<b>Audited</b> <b>1.1.2022</b> <b>to</b> <b>31.12.2022</b> RM	<b>Unaudited</b> <b>1.1.2022</b> <b>to</b> <b>30.9.2022</b> RM	<b>Audited</b> <b>1.1.2023</b> <b>to</b> <b>30.9.2023</b> RM
Sales to former related parties	298,243	587,884	-	-	-
Purchases from former related parties	377,490	492,000	1,440,834	1,088,790	199,270

The significant outstanding balances of the related parties together with their terms and conditions are disclosed in the respective notes to the financial statements.

## 14. ACCOUNTANTS' REPORT (CONT'D)

---

### 27. OPERATING SEGMENTS

Operating segments are prepared in a manner consistent with the internal reporting provided to the directors as its chief operating decision maker in order to allocate resources to segments and to assess their performance. For management purposes, the Group is organised into business units based on their products provided.

The Group is organised into 2 main reportable segments as follows:-

- (i) Provision of building management system engineering works and services ("BMS")
- (ii) Provision of solar thermal systems and energy saving services engineering works and services ("SOLAR")
- (iii) Provision of maintenance of gas fired chiller services ("M")

Assets, liabilities and expenses which are common and cannot be meaningfully allocated to the reportable segments are presented under unallocated items.

Transactions between reportable segments are carried out on agreed terms between both parties. The effects of such inter-segment transactions are eliminated on combination.

**[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]**

**14. ACCOUNTANTS' REPORT (CONT'D)****27. OPERATING SEGMENTS (CONT'D)**

Audited	SOLAR	<-----BMS----->		M	Total
	Malaysia RM	Malaysia RM	Singapore RM	Malaysia RM	RM
<b>31.12.2020</b>					
<b>Revenue</b>					
External revenue	2,894,294	10,501,250	374,881	938,834	14,709,259
Inter-segment revenue	-	-	-	-	-
Total revenue	2,894,294	10,501,250	374,881	938,834	14,709,259
<b>Results</b>					
Segment results	1,707,600	3,812,149	(58,902)	570,064	6,030,911
Unallocated income	-	-	-	-	35,861
Unallocated expenses	-	-	-	-	(3,305,894)
Consolidated profit before taxation					2,760,878
Income tax expense					(776,685)
Consolidated profit after taxation					1,984,193
<b>Capital expenditure</b>					
Addition to non-current assets other than financial instruments:					
- property, plant and equipment	2,836,851	-	-	-	2,836,851
Other material item of expense consist of the following:-					
Depreciation on property, plant and equipment	718,894	-	-	-	718,894

**14. ACCOUNTANTS' REPORT (CONT'D)****27. OPERATING SEGMENTS (CONT'D)**

Audited	SOLAR	<-----BMS----->		M	Total
	Malaysia RM	Malaysia RM	Singapore RM	Malaysia RM	RM
<b>31.12.2021</b>					
<b>Revenue</b>					
External revenue	7,961,987	8,870,548	185,527	575,666	17,593,728
Inter-segment revenue	-	-	-	-	-
Total revenue	7,961,987	8,870,548	185,527	575,666	17,593,728
<b>Results</b>					
Segment results	4,650,780	4,021,899	55,527	330,175	9,058,381
Unallocated income	-	-	-	-	360,390
Unallocated expenses	-	-	-	-	(3,128,176)
Consolidated profit before taxation					6,290,595
Income tax expense					(2,066,016)
Consolidated profit after taxation					4,224,579
<b>Capital expenditure</b>					
Addition to non-current assets other than financial instruments:					
- property, plant and equipment	1,250,457	-	-	-	1,250,457
Other material item of expense consist of the following:-					
Depreciation on property, plant and equipment	1,301,685	-	-	-	1,301,685

**14. ACCOUNTANTS' REPORT (CONT'D)****27. OPERATING SEGMENTS (CONT'D)**

Audited	SOLAR	BMS	-----M-----		Total
	Malaysia RM	Malaysia RM	Malaysia RM	Brunei RM	RM
<b>31.12.2022</b>					
<b>Revenue</b>					
External revenue	5,544,854	12,658,841	382,500	61,344	18,647,539
Inter-segment revenue	-	-	-	-	-
Total revenue	5,544,854	12,658,841	382,500	61,344	18,647,539
<b>Results</b>					
Segment results	3,664,012	6,891,308	60,812	61,344	10,677,476
Unallocated income	-	-	-	-	41,796
Unallocated expenses	-	-	-	-	(4,260,230)
Consolidated profit before taxation					6,459,042
Income tax expense					(1,275,030)
Consolidated profit after taxation					5,184,012
<b>Capital expenditure</b>					
Addition to non-current assets other than financial instruments:					
- property, plant and equipment	25,300	-	-	-	25,300
Other material item of expense consist of the following:-					
Depreciation on property, plant and equipment	1,393,389	-	-	-	1,393,389



**14. ACCOUNTANTS' REPORT (CONT'D)****27. OPERATING SEGMENTS (CONT'D)**

Unaudited	SOLAR	BMS	-----M-----		Total
	Malaysia RM	Malaysia RM	Malaysia RM	Brunei RM	RM
<b>30.9.2022</b>					
<b>Revenue</b>					
External revenue	4,073,538	6,356,586	317,600	-	10,747,724
Inter-segment revenue	-	-	-	-	-
Total revenue	4,073,538	6,356,586	317,600	-	10,747,724
<b>Results</b>					
Segment results	2,691,868	2,764,438	26,329	-	5,482,635
Unallocated income	-	-	-	-	6,923
Unallocated expenses	-	-	-	-	(3,098,887)
Consolidated profit before taxation					2,390,671
Income tax expense					(486,030)
Consolidated profit after taxation					1,904,641
<b>Capital expenditure</b>					
Addition to non-current assets other than financial instruments:					
- property, plant and equipment	25,300	-	-	-	25,300
Other material item of expense consist of the following:-					
Depreciation on property, plant and equipment	1,041,511	-	-	-	1,041,511

**14. ACCOUNTANTS' REPORT (CONT'D)****27. OPERATING SEGMENTS (CONT'D)**

Audited	SOLAR	BMS	-----M-----		Total
	Malaysia RM	Malaysia RM	Malaysia RM	Brunei RM	RM
<b>30.9.2023</b>					
<b>Revenue</b>					
External revenue	4,239,656	12,214,480	208,300	143,136	16,805,572
Inter-segment revenue	-	-	-	-	-
Total revenue	4,239,656	12,214,480	208,300	143,136	16,805,572
<b>Results</b>					
Segment results	3,074,607	5,837,661	92,304	106,781	9,111,353
Unallocated income	-	-	-	-	21,834
Unallocated expenses	-	-	-	-	(4,504,288)
Consolidated profit before taxation					4,628,899
Income tax expense					(1,221,258)
Consolidated profit after taxation					3,407,641
<b>Capital expenditure</b>					
Addition to non-current assets other than financial instruments:					
- property, plant and equipment	-	-	-	-	-
Other material item of expense consist of the following:-					
Depreciation on property, plant and equipment	1,042,836	-	-	-	1,042,836

**14. ACCOUNTANTS' REPORT (CONT'D)****27. OPERATING SEGMENTS (CONT'D)**

	<b>Audited</b> 31.12.2020 RM	<b>Audited</b> 31.12.2021 RM	<b>Audited</b> 31.12.2022 RM	<b>Unaudited</b> 30.9.2022 RM	<b>Audited</b> 30.9.2023 RM
<b>Assets</b>					
Segment assets	16,022,511	19,436,962	18,418,477	18,086,016	21,456,005
Unallocated assets:-					
Current tax assets	822,045	140,912	30,102	483,656	180,338
Consolidated total assets	<u>16,844,556</u>	<u>19,577,874</u>	<u>18,448,579</u>	<u>18,569,672</u>	<u>21,636,343</u>
<b>Liabilities</b>					
Segment liabilities	(2,482,761)	(2,844,210)	(2,898,635)	(2,261,425)	(2,951,904)
Unallocated liabilities:-					
Current tax liabilities	-	-	(292,326)	-	(19,080)
Deferred tax liabilities	(182,768)	(330,058)	-	-	-
Consolidated total liabilities	<u>(2,665,529)</u>	<u>(3,174,268)</u>	<u>(3,190,961)</u>	<u>(2,261,425)</u>	<u>(2,970,984)</u>

**14. ACCOUNTANTS' REPORT (CONT'D)****27. OPERATING SEGMENTS (CONT'D)**

The following are major customers with revenue equal to or more than 10% of the Group's total revenue:-

	Audited 1.1.2020 to 31.12.2020 RM	Audited 1.1.2021 to 31.12.2021 RM	Audited 1.1.2022 to 31.12.2022 RM	Unaudited 1.1.2022 to 30.9.2022 RM	Audited 1.1.2023 to 30.9.2023 RM	Segment
Customer A	4,279,512	2,112,967	1,965,678	1,761,956	307,656	Malaysia
Customer B	1,636,770	3,394,427	3,751,391	2,813,543	2,813,543	Malaysia
Customer C	43,862	2,762,256	444,730	271,480	108,018	Malaysia
Customer D	112,889	5,650	1,624,152	-	1,366,156	Malaysia
Customer E	-	-	235,600	187,165	2,284,368	Malaysia
Customer F	-	-	-	-	3,347,649	Malaysia

**28. CONTINGENT LIABILITIES**

No provision are recognised on the following matter as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement:-

	Audited 31.12.2020 RM	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Unaudited 30.9.2022 RM	Audited 30.9.2023 RM
Bank guarantees extended to third parties	539,810	366,237	393,402	393,402	483,366

**14. ACCOUNTANTS' REPORT (CONT'D)**

---

**29. FINANCIAL INSTRUMENTS**

The Group's activities are exposed to a variety of market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

**29.1 FINANCIAL RISK MANAGEMENT POLICIES**

The Group's policies in respect of the major areas of treasury activity are as follows:-

**(a) Market Risk****(i) Foreign Currency Risk**

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than the respective functional currencies of entities within the Group. The currencies giving rise to this risk are primarily United States Dollar ("USD"), Singapore Dollar ("SGD") and China Renminbi ("RMB"). Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

**[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]**

**14. ACCOUNTANTS' REPORT (CONT'D)****29. FINANCIAL INSTRUMENTS (CONT'D)**

## 29.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

**(a) Market Risk (Cont'd)****(i) Foreign Currency Risk (Cont'd)**

The Group's exposure to foreign currency risk (a currency which is other than the functional currency of the entities within the Group) based on the carrying amounts of the financial instruments at the end of the reporting period is summarised below:

*Foreign Currency Exposure*

	USD RM	SGD RM	RMB RM	RM RM	Total RM
<b>Audited</b>					
<b>31.12.2020</b>					
<u>Financial Assets</u>					
Trade receivables	118,346	-	100,705	5,278,156	5,497,207
Other receivables	-	-	-	71,786	71,786
Fixed deposits with licensed banks	-	-	-	515,384	515,384
Cash and bank balances	42,067	-	-	655,189	697,256
	<u>160,413</u>	<u>-</u>	<u>100,705</u>	<u>6,520,515</u>	<u>6,781,633</u>

## 14. ACCOUNTANTS' REPORT (CONT'D)

### 29. FINANCIAL INSTRUMENTS (CONT'D)

#### 29.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

##### (a) Market Risk (Cont'd)

##### (i) Foreign Currency Risk (Cont'd)

The Group's exposure to foreign currency risk (a currency which is other than the functional currency of the entities within the Group) based on the carrying amounts of the financial instruments at the end of the reporting period is summarised below:

##### *Foreign Currency Exposure (Cont'd)*

	USD RM	SGD RM	RMB RM	RM RM	Total RM
<u>Financial Liabilities</u>					
Term loans	-	-	-	(1,098,729)	(1,098,729)
Trade payables	(5,362)	(18,101)	-	(891,024)	(914,487)
Other payables and accruals	-	-	-	(469,532)	(469,532)
Bank overdrafts	-	-	-	(13)	(13)
	(5,362)	(18,101)	-	(2,459,298)	(2,482,761)
Net financial assets/(liabilities)	155,051	(18,101)	100,705	4,061,217	4,298,872
Less: Net financial assets denominated in the respective entities functional currencies	-	-	-	(4,061,217)	(4,061,217)
Currency Exposure	155,051	(18,101)	100,705	-	237,655

**14. ACCOUNTANTS' REPORT (CONT'D)****29. FINANCIAL INSTRUMENTS (CONT'D)**

## 29.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

**(a) Market Risk (Cont'd)****(i) Foreign Currency Risk (Cont'd)**

The Group's exposure to foreign currency risk (a currency which is other than the functional currency of the entities within the Group) based on the carrying amounts of the financial instruments at the end of the reporting period is summarised below:

*Foreign Currency Exposure (Cont'd)*

	USD RM	SGD RM	RMB RM	RM RM	Total RM
<b>Audited</b>					
<b>31.12.2021</b>					
<u>Financial Assets</u>					
Trade receivables	-	-	-	7,238,674	7,238,674
Other receivables	135,603	-	-	485,269	620,872
Fixed deposits with licensed banks	-	-	-	523,989	523,989
Cash and bank balances	2,570	-	-	1,617,985	1,620,555
	<u>138,173</u>	<u>-</u>	<u>-</u>	<u>9,865,917</u>	<u>10,004,090</u>



## 14. ACCOUNTANTS' REPORT (CONT'D)

### 29. FINANCIAL INSTRUMENTS (CONT'D)

#### 29.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

##### (a) Market Risk (Cont'd)

##### (i) Foreign Currency Risk (Cont'd)

The Group's exposure to foreign currency risk (a currency which is other than the functional currency of the entities within the Group) based on the carrying amounts of the financial instruments at the end of the reporting period is summarised below:

##### *Foreign Currency Exposure (Cont'd)*

	USD RM	SGD RM	RMB RM	RM RM	Total RM
<u>Financial Liabilities</u>					
Hire purchase payables	-	-	-	(294,908)	(294,908)
Term loans	-	-	-	(991,921)	(991,921)
Trade payables	(20,471)	(114,460)	-	(1,054,881)	(1,189,812)
Other payables and accruals	-	-	-	(367,558)	(367,558)
Bank overdrafts	-	-	-	(11)	(11)
	(20,471)	(114,460)	-	(2,709,279)	(2,844,210)
Net financial assets/(liabilities)	117,702	(114,460)	-	7,156,638	7,159,880
Less: Net financial assets denominated in the respective entities functional currencies	-	-	-	(7,156,638)	(7,156,638)
Currency Exposure	117,702	(114,460)	-	-	3,242

**14. ACCOUNTANTS' REPORT (CONT'D)****29. FINANCIAL INSTRUMENTS (CONT'D)**

## 29.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

**(a) Market Risk (Cont'd)****(i) Foreign Currency Risk (Cont'd)**

The Group's exposure to foreign currency risk (a currency which is other than the functional currency of the entities within the Group) based on the carrying amounts of the financial instruments at the end of the reporting period is summarised below:

*Foreign Currency Exposure (Cont'd)*

	RM	RM	RM	RM	RM
<b>Audited</b>					
<b>31.12.2022</b>					
<u>Financial Assets</u>					
Trade receivables	-	-	-	7,488,655	7,488,655
Other receivables	-	-	-	74,292	74,292
Fixed deposits with licensed banks	-	-	-	532,740	532,740
Cash and bank balances	2,419	-	-	1,448,721	1,451,140
	2,419	-	-	9,544,408	9,546,827

## 14. ACCOUNTANTS' REPORT (CONT'D)

### 29. FINANCIAL INSTRUMENTS (CONT'D)

#### 29.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

##### (a) Market Risk (Cont'd)

##### (i) Foreign Currency Risk (Cont'd)

The Group's exposure to foreign currency risk (a currency which is other than the functional currency of the entities within the Group) based on the carrying amounts of the financial instruments at the end of the reporting period is summarised below:

*Foreign Currency Exposure (Cont'd)*

	RM	RM	RM	RM	RM
<u>Financial Liabilities</u>					
Hire purchase payables	-	-	-	(243,885)	(243,885)
Term loans	-	-	-	(817,669)	(817,669)
Trade payables	(484,051)	(23,727)	-	(943,033)	(1,450,811)
Other payables and accruals	-	-	-	(385,734)	(385,734)
Bank overdrafts	-	-	-	(536)	(536)
	(484,051)	(23,727)	-	(2,390,857)	(2,898,635)
Net financial (liabilities)/assets	(481,632)	(23,727)	-	7,153,551	6,648,192
Less: Net financial assets denominated in the respective entities functional currencies	-	-	-	(7,153,551)	(7,153,551)
Currency Exposure	(481,632)	(23,727)	-	-	(505,359)

## 14. ACCOUNTANTS' REPORT (CONT'D)

### 29. FINANCIAL INSTRUMENTS (CONT'D)

#### 29.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

##### (a) Market Risk (Cont'd)

##### (i) Foreign Currency Risk (Cont'd)

The Group's exposure to foreign currency risk (a currency which is other than the functional currency of the entities within the Group) based on the carrying amounts of the financial instruments at the end of the reporting period is summarised below:

##### *Foreign Currency Exposure (Cont'd)*

	RM	RM	RM	RM	RM
<b>Audited</b>					
<b>30.9.2023</b>					
<u>Financial Assets</u>					
Trade receivables	-	-	-	9,671,179	9,671,179
Other receivables	-	-	-	19,233	19,233
Fixed deposits with licensed banks	-	-	-	537,109	537,109
Cash and bank balances	2,585	-	-	1,226,652	1,229,237
	<u>2,585</u>	<u>-</u>	<u>-</u>	<u>11,454,173</u>	<u>11,456,758</u>

## 14. ACCOUNTANTS' REPORT (CONT'D)

### 29. FINANCIAL INSTRUMENTS (CONT'D)

#### 29.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

##### (a) Market Risk (Cont'd)

##### (i) Foreign Currency Risk (Cont'd)

The Group's exposure to foreign currency risk (a currency which is other than the functional currency of the entities within the Group) based on the carrying amounts of the financial instruments at the end of the reporting period is summarised below:

##### *Foreign Currency Exposure (Cont'd)*

	RM	RM	RM	RM	RM
<u>Financial Liabilities</u>					
Hire purchase payables	-	-	-	(200,068)	(200,068)
Term loans	-	-	-	(688,909)	(688,909)
Trade payables	(765,605)	(7,202)	-	(706,742)	(1,479,549)
Other payables and accruals	-	-	-	(583,080)	(583,080)
Bank overdrafts	-	-	-	(298)	(298)
	(765,605)	(7,202)	-	(2,179,097)	(2,951,904)
Net financial (liabilities)/assets	(763,020)	(7,202)	-	9,275,076	8,504,854
Less: Net financial assets denominated in the respective entities functional currencies	-	-	-	(9,275,076)	(9,275,076)
Currency Exposure	(763,020)	(7,202)	-	-	(770,222)

**14. ACCOUNTANTS' REPORT (CONT'D)****29. FINANCIAL INSTRUMENTS (CONT'D)**

## 29.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

**(a) Market Risk (Cont'd)**

## (i) Foreign Currency Risk (Cont'd)

*Foreign Currency Risk Sensitivity Analysis*

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies at the end of the reporting period, with all other variables held constant:-

	Audited 31.12.2020 RM	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 30.9.2023 RM
<b>Effects on Profit After Taxation</b>				
USD/RM - strengthened by 5%	5,892	4,473	(18,302)	(28,995)
- weakened by 5%	(5,892)	(4,473)	18,302	28,995
SGD/RM - strengthened by 5%	(688)	(4,349)	(902)	(274)
- weakened by 5%	688	4,349	902	274
RMB/RM - strengthened by 5%	3,827	-	-	-
- weakened by 5%	(3,827)	-	-	-

## 14. ACCOUNTANTS' REPORT (CONT'D)

### 29. FINANCIAL INSTRUMENTS (CONT'D)

#### 29.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

##### (a) Market Risk (Cont'd)

##### (ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from long-term borrowings with variable rates. The Group's policy is to obtain the most favourable interest rates available and by maintaining a balanced portfolio mix of fixed and floating rate borrowings.

The Group's fixed rate receivables and borrowings are carried at amortised cost. Therefore, they are not subject to interest rate risk as defined in MFRS 7 since neither their carrying amounts nor their future cash flows will fluctuate because of a change in market interest rates.

The Group's exposure to interest rate risk based on the carrying amounts of the financial instruments at the end of the reporting period are disclosed in Notes 12 and 16 to the combined financial statements.

##### *Interest Rate Risk Sensitivity Analysis*

The following table details the sensitivity analysis to a reasonably possible change in the interest rates at the end of the reporting period, with all other variables held constant:-

	<b>Audited</b> <b>31.12.2020</b> RM	<b>Audited</b> <b>31.12.2021</b> RM	<b>Audited</b> <b>31.12.2022</b> RM	<b>Audited</b> <b>30.9.2023</b> RM
<b>Effects on Profit After Taxation</b>				
Increase of 100 basis points	(8,350)	(7,539)	(6,218)	(5,238)
Decrease of 100 basis points	8,350	7,539	6,218	5,238

**14. ACCOUNTANTS' REPORT (CONT'D)****29. FINANCIAL INSTRUMENTS (CONT'D)****29.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)****(a) Market Risk (Cont'd)****(iii) Equity Price Risk**

The Group does not have any quoted investments and hence, is not exposed to equity price risk.

**(b) Credit Risk**

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

**(i) Credit Risk Concentration Profile**

The Group's major concentration of credit risk relates to the amounts owing by five (5) (31.12.2022 - five (5); 31.12.2021 - five (5); 31.12.2020 - five (5)) customers which constituted approximately 62% (31.12.2022 - 70%; 31.12.2021 - 41%; 31.12.2020 - 58%) of its trade receivables at the end of the reporting period.

**(ii) Exposure to Credit Risk**

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the combined statements of financial position of the Group after deducting any allowance for impairment losses (where applicable).

**(iii) Assessment of Impairment Losses**

The Group has an informal credit policy in place and exposure to credit risk is monitored on an on-going basis through periodic review of the ageing of the trade receivables. The Group closely monitors the trade receivables' financial strength to reduce the risk of loss.

At each reporting date, the Group assesses whether any of the financial assets at amortised cost are credit impaired.

The gross carrying amounts of financial assets are written off against the associated impairment, if any, when there is no reasonable expectation of recovery despite the fact that they are still subject to enforcement activities.



**14. ACCOUNTANTS' REPORT (CONT'D)****29. FINANCIAL INSTRUMENTS (CONT'D)**

## 29.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

**(b) Credit Risk (Cont'd)**

## (iii) Assessment of Impairment Losses (Cont'd)

A financial asset is credit impaired when any of following events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred:

- Significant financial difficult of the receivable;
- A breach of contract, such as a default or past due event;
- Restructuring of a debt in relation to the receivable's financial difficulty;
- It is becoming probable that the receivable will enter bankruptcy or other financial reorganisation.

The Group considers a receivable to be in default when the receivable is unlikely to repay its debt to the Group in full or is more than 90 days past due.

Trade Receivables

The Group applies the simplified approach to measure expected credit losses using a lifetime expected credit loss allowance for all trade receivables.

*Inputs, Assumptions and Techniques used for Estimating Impairment Losses*

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The Group measures the expected credit losses of certain major customers, trade receivables that are credit impaired and trade receivables with a high risk of default on individual basis.

The expected loss rates are based on the payment profiles of sales over a period of 12 months and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle their debts.

There are no significant changes in the estimation and assumptions as compared to the previous financial year.

For construction contracts, the Group assessed the expected credit loss of each customer individually based on their financial information and past trends of payments as there are only a few customers. All of these customers have a low risk of default as they have a strong capacity to meet their debts.

**14. ACCOUNTANTS' REPORT (CONT'D)****29. FINANCIAL INSTRUMENTS (CONT'D)**

## 29.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

**(b) Credit Risk (Cont'd)**

## (iii) Assessment of Impairment Losses (Cont'd)

Trade Receivables (Cont'd)*Allowance of Impairment Losses*

<b>Audited</b>	<b>Gross Amount RM</b>	<b>Individual Impairment RM</b>	<b>Collective Impairment RM</b>	<b>Carrying Amount RM</b>
<b>31.12.2020</b>				
Current (not past due)	3,446,797	-	(5,973)	3,440,824
1 to 30 days past due	618,687	-	(3,221)	615,466
31 to 60 days past due	355,766	-	(2,822)	352,944
61 to 90 days past due	72,552	-	(1,305)	71,247
More than 90 days	1,085,052	-	(68,326)	1,016,726
Credit impaired	340,982	(340,982)	-	-
<b>Trade receivables</b>	<b>5,919,836</b>	<b>(340,982)</b>	<b>(81,647)</b>	<b>5,497,207</b>
<b>31.12.2021</b>				
Current (not past due)	3,340,482	-	(1,371)	3,339,111
1 to 30 days past due	1,068,825	-	(8,938)	1,059,887
31 to 60 days past due	372,117	-	(4,416)	367,701
61 to 90 days past due	302,081	-	(7,021)	295,060
More than 90 days	2,347,031	-	(170,116)	2,176,915
Credit impaired	347,992	(347,992)	-	-
<b>Trade receivables</b>	<b>7,778,528</b>	<b>(347,992)</b>	<b>(191,862)</b>	<b>7,238,674</b>

**14. ACCOUNTANTS' REPORT (CONT'D)****29. FINANCIAL INSTRUMENTS (CONT'D)**

## 29.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

**(b) Credit Risk (Cont'd)**

## (iii) Assessment of Impairment Losses (Cont'd)

Trade Receivables (Cont'd)*Allowance of Impairment Losses (Cont'd)*

<b>Audited</b>	Gross Amount RM	Individual Impairment RM	Collective Impairment RM	Carrying Amount RM
<b>31.12.2022</b>				
Current (not past due)	5,047,170	-	(49,261)	4,997,909
1 to 30 days past due	704,269	-	(5,602)	698,667
31 to 60 days past due	845,234	-	(17,538)	827,696
61 to 90 days past due	155,044	-	(7,956)	147,088
More than 90 days	862,446	-	(45,151)	817,295
Credit impaired	696,768	(696,768)	-	-
<b>Trade receivables</b>	<b>8,310,931</b>	<b>(696,768)</b>	<b>(125,508)</b>	<b>7,488,655</b>
<b>30.9.2023</b>				
Current (not past due)	7,712,098	-	(22,973)	7,689,125
1 to 30 days past due	1,057,144	-	(9,682)	1,047,462
31 to 60 days past due	460,152	-	(7,287)	452,865
61 to 90 days past due	61,050	-	(2,611)	58,439
More than 90 days	997,313	-	(574,025)	423,288
Credit impaired	598,826	(598,826)	-	-
<b>Trade receivables</b>	<b>10,886,583</b>	<b>(598,826)</b>	<b>(616,578)</b>	<b>9,671,179</b>

The movements in the loss allowances in respect of trade receivables is disclosed in Note 7 to the combined financial statements.

**14. ACCOUNTANTS' REPORT (CONT'D)**

---

**29. FINANCIAL INSTRUMENTS (CONT'D)**

## 29.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

**(b) Credit Risk (Cont'd)**

## (iii) Assessment of Impairment Losses (Cont'd)

Other Receivables and Amount Owing by A Related Party (Non-trade balance)

The Group applies the 3-stage general approach to measuring expected credit losses for its other receivables.

Under this approach, loss allowance is measured on either 12-month expected credit losses or lifetime expected credit losses, by considering the likelihood that the receivable would not be able to repay during the contractual period (probability of default, PD), the percentage of contractual cash flows that will not be collected if default happens (loss given default, LGD) and the outstanding amount that is exposed to default risk (exposure at default, EAD).

In deriving the PD and LGD, the Group considers the receivable's past payment status and its financial condition as at the reporting date. The PD is adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the receivable to settle its debts.

*Allowance for Impairment Losses*

No expected credit loss is recognised on other receivables as it is negligible.

Fixed Deposits with Licensed Banks, Cash and Bank Balances

The Group considers the licensed banks have low credit risks. In addition, some of the bank balances are insured by Government agencies. Therefore, the Group is of the view that the loss allowance is immaterial and hence, it is not provided for.

**[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]**

**14. ACCOUNTANTS' REPORT (CONT'D)****29. FINANCIAL INSTRUMENTS (CONT'D)**

## 29.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

**(c) Liquidity Risk**

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

*Maturity Analysis*

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

<b>Audited</b>	Weighted Average Effective Interest Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 - 5 Years RM	Over 5 Years RM
<b>31.12.2020</b>						
<u>Non-derivative Financial Liabilities</u>						
Hire purchase payables	-	-	-	-	-	-
Term loans	3.60 - 4.67	1,098,729	1,233,803	227,952	892,846	113,005
Bank overdrafts	6.10 - 7.17	13	13	13	-	-
Trade payables	-	914,487	914,487	914,487	-	-
Other payables and accruals	-	469,532	469,532	469,532	-	-
		2,482,761	2,617,835	1,611,984	892,846	113,005

## 14. ACCOUNTANTS' REPORT (CONT'D)

### 29. FINANCIAL INSTRUMENTS (CONT'D)

#### 29.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

##### (c) Liquidity Risk (Cont'd)

##### *Maturity Analysis (Cont'd)*

Audited	Weighted Average Effective Interest Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 - 5 Years RM	Over 5 Years RM
<b>31.12.2021</b>						
<u>Non-derivative Financial Liabilities</u>						
Hire purchase payables	4.18	294,908	325,138	67,359	257,779	-
Term loans	3.35 - 3.56	991,921	1,122,869	209,441	800,681	112,747
Bank overdrafts	3.60 - 6.95	11	11	11	-	-
Trade payables	-	1,189,812	1,189,812	1,189,812	-	-
Other payables and accruals	-	367,558	367,558	367,558	-	-
		2,844,210	3,005,388	1,834,181	1,058,460	112,747

**14. ACCOUNTANTS' REPORT (CONT'D)**

**29. FINANCIAL INSTRUMENTS (CONT'D)**

29.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) **Liquidity Risk (Cont'd)**

*Maturity Analysis (Cont'd)*

<b>Audited</b>	Weighted Average Effective Interest Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 - 5 Years RM	Over 5 Years RM
<b>31.12.2022</b>						
<u>Non-derivative Financial Liabilities</u>						
Hire purchase payables	4.18	243,885	267,316	69,276	198,040	-
Term loans	3.30 - 3.50	817,669	913,619	227,952	578,550	107,117
Bank overdrafts	7.10 - 7.40	536	536	536	-	-
Trade payables	-	1,450,811	1,450,811	1,450,811	-	-
Other payables and accruals	-	385,734	385,734	385,734	-	-
		<b>2,898,635</b>	<b>3,018,016</b>	<b>2,134,309</b>	<b>776,590</b>	<b>107,117</b>

**14. ACCOUNTANTS' REPORT (CONT'D)****29. FINANCIAL INSTRUMENTS (CONT'D)**

## 29.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

**(c) Liquidity Risk (Cont'd)***Maturity Analysis (Cont'd)*

<b>Audited</b>	Weighted Average Effective Interest Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 - 5 Years RM	Over 5 Years RM
<b>30.9.2023</b>						
<u>Non-derivative Financial Liabilities</u>						
Hire purchase payables	4.18	200,068	215,359	69,276	146,083	-
Term loans	3.50 - 4.55	688,909	737,432	228,828	397,004	111,600
Bank overdrafts	7.10 - 7.40	298	298	298	-	-
Trade payables	-	1,479,549	1,479,549	1,479,549	-	-
Other payables and accruals	-	583,080	583,080	583,080	-	-
		2,951,904	3,015,718	2,361,031	543,087	111,600



**14. ACCOUNTANTS' REPORT (CONT'D)****29. FINANCIAL INSTRUMENTS (CONT'D)****29.2 CAPITAL RISK MANAGEMENT**

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support its businesses and maximise shareholders value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio that complies with debt covenants and regulatory, if any. The debt-to-equity ratio is calculated as net debt divided by total equity. The Group includes within net debt, loans and borrowings from financial institutions less cash and cash equivalents. Capital includes equity attributable to the owners of the parent and non-controlling interest. The debt-to-equity ratio of the Group at the end of the reporting period was as follows:-

	<b>Audited</b> <b>31.12.2020</b> RM	<b>Audited</b> <b>31.12.2021</b> RM	<b>Audited</b> <b>31.12.2022</b> RM	<b>Audited</b> <b>30.9.2023</b> RM
Hire purchase payables	-	294,908	243,885	200,068
Term loans	1,098,729	991,921	817,669	688,909
Bank overdrafts	13	11	536	298
	<u>1,098,742</u>	<u>1,286,840</u>	<u>1,062,090</u>	<u>889,275</u>
Less: Fixed deposits with licensed banks	(515,384)	(523,989)	(532,740)	(537,109)
Less: Cash and bank balances	(697,256)	(1,620,555)	(1,451,140)	(1,229,237)
Net debt	<u>(113,898)</u>	<u>(857,704)</u>	<u>(921,790)</u>	<u>(877,071)</u>
Total equity	<u>14,179,027</u>	<u>16,403,606</u>	<u>15,257,618</u>	<u>18,665,359</u>
Debt-to-equity ratio	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>(0.05)</u>

There was no change in the Group's approach to capital management during the financial year.

**14. ACCOUNTANTS' REPORT (CONT'D)****29. FINANCIAL INSTRUMENTS (CONT'D)**

## 29.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	Audited 31.12.2020 RM	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 30.9.2023 RM
<b>Financial Assets</b>				
<u>Amortised Cost</u>				
Trade receivables	5,497,207	7,238,674	7,488,655	9,671,179
Other receivables	71,786	620,872	74,292	19,233
Fixed deposits with licensed banks	515,384	523,989	532,740	537,109
Cash and bank balances	697,256	1,620,555	1,451,140	1,229,237
	<u>6,781,633</u>	<u>10,004,090</u>	<u>9,546,827</u>	<u>11,456,758</u>
<b>Financial Liabilities</b>				
<u>Amortised Cost</u>				
Hire purchase payables	-	294,908	243,885	200,068
Term loans	1,098,729	991,921	817,669	688,909
Bank overdraft	13	11	536	298
Trade payables	914,487	1,189,812	1,450,811	1,479,549
Other payables and accruals	469,532	367,558	385,734	583,080
	<u>2,482,761</u>	<u>2,844,210</u>	<u>2,898,635</u>	<u>2,951,904</u>

## 14. ACCOUNTANTS' REPORT (CONT'D)

### 29. FINANCIAL INSTRUMENTS (CONT'D)

#### 29.4 GAINS OR LOSSES ARISING FROM FINANCIAL INSTRUMENTS

	Audited 1.1.2020 to 31.12.2020 RM	Audited 1.1.2021 to 31.12.2021 RM	Audited 1.1.2022 to 31.12.2022 RM	Audited 1.1.2023 to 30.9.2023 RM
<b>Financial Assets</b>				
<u>Amortised Cost</u>				
Net gains recognised in profit or loss	23,423	8,605	8,751	-
<b>Financial Liabilities</b>				
<u>Amortised Cost</u>				
Net losses recognised in profit or loss	(81,297)	(32,812)	(47,913)	(51,229)

## 14. ACCOUNTANTS' REPORT (CONT'D)

### 29. FINANCIAL INSTRUMENTS (CONT'D)

#### 29.5 FAIR VALUE INFORMATION

The fair values of the financial assets and financial liabilities of the Group which are maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments or repayable on demand terms.

The following table sets out the fair value profile of financial instruments that are carried at fair value and those not carried at fair value at the end of the reporting period:-

	Fair Value of Financial Instruments Carried at Fair Value			Fair Value of Financial Instruments Not Carried at Fair Value			Total Fair Value RM	Carrying Amount RM
	Level 1 RM	Level 2 RM	Level 3 RM	Level 1 RM	Level 2 RM	Level 3 RM		
<b>Audited</b>								
<b>31.12.2020</b>								
<u>Financial Liabilities</u>								
Term loans:								
- floating rate	-	-	-	-	1,098,729	-	1,098,729	1,098,729
Bank overdrafts:								
- floating rate	-	-	-	-	13	-	13	13
<hr/>								
<b>Audited</b>								
<b>31.12.2021</b>								
<u>Financial Liabilities</u>								
Term loans:								
- floating rate	-	-	-	-	991,921	-	991,921	991,921
Bank overdrafts:								
- floating rate	-	-	-	-	11	-	11	11
<hr/>								

## 14. ACCOUNTANTS' REPORT (CONT'D)

### 29. FINANCIAL INSTRUMENTS (CONT'D)

#### 29.5 FAIR VALUE INFORMATION (CONT'D)

The following table sets out the fair value profile of financial instruments that are carried at fair value and those not carried at fair value at the end of the reporting period:- (Cont'd)

<b>Audited</b>	Fair Value of Financial Instruments Carried at Fair Value			Fair Value of Financial Instruments Not Carried at Fair Value			Total Fair Value RM	Carrying Amount RM
	Level 1 RM	Level 2 RM	Level 3 RM	Level 1 RM	Level 2 RM	Level 3 RM		
<b>31.12.2022</b>								
<u>Financial Liabilities</u>								
Term loans:								
- floating rate	-	-	-	-	817,669	-	817,669	817,669
Bank overdrafts:								
- floating rate	-	-	-	-	536	-	536	536
<hr/>								
<b>Audited</b>								
<b>30.9.2023</b>								
<u>Financial Liabilities</u>								
Term loans:								
- floating rate	-	-	-	-	688,909	-	688,909	688,909
Bank overdrafts:								
- floating rate	-	-	-	-	298	-	298	298
<hr/>								

**14. ACCOUNTANTS' REPORT (CONT'D)****29. FINANCIAL INSTRUMENTS (CONT'D)**

## 29.5 FAIR VALUE INFORMATION (CONT'D)

**Fair Value of Financial Instruments Not Carried at Fair Value**

The fair values, which are for disclosure purposes, have been determined using the following basis:-

- (i) The fair value of the Group's term loans that carry floating interest rates approximated their carrying amounts as they are repriced to market interest rates on or near the reporting date.
- (ii) The fair value of hire purchase payables that carry fixed interest rates are determined by discounting the relevant future contractual cash flows using current market interest rates for similar instruments at the end of the reporting period. The interest rates used to discount the estimated cash flows are as follows:-

	<b>Audited</b> <b>31.12.2020</b>	<b>Audited</b> <b>31.12.2021</b>	<b>Audited</b> <b>31.12.2022</b>	<b>Audited</b> <b>30.9.2023</b>
	RM	RM	RM	RM
	%	%	%	%
Hire purchase payables	-	4.18	4.18	4.18
Term loans	3.60 - 4.67	3.35 - 3.56	3.30 - 3.50	3.50 - 4.55
Bank overdrafts	6.10 - 7.17	3.60 - 6.95	7.10 - 7.40	7.10 - 7.40

**14. ACCOUNTANTS' REPORT (CONT'D)**

---

**30. SIGNIFICANT EVENT OCCURRING AFTER THE REPORTING PERIOD**

- (a) SDCG was incorporated on 25 April 2023 to embark on the listing and quotation of its entire enlarged share capital on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities").

On 11 August 2023, SDCG entered into a conditional share sales agreement ("SSA") to acquire the entire issued share capital of Solar District Cooling Sdn. Bhd. ("SDC") of RM1,000,000 comprising 1,000,000 ordinary shares from its existing shareholders for a purchase consideration of RM15,257,618. The said purchase consideration will be fully satisfied by the issuance of 305,152,360 new ordinary shares of the Company at an issue price of RM0.05 per share, which will be issued to the shareholders of SDC, namely to Edison Kong and Eileen Liuk.

The completion of the SSA is conditional upon certain conditions precedent being obtained/fulfilled/waived, which includes the approval of Bursa Malaysia Securities Berhad for the admission of the share capital of SDCG to official list of Bursa Malaysia Securities Berhad for its listing.

**[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]**

**14. ACCOUNTANTS' REPORT (CONT'D)**

---

**STATEMENT BY DIRECTORS**

We, Kong Kam Onn and Liuk Ing Hong, being two of the directors of Solar District Cooling Group Berhad, state that, in our opinion, the combined financial statements set out on pages 4 to 95 are drawn up in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the Prospectus Guidelines issued by the Securities Commission Malaysia so as to give a true and fair view of the combined financial position of the Group as of 31 December 2020, 31 December 2021, 31 December 2022 and 30 September 2023 and of its combined financial performance and its combined cash flows for the financial years then ended 31 December 2020, 31 December 2021, 31 December 2022 and for the financial period ended 30 September 2023.

Signed in accordance with a resolution of the directors dated 04 DEC 2023



Kong Kam Onn



Liuk Ing Hong