

3. PROSPECTUS SUMMARY

This Prospectus summary only highlights the key information from other parts of this Prospectus. It does not contain all of the information that may be important to you. You should read and understand the contents of the whole Prospectus prior to deciding whether to invest in our Shares.

3.1 PRINCIPAL DETAILS OF OUR IPO

Our Public Issue of 118,670,000 Shares, representing approximately 28.00% of our enlarged number of issued Shares, at the IPO Price of RM[●] per IPO Share. A summary of our IPO Shares to be allocated under our IPO is as follows:

Number of Shares to be offered under the Public Issue	118,670,000
- <i>Malaysian Public via balloting</i>	21,192,000
- <i>Eligible Persons</i>	21,192,000
- <i>Private placement to selected investors</i>	72,286,000
Enlarged issued share capital upon Listing	423,822,460
Enlarged issued share capital (RM)	[●]
IPO Price per Share (RM)	[●]
Market capitalisation upon Listing (based on the IPO Price and enlarged number of issued shares after our Listing) (RM)	[●]

Please refer to Section 4 of this Prospectus for further details of our IPO.

A moratorium will be imposed on the sale, transfer or assignment of our Shares held by our Specified Shareholders. Further details of the moratorium on our Shares are set out in Section 2.2 of this Prospectus.

3.2 OUR GROUP AND PRINCIPAL ACTIVITIES

Our Company was incorporated in Malaysia under the Act on 25 April 2023 as a private limited company under the name of Solar District Cooling Group Sdn Bhd. On 25 July 2023, our Company was converted into a public limited company and we assumed our present name.

Our principal place of business and principal market is in Malaysia. Our Company is principally an investment holding company and through our subsidiaries, we are principally involved in the following business segments:

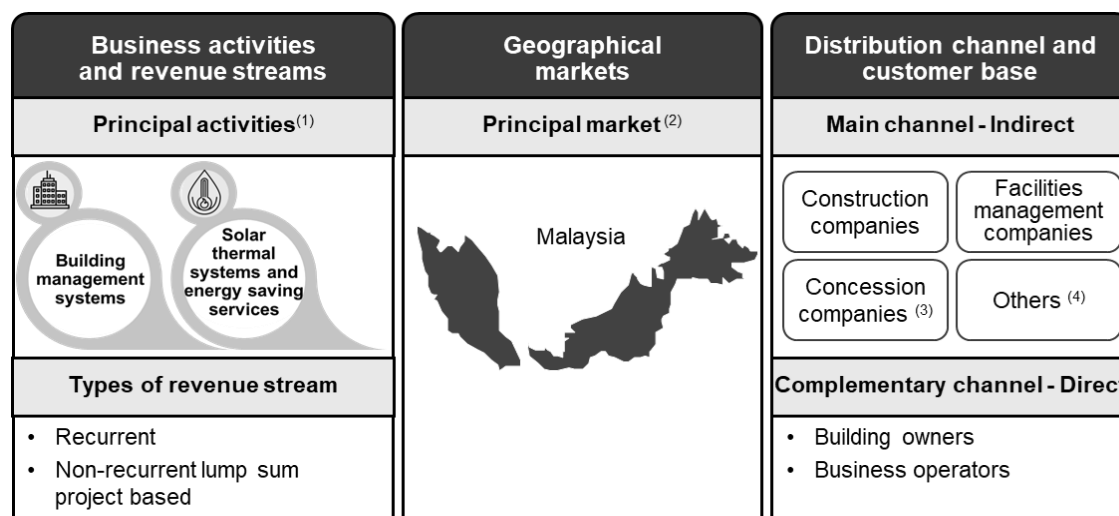
Company	Principal activities
Subsidiary of the Company:	
SDC	Provision and maintenance of building management systems, solar thermal systems and other energy services.
Subsidiary of SDC:	
KED	Mechanical and electrical works, and project management services.

Our operation is located at Wisma SDC, No. 25, Jalan Kajang Perdana 3/2, Taman Kajang Perdana, 43000 Kajang, Selangor.

3. PROSPECTUS SUMMARY (CONT'D)

3.3 BUSINESS MODEL

Our business model during the FY Under Review and FP 2023 is depicted in the following diagram:



Notes:

- (1) Other activities include maintenance of other systems and equipment comprising gas fired chillers and chilled water system. We secured a contract to provide maintenance of chilled water system in FP 2023.
- (2) Malaysia accounted for 97.45%, 98.94%, 99.67% and 99.15% of our total revenue for the FY 2020, FY 2021, FY 2022 and FP 2023, respectively. The remainder of our revenue was from Singapore for FY 2020 and FY 2021, and Brunei for FY 2022 and FP 2023.
- (3) Refers to the companies that have been awarded concessions to provide public hospital support services.
- (4) Others mainly include engineering companies, mechanical and engineering contractors, and interior designers.

We are principally involved in the provision and maintenance of BMS, solar thermal systems and energy saving services. We also provide maintenance services for other systems and equipment.

(i) BMS

Our BMS focus on systems integration of building facilities to provide automation, energy saving services as well as centralising the management of the building facilities such as centralised air conditioning, lighting, elevator, escalator, electrical, communication devices, process utilities, security and building access. Commonly, these are linked to an on-site centralised control room within the building, and in some cases, these facilities are also connected to our command and control centre at our Headquarters in Kajang, Selangor. BMS accounted for 73.94%, 51.47%, 67.88% and 72.68% of our total revenue for FY 2020, FY 2021, FY 2022 and FP 2023 respectively.

Within this business segment, we are involved in the following:

- (a) Systems integration of BMS; and
- (b) Maintenance of BMS

3. PROSPECTUS SUMMARY (CONT'D)

(ii) Solar thermal systems and energy saving services

Our solar thermal systems and energy saving services focus on solar thermal hot water system, mainly for heavy users of hot water such as hospitals, and in some cases, it includes retrofitting fluorescent lighting to use LED lights as a means to reduce fossil fuels and electricity consumption respectively. Our solar thermal hot water system uses sunlight directly to heat water. This segment of our services focuses on helping our customers save on energy which will reduce their carbon footprint of their operations. Solar thermal systems and energy saving services accounted for 19.68%, 45.26%, 29.74% and 25.23% of our total revenue for FY 2020, FY 2021, FY 2022 and FP 2023 respectively.

Our solar thermal systems and energy saving services segment comprises the following:

- (a) Energy performance services;
- (b) Installation of solar thermal hot water systems; and
- (c) Maintenance of solar thermal hot water and cooling systems.

(iii) Maintenance of other systems and equipment

During the FY Under Review and FP 2023, we also provide maintenance of other systems and equipment comprising gas fired chillers, which accounted for 6.38%, 3.27%, 2.38% and 2.09% of our total revenue for FY 2020, FY 2021, FY 2022 and FP 2023 respectively.

During the FP 2023, we secured a contract to provide maintenance services for a chilled water system. We have commenced preliminary work but have not recognised revenue from this project during the FP 2023.

Please refer to Section 7 of this Prospectus for further details of our business activities.

3.4 OUR COMPETITIVE ADVANTAGES AND KEY STRENGTHS

Our competitive advantages and key strengths are as follows:

(i) We have an established track record of approximately 17 years to serve as a reference site for prospective customers

Since the commencement of our business in 2008, we have accumulated a track record of 17 years where we started providing BMS in 2009, solar thermal hot water systems in 2010 and energy performance services in 2019. In addition, we have cultivated long-term business relationships with our customers and this is demonstrated by the fact that 3 out of our top 5 customers for the FY 2022 and FP 2023 have been dealing with us for 5 years or more. Our track record provides us with the platform to serve our existing customers as well as prospective new customers to sustain and grow our business.

(ii) We have two revenue streams from different customer segments to grow our business

We have two revenue streams namely the BMS segment and the solar thermal systems and energy saving services segment.

(iii) Our solar thermal hot water system assists companies to reduce their carbon footprint

Our solar thermal hot water system uses sunlight to directly heat the water while other hot water system uses either diesel, LPG or electricity. LPG and diesel are non-renewable fossil fuels which contribute to greenhouse gas emissions mainly in the form of carbon dioxide.

3. PROSPECTUS SUMMARY (CONT'D)

The use of renewable energy in our solar thermal hot water system would appeal to prospective customers who are seeking to reduce their carbon footprint and improve their responsibilities to the environment.

(iv) We have the technical expertise and certifications to meet our customers' requirements in BMS and solar thermal systems and energy saving services

We have the technical and engineering expertise to meet our customers' requirements in the provision and maintenance of BMS, solar thermal systems and energy saving services. As at the LPD, in addition to our Executive Directors who are engineers, we are supported by engineers in various departments.

In addition, we have the relevant registrations including registration as an Energy Service Company with the Energy Commission Malaysia, Grade 7 contractor and Grade 4 contractor with CIDB, registration with the Ministry of Finance, which demonstrates our capability to meet our customers' requirements.

(v) We have our brands to help facilitate brand awareness and customer loyalty

We have our brands of key equipment and software for BMS including DDC and central controllers manufactured by a third party which are rebranded and marketed under our "Tri-IO" brand. We also have our brand of solar thermal collectors which are manufactured by a third party that is rebranded and marketed under our "SDC" brand.

(vi) We have experienced Directors and key senior management team to grow our business

We have experienced Directors and key senior management team that is headed by our Managing Director, Edison Kong, who brings with him approximately 18 years and 17 years of experience in BMS and renewable energy respectively. He is responsible for the overall strategic direction, growth and development of our Group. He is supported by our Executive Director, Eileen Liuk who brings with her 22 years of experience in sales and marketing.

Please refer to Section 7.5 of this Prospectus for further details of our Competitive Advantages and Key Strengths.

3.5 IMPACT OF THE COVID-19 PANDEMIC

The Government of Malaysia implemented several measures to contain the spread of the COVID-19 pandemic in the country commencing from 18 March 2020. These measures include restrictions on the movement of people within Malaysia and internationally, and restrictions on business, economic and social activities.

Following the implementation of the MCO by the Government of Malaysia, our business operations at our Headquarters were temporarily shut down for 83 days from 18 March 2020 to 9 June 2020. We resumed operations at our Headquarters on 10 June 2020. During FY 2020, there were no material cancellations or suspensions in purchase orders from our customers that were attributed to COVID-19 pandemic.

During FY 2021, we did not experience any material interruptions to our business operations in Malaysia as we continued to operate according to the specified guidelines and SOP including specified workforce capacity during the respective periods. This was reflected in the increase in our revenue by 19.61% to RM17.59 million in FY 2021.

During FY 2022, there were no COVID-19 pandemic interruptions to our business operations in Malaysia and our revenue further increased by RM1.05 million to RM18.65 million in FY 2022.

3. PROSPECTUS SUMMARY (CONT'D)

There were no COVID-19 pandemic interruptions to our business operations in Malaysia in FP 2023. Our revenue for FP 2023 increased by RM6.06 million to RM16.81 million in FP 2023.

Please refer to Sections 7.15.1 and 7.15.2 of this Prospectus for further details of the impact of Covid-19 pandemic on our Group.

3.6 BUSINESS STRATEGIES AND PLANS

Our business strategies and plans will continue to focus on our current core competencies in the provision of BMS and solar thermal systems and energy saving services to grow our business. In addition, we plan to address opportunities in solar PV systems. We intend to implement these business strategies and plans in 2024 and 2026. Our business strategies and plans are as follows:

(i) Expand our Headquarters

Our Headquarters is located on a land area of 4,628 sq. ft., of which the building of our Headquarters stands on 2,983 sq. ft. The remaining 1,645 sq. ft. of the land area is currently vacant.

Ahead of our business expansion plan to focus on our current core competencies in the provision of BMS and solar thermal systems and energy saving services and addressing opportunities in solar photovoltaic (“PV”) systems, we have earmarked RM[●] million from our proceeds for the expansion of our Headquarters on the remaining vacant land, which will increase the built-up area of our existing Headquarters from 8,320 sq. ft. to approximately 13,000 sq. ft.

(ii) Purchase new tools and equipment for our BMS and solar thermal systems and energy saving services

We currently utilise tools and equipment to carry out our systems integration and maintenance of BMS, and installation and maintenance of solar thermal hot water systems (under our energy performance services and as a standalone business activity). We plan to purchase the additional tools, equipment and vehicles to enhance our productivity and service delivery of these business activities.

(iii) Purchasing and subscribing for ICT software and services to improve our business operations

As part of our business strategy, we intend to purchase and subscribe to ICT software and services to improve our ICT resources.

(iv) Address opportunities in solar PV systems

As part of our business strategy, we intend to commence the solar PV system business based on the power purchase agreement (“PPA”) mode of operation. Under this mode of operation, we will enter into a PPA with the customer. We will provide the whole or partial initial capital investment to design, supply, install and maintain the solar PV system at the customer's premises during the contract period. We intend to target prospective customers that wish to reduce electricity costs, as well as reduce the carbon footprint of their operations.

Please refer to Section 7.19 of this Prospectus for further details of our business strategies and plans.

3. PROSPECTUS SUMMARY (CONT'D)

3.7 RISK FACTORS

An investment in our Shares involves a number of risks, many of which are beyond our control. Before deciding to invest in our Shares, you should carefully consider all the information contained in this Prospectus, including the risk factors set out in Section 9 of this Prospectus, the key risks of which have been summarised as follows:

(i) We are dependent on certain major customers

For the FY Under Review and FP 2023, we are dependent on two of our top 5 customers, namely One Medicare Sdn Bhd and Pembinaan Mitrajaya Sdn Bhd as each of these customers accounted for 10.00% or more continuously in each of the FY Under Review and FP 2023.

(ii) Our business and financial performance are dependent on our ability to continually secure new and sizeable projects to ensure the sustainability and growth of our business

The nature of our business comprises project based revenue and ad hoc maintenance services which generate non-recurrent revenue. In addition, we have businesses that generate recurrent revenue including energy performance services and maintenance services. Our business is typically based on competitive bidding or requests for proposals. As such, we have to continually submit bids and proposals to compete against other service providers in order to secure new projects. There is a risk that we may not be able to secure sufficient new and sizeable projects to sustain or grow our business which would materially affect our future financial performance.

(iii) We may face early termination or suspension of our contracts which may adversely affect our financial performance

Our business operations in BMS, solar thermal systems and energy saving services, and maintenance of solar thermal cooling systems and gas fired chillers are based on contractual agreements with customers and these may be terminated or suspended before our specified scope of works are completed. The early termination or suspension of any contracts may adversely affect our financial performance if we are unable to recover our expenses before the termination of the contract as well as foregone potential revenue and profit. The risk of early termination or suspension of our project based contracts may be due, among others, material non-performance of obligations by either party, by court order, insolvency, default of payment by customers, mutual agreement, inability to fulfil the terms and conditions of our contract, or factors beyond our control.

(iv) As our customers' concessions with MOH will be expiring in 2025, we face the risk of not being able to secure any new energy performance service contracts in respect of this group of customers until their concession agreements with MOH are successfully renewed

For the FY Under Review, FP 2023 and up the LPD, we serve customers which comprise companies who are holding concessions for providing public hospital support services in Malaysia. Our customers' concession agreement period for providing public hospital support services with the MOH will expire by March 2025. As at the LPD, we have 6 subsisting energy performance service contracts with such customers where our role is to install new solar thermal hot water systems and integrated with the existing fossil fuel boiler system, and for some contracts, it includes retrofitting the existing fluorescent lighting with LED lighting. As our customers' concession agreements will be expiring by March 2025, there is a risk that our customers would not be seeking to enter into any new energy

3. PROSPECTUS SUMMARY (CONT'D)

performance service contracts until their concession agreements are successfully renewed in 2025.

(v) Our business and financial performance may be affected by increases in the costs of our projects

An increase in the cost of the systems integration of BMS and/or installation of solar thermal hot water systems and/or provision of energy saving and maintenance services may adversely affect our profitability. Increases in costs may be caused by, among others, increases in the costs of labour, equipment, materials, subcontractors' fees and overheads. There is a risk that our profitability may be adversely affected if we are not able to adequately factor in potential price increases of materials and services into our contracts or if we have to absorb any unanticipated cost increases during the duration of our contracts or if we have to incur cost to carry out additional works based on instructions given by the customer which are still pending confirmation of variation order from the customer.

3.8 DIRECTORS AND KEY SENIOR MANAGEMENT

As at the LPD, our Directors and Key Senior Management are as follows:

Name	Designation
<u>Directors</u>	
Ir. Dr. Khairul Azmy Bin Kamaluddin	Independent Non-Executive Chairman
Edison Kong	Non-Independent Managing Director
Eileen Liuk	Non-Independent Executive Director
YM Raja Nor Azlina Binti Raja Azhar	Independent Non-Executive Director
Wong Poh May	Independent Non-Executive Director
Wong Keng Fai	Independent Non-Executive Director
<u>Key Senior Management</u>	
Edison Kong	Non-Independent Managing Director
Eileen Liuk	Non-Independent Executive Director
Ed Kamil Bin Md Bashah	Project Director
Khoirol Suhardi Bin Shaaban	Technical Director
Mohd Hanafy Bin Rasimon	Project Director
Gan Yee Shan	Finance Manager

Please refer to Section 5 of this Prospectus, for further details on our Directors and Key Senior Management.

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3. PROSPECTUS SUMMARY (CONT'D)

3.9 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

The details of our Promoters and Substantial Shareholders and their respective shareholdings in our Company before our IPO (after completion of the Acquisition) and after our IPO are as follows:

Name	Nationality	Before our IPO and after the completion of the Acquisition				After our IPO			
		Direct		Indirect		Direct		Indirect	
		No. of Shares	⁽¹⁾ %	No. of Shares	⁽¹⁾ %	No. of Shares	⁽²⁾ %	No. of Shares	⁽²⁾ %
Promoters and Substantial Shareholders									
Edison Kong	Malaysian	274,637,224	90.00	⁽³⁾ 30,515,236	10.00	274,637,224	64.80	⁽³⁾ 30,515,236	7.20
Eileen Liuk	Malaysian	30,515,236	10.00	⁽⁴⁾ 274,637,224	90.00	30,515,236	7.20	⁽⁴⁾ 274,637,224	64.80

Notes:

- (1) Based on the total number of 305,152,460 Shares before our IPO and after the completion of the Acquisition.*
- (2) Based on the enlarged total number of 423,822,460 Shares after our IPO.*
- (3) Deemed interested by virtue of his spouse, Eileen Liuk's shareholdings pursuant to Section 197 of the Act.*
- (4) Deemed interested by virtue of her spouse, Edison Kong's shareholdings pursuant to Section 197 of the Act.*

Our Promoters and Substantial Shareholders do not have different voting rights from other shareholders of our Company as all our Shares before and after our IPO are of the same class.

Please refer to Section 5.1 of this Prospectus, for further details on our Promoters and Substantial Shareholders.

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3. PROSPECTUS SUMMARY (CONT'D)

3.10 USE OF PROCEEDS

We expect to use the gross proceeds from the Public Issue of approximately RM[●] million in the following manner:

<u>Details of use of proceeds</u>	<u>Section</u>	<u>RM'000</u>	<u>%</u>	<u>Estimated timeframe for the use of proceeds from date of Listing</u>
Expansion of our Headquarters	4.8.1	[●]	[●]	Within 24 months
Tender bonds and/or performance bonds for future projects	4.8.2	[●]	[●]	Within 24 months
Purchase of materials for solar thermal systems and energy saving services	4.8.3	[●]	[●]	Within 24 months
General working capital	4.8.4	[●]	[●]	Within 24 months
Capital Expenditure	4.8.5	[●]	[●]	Within 24 months
Estimated listing expenses	4.8.6	[●]	[●]	Within 3 months
Total		<u>[●]</u>	<u>[●]</u>	

Please refer to Section 4.8 of this Prospectus for further details on our use of proceeds from the Public Issue. There is no minimum subscription in terms of proceeds to be raised from our IPO. Please refer to Section 4.3.4 for more details.

3.11 FINANCIAL HIGHLIGHTS

The key historical information of the audited combined financial statements of SDCG Group for the FY Under Review and FP Under Review are set out below:

	Audited			Unaudited	Audited
	FY 2020	FY 2021	FY 2022	FP 2022	FP 2023
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	14,709	17,594	18,648	10,748	16,806
GP	6,031	9,059	10,678	5,483	9,112
Other income	23	360	41	7	22
PBT	2,761	6,291	6,459	2,391	4,629
PAT attributable to:					
Owners of the Company	1,999	4,217	5,195	2,113	3,408
Non-controlling interests	(15)	8	(11)	(208)	-
	1,984	4,225	5,184	1,905	3,408
GP margin (%)	41.00	51.49	57.26	51.01	54.22
PBT margin (%)	18.77	35.76	34.64	22.25	27.54
PAT margin (%)	13.49	24.01	27.80	17.72	20.28

3. PROSPECTUS SUMMARY (CONT'D)

Further details of the historical financial information relating to our Group are set out in Section 12 of this Prospectus.

3.12 DIVIDEND POLICY

We allow our shareholders to participate in the profits of our Group as well as leaving adequate reserves for the future growth of our Group. Nonetheless, our Company does not have any formal dividend policy.

Our Group's ability to distribute dividends to our shareholders is subject to various factors, such as profits recorded and excess of funds not required to be retained for the working capital of our business. Our ability to declare and pay dividends is subject to the discretion of our Board.

Nevertheless, our Company is a holding company and we conduct substantially all of our operations through our Subsidiaries. Accordingly, an important source of our income and subsequently an important factor in our ability to pay dividends is the amount of dividends and distributions that our Company receives from our Subsidiaries. As such, the ability of our Subsidiaries to pay dividends or make other distributions to our Company in the future will depend on their operating results, earnings, capital requirements, general financial condition and any applicable laws.

The dividends declared and paid by our Group for the FY Under Review and FP 2023 are set out below:

	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FP 2023</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Dividends declared	-	4,000	4,300	-
Dividends paid	-	2,000	6,300 ⁽²⁾	-
PAT	1,984	4,225	5,184	3,408
Dividend payout ratio ⁽¹⁾	-	47.34%	121.53%	-

Notes:

(1) Computed as dividends paid divided by PAT.

(2) Including RM2.00 million of final dividend declared in FY 2021 and RM4.30 million of dividend declared in FY 2022.

Further details of our dividend policy are set out in Section 12.8 of this Prospectus.

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